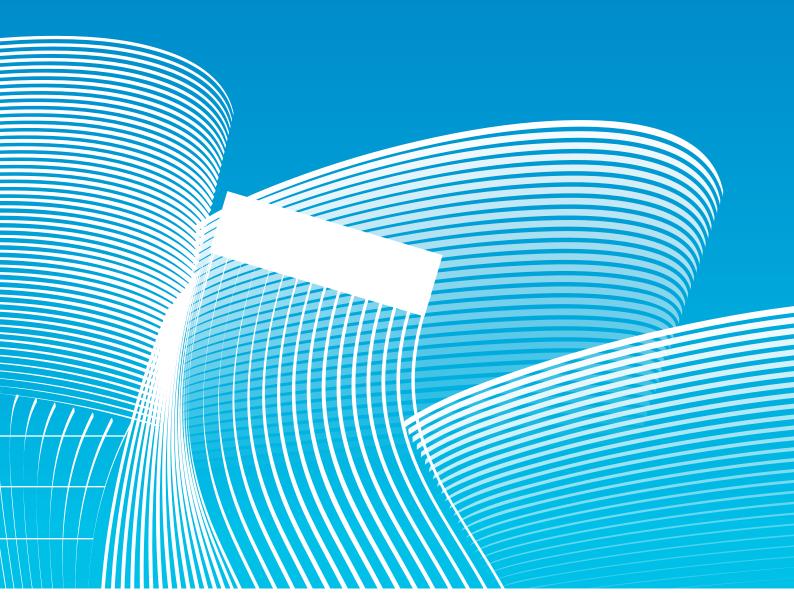
# ANUAL NOTES **2015**



codensa

**Grupo Enel** 



Codensa is part of the Enel Group, a global Corporation positioned to supply open Energy all over the world. Currently, Enel operates in over 30 countries, manages electric energy generation above 89 GW of installed net capacity, and distributes electricity and gas through a Network extending over 1.9 million kilometers.

The Enel Group day after day supplies more reliable and sustainable energy to over 61 million users worldwide and has the largest customer basis in European and Latin American markets. The Enel Group is a major electric energy company in Europe in terms of installed capacity and reported EBITDA.

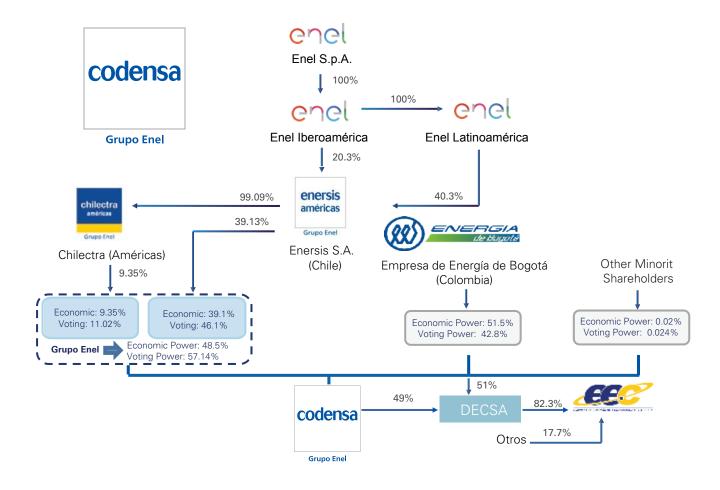
The world is changing. More people have access to powerful technologies than ever before. As supply to the people improves, electric energy must enable them to expand its utilization. That is why Codensa and the Enel Group companies are committed to offering electric energy, technologies, uses and related benefits to more people.

In an increasingly interconnected environment, the Enel Group is working on shaping the future of electric energy.

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## Property Structure



# **Shareholding Structure**

SHAREHOLDER	NUMBER OF SHARES	SHARE
Empresa de Energía de Bogotá S.A. E.S.P.		
Ordinary Shares	48.025.920	
Preferential Shares	20.010.799	
Total Empresa de Energía de Bogotá S.A. E.S.P.	68.036.719	51,506573%
Enersis S.A.	51.685.039	39,127685%
Chilectra S.A.	12.349.522	9,359092%
Minority Stockholders	21.994	0,016650%
TOTAL	132.093.274	100,000000%

# Board of Directors

Seat	Principal	Alternate
First	David Felipe Acosta Correa	Carlos Mario Restrepo Molina
Second	Jose Antonio Vargas Lleras	Leonardo López Vergara
Third	Lucio Rubio Díaz	Juan Manuel Pardo Gómez
Fourth	Ricardo Roa Barragán	Ernesto Moreno Restrepo
Fifth (Independent)	Helga María Rivas Ardila	Jose Alejandro Herrera Lozano
Sixth (Independent)	Orlando Cabrales Martínez	Vicente Noero Arango

CEO	David Felipe Acosta
First Alternate of CEO	Carlos Mario Restrepo Molina
Second Alternate of CEO	Juan Manuel Pardo Gómez

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# Audit Committee

Principal	Alternate
José Antonio Vargas Lleras	Leonardo López Vergara
Ricardo Roa Barragán	Ernesto Moreno Restrepo
Orlando Cabrales Martínez	Vicente Noero Arango
Helga María Rivas Ardila	José Alejandro Herrera Lozano

# Good Governance and Evaluation Committee

Principal	Alternate
Lucio Rubio Díaz	Juan Manuel Pardo Gómez
Ricardo Roa Barragán	Ernesto Moreno Restrepo
José Antonio Vargas Lleras	Leonardo López Vergara

# Corporate Purpose

"The Corporation's main purpose is the distribution and commercialization of electric energy, and the performance of all associated and supplementary activities, and those related to the distribution and commercialization of electric energy, performance of works, designs and electrical engineering consultancy, added to commercialization for the benefit of its clients. The company may also carry out other activities related to the provision of public utility services, at large, manage and operate other utility companies, and enter into and execute special management contracts with other companies, and sale or provide goods and services to other economic agents, in and out of the country related to utilities. It may also participate as partner or shareholder of other utility companies, either directly or as associate, or as part of a consortium. In furtherance of the aforementioned corporate purpose, the company may promote and create establishments or agencies in Colombia or abroad; acquire any type of real or personal property, which can be rented, sold, taxed or provided as warranty; enter into any type of business association or collaboration agreement with individuals or companies to perform activities that are related to, associated with or supplementary to its corporate purpose; develop brands, commercial names, patents, inventions or any other intangible goods, provided they are related to the main corporate purpose; transfer, accept, endorse, collect and pay for any type of securities, negotiable instruments, shares, executive titles and others; participate in public and private tenders; provide to and receive from its shareholders, home offices, affiliates, and third parties cash loans; enter into insurance, transport or joint account contracts with banking and/or financing agencies".

# Letter to Shareholders

#### Dear Shareholders:

We are pleased to present the Company's Results and the most relevant facts of its management in 2015.

The Colombian macroeconomic environment had a good behavior related to the decline of a commodity boom resulting from the low demand in China, which had its lowest growth rate in the last 25 years (6.9%). The good results in Colombia reflected mostly on the evolution of its Gross Domestic Product (GDP), whose growth was 3.2% in January-September 2015, as compared with the same period in 2014. Similarly, the unemployment rate was the lowest in the past 15 years, which was 8.9%. The Colombian GDP growth rate of 3.17% in the third quarter of 2015, vis-à-vis that of 2014, was above rates in other countries in the region (2.6% in Mexico, 2.27% in Chile, -4.45% in Brazil and 2.91% in Peru). Nevertheless, growth projections for Colombia have been revised downwards (2.7% - 3.0%) by the Central Bank's technical team based on the forecast of commodity low prices.

The Consumer Price Index (CPI) varied by 6.77% in 2015, which exceeded by 3.11% the inflation rate in 2014 (3.66%). In view of the accelerated inflation perspective in 2015, the Board of Directors of the Central Bank began raising its intervention interest rate as of September, setting it at 5.75% in December 2015.

In turn, the Producer Price Rate based on internal supply (IPP in Spanish) registered a 9.57% variation in 2015, i.e. 3.24% above the variation rate in 2014, (6.33%), which affects negatively our purchase Price in electric energy contracts, being offset with the positive effect in our revenues, as a portion of the tariff is also indexed as per this indicator.

The market representative rate (MRR) of pesos vs. dollars, at the end of December 2015, was 3,149.47/USD, which represented a nominal devaluation of 31.6% as compared with the previous end of year exchange rate (USD 2,392.46). In the second half of 2015, the MRR showed an evident trend of devaluation of the Colombian peso, to a large extent resulting from the expected decline in dollar input in the Colombian economy. This situation was caused by reduced revenues from oil exports derived from the drop of oil international prices, as per the WTI barrel reference price for Colombia, which closed in December 2015 at US 37.04, accumulating a price drop of 32.11% year to date.

Further, another recent relevant event in our macroeconomic environment that is worth to mention is the signing of an agreement to put an end to the Colombian armed conflict with the FARC guerillas, in Havana, Cuba, in September 2015. This document sets out a deadline to sign the final agreement, lay off weapons and demobilize the rebel group on 23 March 2016, which according to a study conducted by the National Planning Department could have a positive impact on the country's growth rates ranging between 1.1% and 1.9%.

With respect to 2016, it is worth to highlight some risks for the Colombian economy, as per the results obtained from the "Survey on the perception of risks for the financial system", applied by the Central Bank in November-December 2015 to financial system agencies, guilds, research centers and universities. The main concerns within the sector include impairment of receivables due to the projections of 2016's discrete economic performance in terms of growth.

Therefore, Codensa, honoring its commitment to the city, participated actively in sectorial plans aimed at encouraging energy savings by the end of the year.

Electric energy demand in Colombia grew by 4.08% in 2015. The market with the highest growth rate was Chocó, with 12.0%, followed by the Caribbean coast, in contrast with the central area, where the growth only reached 2.4%. On the other hand, the sector with the greatest impact as to electric energy demand was the exploitation of mines and quarries, which reached 5.8%. Codensa's electricity demand increased by 2.19% in 2015.

At the end of this period, we were serving 2,865,136 clients, i.e., 3.5% above 2014, having incorporated 92,783 new electric energy supply points or new clients into our system. During the period, 8,463 GWh were sold, which represents 2.89% electric energy growth as compared with the previous year. On account of tolls for electric energy transport, 5,496 GWh were invoiced, representing a positive variation of 0.9% vs. the results of 2014.

The Company continues executing its Market Discipline Program, with a loss rate in the distribution area served by Codensa of 7.26%, one of the lowest results in the country, which evidences the efficiency of investments made in state of the art technology and the fact that work fronts intended to reduce electricity thefts and under-invoicing.

There was substantial improvement of supply quality international indices, both as related to frequency of interruptions (SAIFI indicator) and their duration (SAIDI indicator), derived mostly from the execution of focused investment and the development of a shock plan that included actions such as implementation of telecontrols, the redesign and replacement of medium voltage networks, forest management, rain and wind seasonal plans, etc.

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With respect to the tariff formula, the Commission for the Regulation of Energy and Gas (CREG) published the draft methodology to remunerate the distribution of business as of this tariff revision. Further, in December 2015, this agency defined the new commercialization charge for Codensa's market, which will translate into an approximate reduction of 6.5% of this component in the unit cost. In spite of its nearly 4% increase in user bills, mostly due to the El Niño phenomenon, it was possible to close with a 100% collection indicator in 2016. The great challenge in this regard consists in encouraging the use of digital media for payment of bills, installing of intelligent meters as part of a pilot plan, and digital distribution of invoicing.

As regards results, it is worth to mention that operational revenues reached \$3.7 billion, which represented 7.7% increase as compared with the same period in the previous year. This increase was derived mostly from the increased demand in Codensa's influencearea, particularly in the residential sector, and the rise in the Producer Price Index (PPI) as compared with the previous year, an indicator used to index regulated market rates.

The sales cost amounted \$2,1 billion, i.e. 8.95% increase as compared with the previous year, resulting from higher prices in electric energy purchases in contracts, mostly because of the greater purchase volume and the increased PPI, an indicator that is indexed with a significant percentage of energy sale contracts in the wholesale market.

As regards overhead costs, these increased by 11.12%, mostly due to recognition of the wealth tax applicable in 2015, which is calculated as fixed cost in EBITDA, resulting from the application of the International Financial Reporting Standards (IFRS) in 2015.

Thus, as of December 2015, Codensa generated an EBITDA of \$1.2 billion, 4.93% higher than that generated in 2014.

As of 31 December 2015, the Company's total assets amounted to \$4,692,346 million. Funds available and short term investments added up to \$402,473 million and showed a reduction of 31.96% with respect to 2014 balances mostly due to greater investment level.

Total liabilities amounted to \$2,369,078 million, 13.45% down from the 2014 balance, because of dividenda' payment set forth that were pending disbursement in 2014. At the close of 2015, the balance of the financial debt, including payable interest, amounted to \$1,179,039 million, almost unchanged as compared with the same period the previous year.

The Company maintained its policy of minimizing the exposure of the income statement to the variations of the type of exchange, so that as of 31 December 2015, 100% of its debt was concentrated in pesos, in local market bonds. Additionally, 100% of debt interest is indexed as per the CPI. Furthermore, at the close of 2015, 87.68% of the financial debt was long-term (maturity date of more than one year).

The Company's net profit in the year 2015 amounted to \$516,935 million, 4.38% below that of the previous year, resulting from the aforementioned effects, and the increased income tax rate and income tax on equitability (CREE), which was implemented following the last tax reform. In 2015, Codensa paid a total of \$552,744 million in dividends to its shareholders, corresponding to the last installment (37.5%) of dividends on the 2013 net profit and the first two installments (81.86%) of dividends on the 2014 net profit.

In 2015, Fitch Ratings Colombia ratified the AAA (Col) national long-term rating to Codensa and maintained the Stable Perspective. It also ratified the AAA (Col) Codensa bonds, as well as on its currentrating to all outstanding bonds of Codensa, as well as its Bond Issue and Placement Program. Fitch Ratings highlighted the fact that the rating incorporates the strategic importance of Codensa for Enel S.A. (international rating of 'BBB+'). The rating also considers Codensa's moderate exposure to regulatory risks.

In 2015, Codensa, for the third consecutive time, received the IR (Investor Relations) acknowledgement granted by the Colombian Stock Exchange (BVC) for having voluntarily raised its management models for disclosure of information and relations with investors above local regulatory requisites, and for providing investors with quarterly and annual information in English and Spanish it its web site.

As regards the process for implementing the International Financial Reporting Standards (IFRS), as of September 2015, The Company carried out a special purpose closing, thus issuing financial statements prepared in accordance with the Accounting and Financial Information Principles and Standards Generally accepted in Colombia, which consider International Financial Reporting Standards - IFRS-, International Accounting Standards – IAS, SIC interpretations, NIC/FI interpretations, and the conceptual framework for applicable financial information issued and approved by the International Accounting Standards Board (IASB).

As a result of various actions aimed at improving service quality and closer relations with clients, the CIER 2014 Survey on Customer Satisfaction of the Residential Sector (ISCAL), 78.4% was achieved, being positioned 13 in the overall ranking results.

Seeking to use electric energy as a crenewable environmentally friendly resource, in 2015 actions continued, aimed at promoting electrical mobility in the country, which resulted in significant progress and establishment of memorandums of understanding with various stakeholders in the sector.

In this regard, we consolidated the second year with the electrical taxis pilot plan, which translated in savings exceeding 1,150 tons of CO2; we also participated in the Public Private Alliance (APP in Spanish) for modernizing the second year of Transmilenio, in which we proposed electrical solutions for massive mobility.

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With respect to ecoenergy, benefits from Law 1715 were regulated, which enabled the introduction in the financial models of the beauties of tax incentives. In the same token, as a pilot test, the first agreement was executed with a client for the installation of a 20Kwp photovoltaic plant. Similarly, upon installing the photovoltaic plant in one of Codensa's facilities, over 25MWH were produced, which prevented the emission of 4.75 tons of CO2, equivalent to planting 344 trees. As contribution to innovation, Codensa sponsored the Universidad of the Andes to participate in the Solar Decathlon Competition in Latin America of the Department of Energy, which was held in Cali, between 15 November and 15 December. Codensa sponsored the development of sustainable homes as a social housing alternative for low income people.

As an action of the public lighting modernization project, 48,113 lights were installed to enable citizens to enjoy more illuminated, safer streets. The plan for 2016 is to continue developing this project and capturing new clients in other markets.

At the close of December 2015, the Company's labor force added up to 1,034 collaborators, with whom we worked hand in hand to consolidate as an attractive employer, competitive in the labor market, and always keen on generating feelings of ownership and pride among its employees.

**DAVID FELIPE ACOSTA CORREA** 

CEO

JOSÉ ANTONIO VARGAS LLERAS

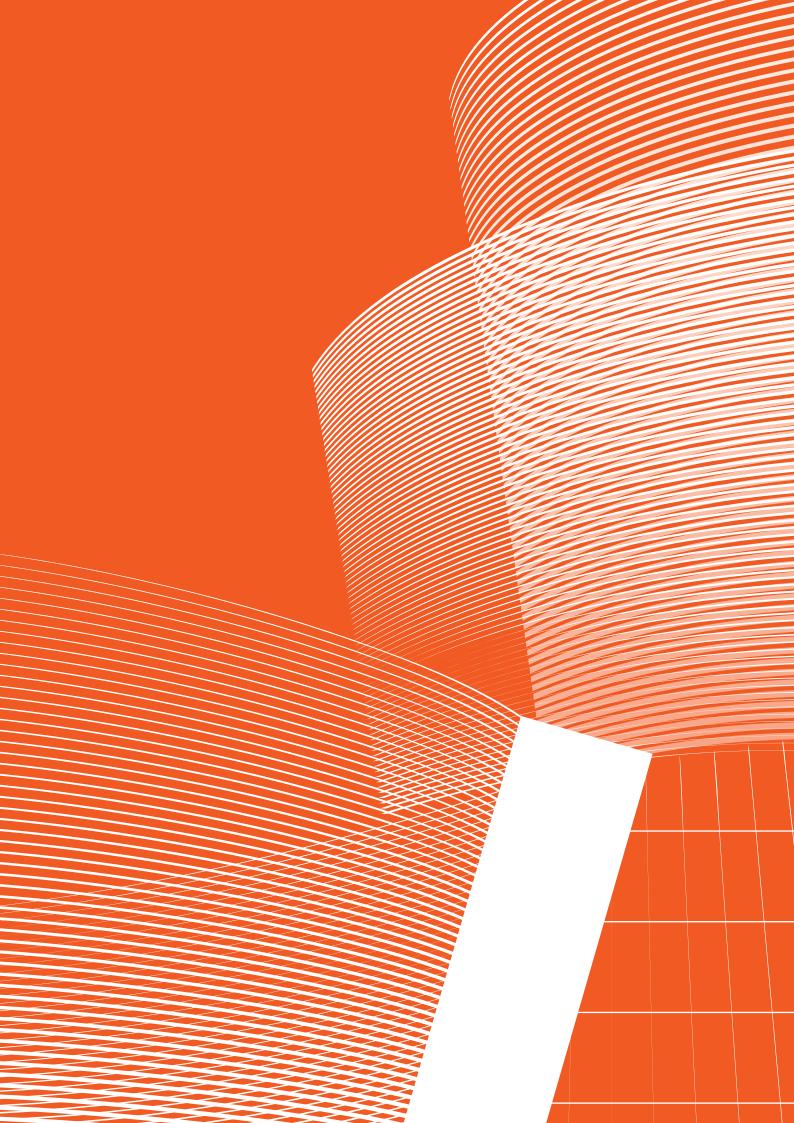
Board of Directors President



Subestación Bacatá

# Management of infrastructure and networks







**El Rosal Substation** 

In 2015, actions were conducted within the framework of the 2014-2019 Quality Plan, which are intended to increase satisfaction with respect to customer service quality. Some of these projects were focused on the modernization and maintenance of networks and high and medium voltage substations, and on the construction of the Yacopí substation in Cundinamarca. Furthermore, forest management was aimed at controlling or mitigating impact from the rainy and windy season.

These projects had a positive impact on the performance of international indicators such as SAIDI (System Average Interruption Duration Index), which reports average time per year in which client supply is suspended. Similarly, targets were achieved as regards regulatory indicators, thus complying with requirements in force.

Work has been carried out in other fronts that improve results and increase service capacity and.

#### **System Physical Data**

Transmission Aerial lines Substations	Volrage 115 Kv - 1130,8 Km Voltage 57.5 Kv - 114 Km
Substations	61 SSEE Power 61 SSEE MT/MT 68.742 Distribution Centers
Power transformers	AT: 238 Units - 9.448 MVA MT: 101 Units - 393 MVA
Distribution Transformers	69.490 Units - 9.379 MVA
MT Feeders	Urban 792 / 9.683 Km Rural 177 / 10.583 Km
MT Network	Aerial 16.903 Km Underground 3.362 Km
BT Network	Aerial 25.365 Km Underground 2.905 Km
Lights in Bogotá	No Luminaries 25.365 Km Power 41.14MW

codensa Anual Notes 2015



#### **Network Telecontrol**

With 100% fuflillment, pursuant to that scheudled for 2015, the Telecontrol project is progressing as part of Codenda's program to upgrade its distribution networks; this is the first step to build an intelligent network and enhaces significantly quality service for clients in Bogota and Cundinamarca.

In 2015, 1,674 equipment units were installed in 237 circuits and on interconnection of their distribution networks, which allows for more efficient operation of the Network to address service failures, more accurate knowledge of the points where failures are located within a circuit, and reduce the number of affected clients, which reflects on the reduced number of failures and their repair times.

Important progress was achieved during the year such as the startup in June of the SCADA STM System, the integration of 1063 equipment units into the system, and the delivery of 864 units to the control room for operation in real time, which enables a more expedite and efficient response to failures.

Thanks to this technological solution, it has been possible to reduce by nearly 15 minutes the failure duration times (SIADI international indicator) and – 0.11 times their frequency (SAIFI international indicator). The project will be completed in 2018.

In 2015, \$69,500 million were invested out of the \$238,000 million total value of the three-year plan. The target for 2016 is to pursue the installation of 1,400 additional units, with an investment adding up to nearly \$59,000 million.

#### Regulatory Indicators

Due to the timely, appropriate execution of the Service Quality Plan, together with progress of the Telecontrol Project, there was a favorable variation of the IAAD (Indicator of Annual Accumulated Discontinuity), a regulatory indicator that compares the average quantities of Unsupplied Electric Energy with each Supplied Electric Energy Unit, for both voltage level 1 and grouped levels 2 and 3.



Control Room

Indicator	Value reached	Variation as compared with respect to IAAD k-2(reference)
AAD k-1 Voltage level 1 [1]	0.002642015	-0.83%
IAAD k-1 Grouped voltage levels 2 and 3 [2]	0.000844984	-5.47%

Table 1 shows the closing 2015 forecast for global regulatory indicators:

An IAAD close is estimated at -0,83% in level 1 and for grouped levels 2 and 3, it is estimated at -5,47%. Table1. Close of Global Regulatory Indicators

- [1] Discontinuity Grouped Annual Index, incidences occurred in the local distribution system, perceived by clients of voltage 1 level, in accordance with resolution CREG 097 of 2008, with its amendments and supplements.
- [2] Discontinuity Grouped Annual Index, incidences occurred in the local distribution system, perceived by clients of voltage 2 or 3 level, in accordance with resolution CREG 097 of 2008, with its amendments and supplements.

#### **Competitiveness International Indicators**

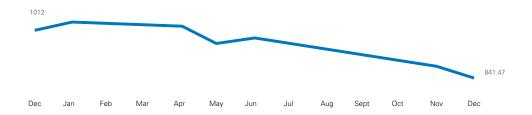
To supplement the regulatory demands relative to service continuity, Table 2 shows the SAIDI and SAIFI international indicators of AT-MT-BT.

Indicator	Unit	Value reached	Variation as compared with 2014
TAM SAIDI Global [4]	Minutes	841,47	-16.9%
TAM SAIFI Global [5]	Times	10,90	-18.1%

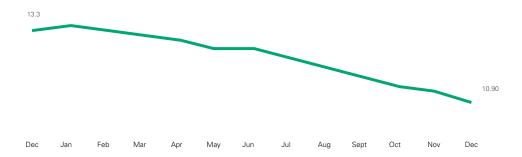
Table II. Close of Variation Indicators

- [4] System Average Interruption Duration Index, incidences occurred in medium and high voltage for own causes, by third parties, scheduled with or without notice, pursuant to calculation methodology defined by Enel Group Common Continuity Indexes.
- **[5]** System Average interruption Frequency Index, incidences occurred in medium and high voltage for own causes, by third parties, scheduled with or without notice, pursuant to calculation methodology defined by Enel Group Common Continuity Indexes.

#### TAM SAIDI AT+MT+BT (minutes)



#### TAM SAIFI AT+MT+BT (times)



#### **Bacatá Substation**

The second bank of transformation connection to the National Transmission System (STN) came into service, which is made up of three 500/115 kV monophasic atuto-transformers, with total capacity of 450 MVA. This project allows for electric energy transfer from the STN to the Eastern area to satisfy the demand growth in the short term, mitigating the impact derived from delaying the startup of the Nueva Esperanza substation and increases the capacity for connecting to the National Transmission System (STN) and operating the distribution system pursuant to the service security and reliability criteria set by the current regulations.

This distribution system has an installed capacity of 900 MVA, transforming 500 to 115kV, which make it the largest substation of its kind in Colombia, which benefits approximately 2,800,000 clients of Codensa, given that it eliminates the possibility of rationing in the region because of demand growth.



Bacatá Substation

# Construction of the Nueva Esperanza Substation

Progress was made in the construction to get the Nueva Esperanza substation into service, with 500/115Kv as well as its associated lines, which will enable electric energy transfer from the National Interconnected System (SIN) to Codensa's system. The Substation comprises a transformation bank, 500/115kV of 450 MVA with a reserve transformation unit of 150 MVA, 6 115 kV line bays and 31 km of 115 kV lines.

The project is in the construction phase of the electric substation and will allow for the transfer of electric energy from the National Interconnected System (SIN) to the Codensa system to meet demand growth in the medium term, enhancing service quality, security and reliability for Bogotá and Cundinamarca.



In 2015 the Environmental licensing process continues which, if approved, would put 230/115kV in service, as well as the associated lines that would enable transferring electric energy from the National Interconnected System (SIN) to Codensa's system. The substation plants for



installing a bank for transformation of 230/115kV of 600 MV to a transformation unit of reserve of 100 MVA, 5 bays of 115 kV lines, and

approximately 40 km of 115 Kv lines. The project will make possible the transfer of electric energy from the National Transmission System (STN) to the Company system to meet demand growth in the medium term, increase the capacity of connection to the STN, increasing the reliability in northern Cundinamarca and Bogota.



**Nueva Esperanza Substation** 

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## Operation of the Quinta Pérez Substation

In December, the Quinta Pérez entered into service with 34.5/11.4kV, which purpose is to transfer charges from the MT-MT substation with the same name, given the imminent danger of flooding in the zone that would jeopardize the electric energy supply to over 5,000 clients in the municipalities of Guasca and Guatavita.

#### **Public Lighting Project**

Codensa commenced in 2014 the modernization and remodeling of the lights of Bogota's public lighting system, which will be completed in 2018. The Project includes the modernization of 33,000 sodium lights with electromagnetic ballast to LED lights, with a total investment of \$28,507 million and the renewal of 141,689 lights with electromagnetic ballast into lights with electronic ballast, for a total investment of \$130,396 million.

The definition of zones and areas to be intervened is done jointly with the District Administration and Public Utility Special Administrative Unit (Administración Distrital y la Unidad Administrativa Especial de Servicios Públicos (UAESP). The project, in addition to achieving the modernization of the city's public lighting system by incorporating new technologies, reduces the rate of luminaries for better quality in service provision, and reduces energy consumption for the District by using more efficient technologies.

In 2015, 35,523 luminaires of LED, of the halide type were installed, generating high social impact both on the perception of security, life quality, energy saving and projection of Bogota as a smart city. Some of the benefits for citizens include: improvement in the provision of the service supplied, reduction of failures in the system, and change of yellow to white light illumination.

#### **POT Project**

The Territorial Organization Plan (POT in Spanish) is the flight chart of any municipality or district for its development in the short, medium and long run. The POT in force in Bogota is governed by Decree No.190 of 2004, which provides for public utility companies to have 35% of their total networks installed underground. This target includes 100% of the networks on main and supplementary roads.

In 2015, civil works were performed for the channeling of two stretches on the Fernando Mazuera and Jorge Gaitán Cortés avenues. Additionally, the viability and execution of works scheduled for 2016 is ensured thanks to the coordination with agencies such as the Urban Development Insitute (IDU), the local mobility and habitat secretariats, and other companies providing public utility services. Similarly, a communication plan was developed, which is focused on showing to the community the benefits of the project and leveraging its social viability.



#### Cundinamarca at 100%

Seeking the globalization of the electric energy service in the municipalities of Cundinamarca located in our influence area, we are working on connection alternatives that provide definitive solutions in geographically remote rural zones, with difficult access and high user dispersion, in a three-year term.

It is estimated that 10,564 clients will benefit from this solution, thus alternatives are being reviewed to enable increased service coverage in equality conditions, providing more comfort to benefitted homes, thus promoting the region's economic progress.

#### **Smart metering**

The project is intended to implement the smart metering system in Codensa clients, through a technological infrastructure for contribution to Colombia's development.

The implementation of the smart metering system was designed in two phases, the first one as a 2016 project, and the second one as massive deployment in subsequent years.

In 2016, the first phase is scheduled to commence, under which planning, installing, operating and assessing the smart metering system to 26,000 clients (1% of the market) is defined as a strategy for presenting the benefits and characteristics of this system to the regulator, the Company and the clients.

#### Smart City Bogotá

The Company intends to create a Smart City within Bogota, which enables its positioning at the forefront of this type of initiatives and to implement technologies in the following aspects:

- > Smart metering
- Sustainable mobility
- Informatics Technology Platforms for electric management systems
- > Smart Info in consumption awareness
- > Multi-metering
- > Network remote control and automation
- > Smart buildings with zero environmental impact
- > Smart lighting

Thus, the intent is to Support the city's sustainable development, increase the citizen life quality, achieving greater efficiency of available resources and promote active citizen participation.

#### Oxygen for labor

Codensa developed the MO2- plan, Oxygen for labor, with an investment close to \$680 million, intended to ensure the human and technical resources needed to execute the investment and maintenance plans and the efficient operation of the electricity network. The main actions involve the construction of a training center, the development of advertising, as well as selection, education and training campaigns on live lines, supply and procurement of equipment.

As part of an agreement with the National Apprenticeship Service, Servicio Nacional de Aprendizaje (SENA), a curriculum was prepared on "Construction and maintenance of distribution networks, levels I, II and III" which was validated with the Colombian Institute of Technical Standards, Instituto Colombiano de Normas Técnicas ICONTEC, to certify this technical formation as class TE- 1 and TE-5.

Further, a campaign was conducted with the media, along with the SENA and Compensar employment offices, aimed at capturing personnel, which resulted in the incorporation of 200 new jobs in the operation of new collaborator companies.

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#### **Loss Rates**

Codensa has arranged for several programs intended to reduce electric energy thefts. In 2015, the loss rates closed at 7.26, seven points above that registered in 2014.

This rate was affected by macro-economic and market variables that have a negative effect on the reference.

The Company continues investing in state of the art technology and Works continuously on its processes, aimed at reducing energy thefts and under-metering to thus reduce physical losses and become the benchmark in the national domestic market.

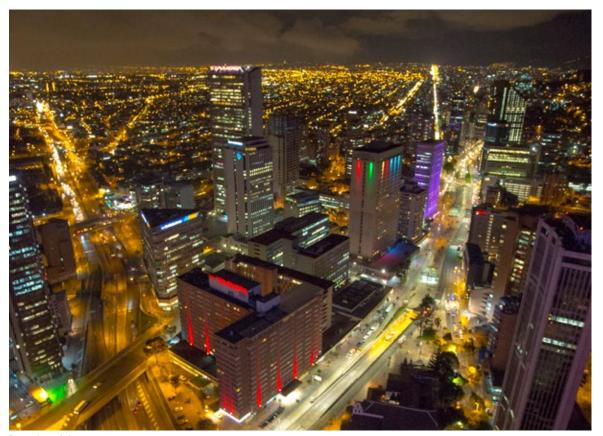
#### Standardization of connections

Legal connection was performed pursuant to Codensa's technical standards for 2,283 no-customer users, with invoicing amounting to 1,186 MWh/year. For this project, the 13 neighborhoods network was designed, having built 354 network nodes in nine additional neighborhoods, in order to ensure the supply of electricity services as per optimal conditions, based on service security and reliability criteria.

#### **Project Upgrade Zoning**

In 2015, invoicing cycles were reorganized in a sequential manner for 2,037,509 (88%) clients in Bogotá, to improve productivity and logistics of invoicing processes and other commercial activities of Codensa.

The implementation of this project will ensure the quality of the process, greater adjustment and leveraging on resources for various operations, greater daily planning of various operations in the commercial cycle, accounts management, cycles and zones, without affecting the number of days invoiced to the clients. Furthermore, zoning is designed to include affiliation of new clients, thus achieving stability in the long run.



Bogotá at night

# Market Management



This chapter highlights the most relevant aspect of the commercial operation, the purchase and sale of electric energy, the relations with clients, and the development of adding value products and services in 2015.

Included below is the breakdown of electric energy sales and purchases in 2015:

#### **Operational Activity**

#### **Electric Energy sales**

#### 2015 cumulative sales by segment

Type of Customer	GWh	Mill \$ Cop
Residential	4,664.9	1,714,093
Commercial Clients	2,280.1	808,667
Industrial	1,010.6	343,891
OtherClients	5.492.1	375.392
Tolls	507.5	167.971

The segment with the largest share was residential, with 46%, according to market composition in 2015.



Avenida Ciudad de Cali, Bogotá

#### **Electric Energy purchases**

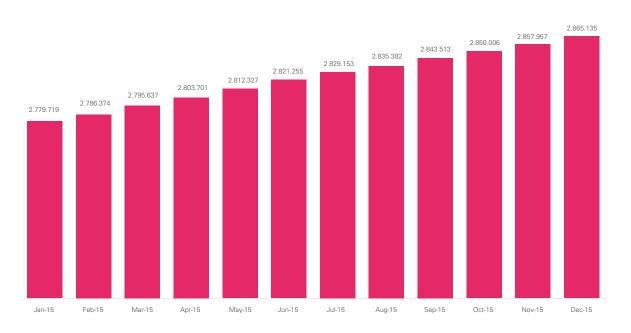
In 2015, 9,524 GWh were purchased, amounting to \$1.51 billion pesos

Item	GWh	Mill COP\$
Regulated Market	9,298.53	1,478,350.83
Contracts	8,177.70	1,225,070.41
Emgesa S.A. E.S.P.	1,709.63	258,629.32
Empresas Públicas de Medellín E.S.P.	2,180.69	328,907.94
AES Chivor S.A. E.S.P.	783.49	116,234.33
Empresa de Energía del Pacífico S.A. E.S.P. EPSA E.S.P.	134.49	20,693.59
Generarco S.A. E.S.P.	481.80	68,365.52
Isagen S.A. E.S.P.	1,200.00	179,109.61
Zona Franca Celsia S.A. E.S.P.	960.00	147,290.43
Empresa Urrá S.A. E.S.P.	188.38	27,270.14
Central Termoeléctrica El Morro 2 S.A.S. ESP	175.20	25,421.88
Termoyopal Generación 2 S.A. E.S.P.	175.20	25,421.88
Generadora y Comercializadora de Energía del Caribe S.A. E.S.P.	188.82	27,725.74
Spot market purchases	1,120.83	253,280.42
Unregulated market	237.63	36,011.32
Contracts	224.97	33,296.23
Emgesa S.A. E.S.P.	224.97	33,296.23
Spot Market purchases	12.66	2,715.09
Purchases	9,536.16	1,514,362.15
Spot Market Sales	12.19	2,647.18
Total electric energy purchases	9,523.97	1,511,714.98

#### Evolution of the number of clients of electricity services

The number of clients increased by 3.35% as compared with 2014.

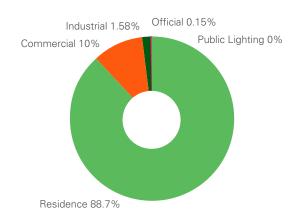
#### **Evolution of electrical services**



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#### **Codensa Client Composition**



#### Metropolitan Bogotá

Wetropolitan Bogota	
Residential [ <b>89%] 2.124.272</b>	Commercial, industrial, official [11%] 254.433
Residential [90%] 250.601	Commercial, industrial, official [10%] 28.783
Residential [ <b>94%] 166.043</b>	Comercial, industrial, oficial [6%] 10.769
	Residential [89%] 2.124.272  Residential [90%] 250.601  Residential

#### **Business Clients**

Total Clients 30.234

#### **Total Codensa**

Total Clients 2.865.135

#### **Commercial Activity**

## Contracting Management - Electric Energy Purchases

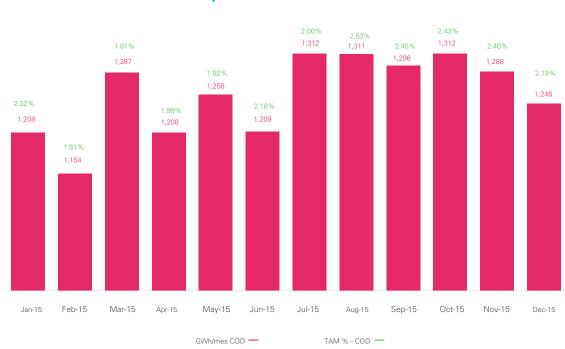
Coverage in 2015 amounted to 90%, with average Spot Market Price of 225.98 \$/kWh (pesos per kilo). Throughout the year, the average price of contracts added up to 149.80 \$/kWh, 33.7% below the spot price.

Eight bidding processes were held this year for electric energy purchasing for the period 2016–2020 destined to Codensa's regulated market, which enabled the award of 6,750 GWh for \$1.37 billion and a total of 22 long term contracts signed.

Buying efficiently generates benefits for both clients and Company and, in accordance with the tariff model, the efficiency premium reached in December 2015 a margin of \$15,026 million. This year, transactions in the wholesale market on account of electric energy purchases in contracts, Spot Market purchase, and sale and charges associated with purchases, added up to \$1.79 billion.

#### **Demand Evolution**

The domestic demand registered amounted to 66.173 GWh, which represented a 4.08% growth. Given that Codensa's demand represents 22.74% of the domestic demand, in 2015 it increased by 322 GWh as compared with 2014, and grew by 2.19%, closing at a total 15,048 GWh.



#### Monthly Demand of Codensa's area

In 2015, Codensa purchased 9.524 GWh to serve its regulated and public lighting clients, 266 GWh above 2014, which represents 2.88% growth.

The challenges for 2016 are aimed at reviewing the change of consumption trends, optimizing medium term coverage within low hydrology conditions, and fostering alternatives that enable adjustment of transactional equity calculations, thus ensuring that the agents' electricity market share matches their financial capacity.

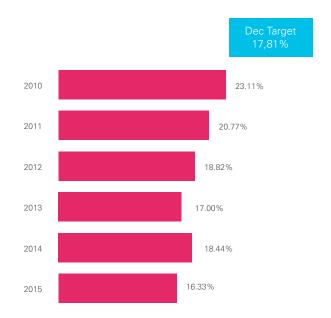
#### Management of porfolio

In 2015, operational changes were implemented in processes such as invoicing, based on the reorganization of cycles, whereby the meter reading operation in a sequential manner was distributed geographically. Additionally, in processes such as collection, cutting off and reconnecting, the e-Order project was implemented, which consists in implementing a new technological tool that allows for optimizing the scheduling of inspections, maximizing operating capacity and control of moving times, translating on field management new dynamics.

Market Management 33

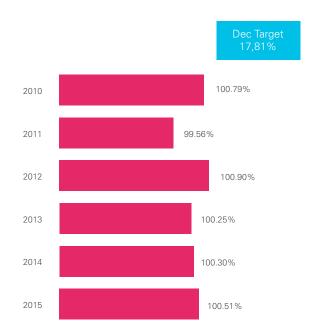
#### Defaulting rate in electricity service

El índice de morosidad del servicio eléctrico cerró en 16,33%, es decir, 1,48% por debajo de la meta planteada, lo que corresponde a \$3.123 millones menos de morosidad respecto del objetivo del año.



#### Collectability Rate

El índice de cobrabilidad cerró en 100,51%, 47 puntos básicos por encima de la meta establecida. Con este resultado, se logró por cuarto año consecutivo un indicador superior al 100%.



Despite the effects of the El Niño phenomenon on the increase in electricity rates, close to 4.11%, between 2014 and 2015, the Company was able to maintain a collectability rate above 100% nearly all year long.

The challenges in receivables management in 2016 will be focused on encouraging payment of bills by electronic media, through campaigns and social network services, implementing at the same time the distribution of digital invoices. Also, an additional goal is the installation of 26,000 smart meters in Bogota, a pilot project that is intended to assist clients with respect to electric energy consumption, obtaining information in real time and efficient use of energy.

#### Management of institutional clients

In 2015, the strategy was leveraged on concept, design and execution of projects in the areas of growth and passion for clients. The results obtained in performance of the projects are:

- Definition of the building segment and sale of new products in said segment.
- Structuring of the business model for efficient, architectural lighting, which consists in the commercial and operational design for offering this new product to large clients and the definition of the product portfolio.
- > State contracting diagnostic and sales through participation in public bids amounting to \$2,300 million.
- > Preparation and presentation of economic evaluation of the LED modernization project in municipalities. This project is aimed at satisfying the needs for modernization of networks and luminaries for public lighting of municipalities that have such need.
- A single model was established for customer management, which is baed on engagement from initial contact to closing of the commercial cycle.
- Commencement of sales operation in Barranquilla through the national management and freelance channels.
- Review size of call center and freelance channels for entering in new cities such as Barranquilla, Cartagena and Cali.

Listed below are the main Results in terms of variable margin by value added products and services (PSVAS) for institutional clients:

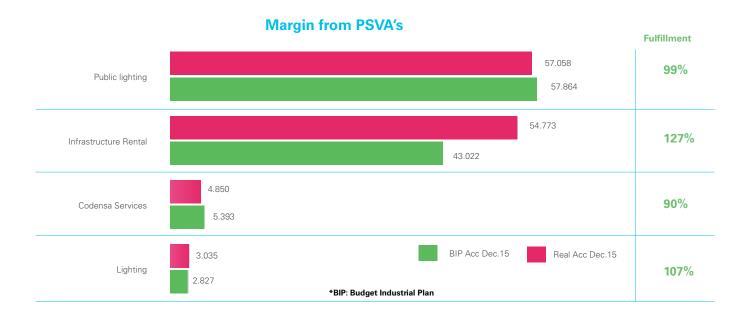
**Pubic lighting:** rates were updated for 2015. In Bogota, and as part of developing the public lighting modernization project, 48,113 luminaries were installed, with 120% fulfillment of investment execution. In turn, at municipalities neighboring Bogota, it is worth highlighting public lighting modernization in the municipality of El Peñón and the execution of embellishment of Chía and Cajicá.

**Infrastructure rental:** increased revenues obtained from retroactive invoicing of \$1,500 million and the growth of the business line.

**Codensa services:** increased revenues from performance of electrical works requested by large clients.

**Christmas lighting:** revenues exceeded the value that had been forecast for 2015, due to greater sales of third party lines, sales of generic material, material rental, financing interest, and mandate commissions.

The dropout of institutional clients at the close of 2015 amounted to 4.06 Gw/h, represented in 49 accounts of the business tier. It is the lowest dropout registered in the past five years.



hallenges in 2016 will be focused on developing the State contracting business and the sales in the public sector for over \$4 billion pesos, expanding products of the institutional clients segment countrywide, through various sale channels, commencing execution of modernization to LED lighting at municipalities and embellishment of parks and architecture in other Colombian cities.

#### Management of remote assistance

**Phoneservice:** this channel received a total of 1,683,686 calls, decreasing by 14% as compared with 2014. This was caused mostly by the decrease in traffic of calls to emergency lines, which dropped down by 22%, being affected positively, to some extent, by the dry season associated with the El Niño phenomenon.

Additionally, actions implemented in the assistance line were aimed at resolving cases upon the first contact, as well as automatic consultation in the IVR - Interactive Voice Response –incidence bases associated with supply failure, which enabled the customer to make consultations without requiring the call to be handled by an advisor, and facilitating navigation, thus improving satisfaction and efficiency. Indicators closed positively, with a cumulative service level of 86.13% and service level of 95.61%.

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**Virtual Media:** throughout the year, 3,865,513 visits to residential and business portals were registered, representing growth of 15.96% as compared with 2014. Likewise, this media were used to carry out 5,924,749 transactions, an increase of 20.13% compared with 2014. The commercial portal closed in 2015 with a total of 564,257 registered users.

In turn, in social networks, the Company closed the year with 321,817 fans in Facebook, and Twitter ended the year with 15,434 followers in @Codensaenergia. In 2015, 1,923 requests were addressed in Facebook, while Twitter, consolidated as a service channel, addressed 15,975 comments, i.e. 63.46% more as compared with the previous year.

Furthermore, Codensa's mobile digital application was launched, which allows clients to consult their bill, report failures and locate the closest georeferenced service and payment points; this translated into 28,592 transactions and 10,525 downloads from the IOS and Android stores.

#### Management of presential service

In 2015, 2,330,583 services were provided, with 1 3.02% reduction, that is, 7,102 services less than in 2014. Furthermore, electric energy transactions increased by 4.5%, while credit and other businesses decreased by 5.3% and 1.3% respectively.

Electric Energy transactions increased because of two customer related high impact situations. The change of billing cycles during the first four months gave rise to increased processes to extend payment terms and generation of payment vouchers; this alternative was offered to assist clients in being up to date concerning their bill payments. Also, the issue of Doña Juana certifications extended until late April; hence, over 30,000 documents were issued.

Furthermore, the change was made in the presential service contract at service centers, Cades and Supercades in Bogotá, Sabana and Cundinamarca, which was awarded to Americas BPS, having started operations in optimal condition, without affecting the clients. The main indicators level was stable with a positive trend, with service level results associated to electricity service of 81.56%, with average room waiting time of 11:43 minutes in Bogotá and 05:13 in Cundinamarca. The global average service time in modules was 05:08 minutes.

Two service centers were acquired and conditioned at a cost of 290 million pesos. These mobile centers are equipped with the technology and equipment necessary to manage and processing any request in a presential, timely manner in the areas of Bogotá, Sabana de Bogotá, Cundinamarca and zones where there are neither service centers, nor service points available.

Also, the Service Monitoring Center (CMS in Spanish) was officially introduced, which is located in the fourth floor of the corporate building at Calle 93. With Col \$503 million investment, the strategy is intended for service channels to identify early warnings in real time regarding situations that could affect customer satisfaction. Similarly, the CMS follows up customer service processes, facilitating and activating contingencies in a timely manner, with access to the security cameras network located in service centers, mobile service points and solution of customer-related issues.

Changes were also introduced in modules where the clients can consult themselves, as well as remodeling of service centers, design of initial training modules for the Customer Service School of the corporate university, added to various initiatives aimed at promoting service attitudes that are surprising in each interaction with the customer. With the same purpose, there was active participation in the Service Leaders Network, which has consolidated as an important service reference companies sharing best practices and synergies that leverage customer satisfaction

### Management of relations with clients

The written assistance channel received 103,954 requests, equivalent to a monthly average of 9,450. The increase evidenced was 11% as compared with 2014. In turn, the number of cases managed increased by 13% as compared with the previous year, with 106,795 requests processed, equivalent to 9,709 monthly average.

The increase in number of cases received and processed was derived mostly from cases whereby it was necessary to submit claims and from failures of the surveillance body on unregistered consumption process (CNR in Spanish); this increase was normalized in early 2015.

## Management of service to the community

Contact was made with 1,825 authorities and external and internal stakeholders, in order to maintain and improve trust relations that are sustainable over time, which promote and guarantee dialogue and debate scenarios focused on common interest themes.

Additionally, citizen skills and competences in business knowledge and common interest themes were strengthened by means of generating positive experiences that resulted in trust and closeness links with clients, such as:

- > 447 activity days with the customer advice mobile center, where 5,339 consultations, requirements and claims were addressed.
- > 55,636 visits property by property in 19 Bogota neighborhoods as part of the program "Next to You in your Neighborhood".
- Talks on productive, conscientious and efficient use of electric energy and home appliances, in which 1,827 clients participated.
- > 1,258 visits, property by property, in 10 residential condominiums in Bogota, with the program "Next to you in Your Housing Complex".
- > 631 talks in 127 schools in Bogotá, where 31,483 girls were trained and certified as Energy Watchers.
- > 17 day "Next to You" activities, where we shared rights and duties with 642 families in the activities conducted in 13 municipalities of the extended Sabana.
- > 7 Breakfasts with energy, attended by 105 participants including legal representatives, local authorities, and condominium administrators in four localities in Bogotá. Breakfasts intended for Bogota local administrative boards, with participation of 22 councilmen, representing 15 localities.
- > 13 activity days of the project Next to You in Shopping Malls, in which 4,032 adults and 5,080 children participated.

#### RC Project - Mobile

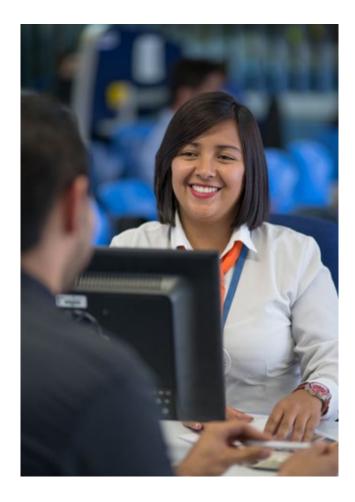
The first service order was in place for the diagnosis and repair of home appliances, using the e-Order platform. This implementation meant a technological upgrade on the way of operating and the use of smart telephones to avoid having to complete physical records, locate technicians on site, and generate operating efficiency.

#### **Esel Project**

The implementation of the Esel Project enables greater accompaniment to the customer service work teams, on line control of activities, and productivity of communication channels between the client and Codensa.

Similarly, immediate actions were taken regarding any novelty in the process and escalation inside the areas.

In 2016, the plans are to implement the customerexperience model and consolidate the service management presential channel. It will also be sought to implement a product and service sale model to enhance the life quality of the client, in addition to implementing the virtual written channel to receive client requirements and deliver answers via electronic media.



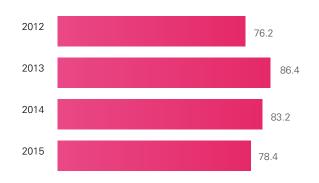
#### 2015 Customer Satisfaction Results

Codensa participates annually in the international customer satisfaction study of the Regional Energy Integration Commission (CIER in Spanish), in which 55 Central and South American disributors participate to measure the customers' opinion on the electric energy product.

The Results of ISCAL, Quality Satisfaction Rate, obtained by Codensa in 2015 was 78.4%, positioned 13 in the overall ranking of results.

The trend in the past two years has been decreasing as regards the same indicator in previous years. The main customer expectations are focused on the timeliness and quality of solutions for their queries and requirements. Also to be noted is Codensa's increased leadership as to orientation and information to all its clients concerning tod efficient use of electric energy.

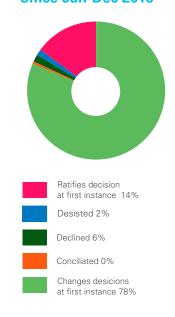
#### **2012 - 2015 TAX EVOLUTION**



#### Customer Defender

This office was created in 2001, within the framework of Corporate Social Responsibility (CSR), seeking contractual equilibrium. It has gradually become the instance to solve contractual conflicts, thus contributing to good corporate governance.

### Decisions issued by the DFC office Jan-Dec 2015



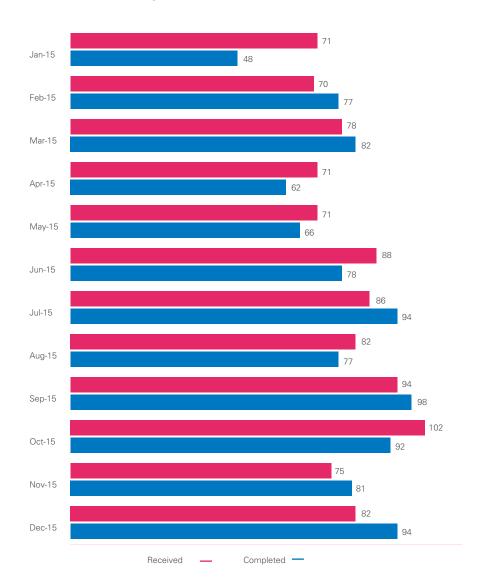
During 2015, 77% of cases managed by the customer defender office were revoked, changed or agreed upon through first instance business decisions, which evidences the conciliatory spirit of Codensa to settle controversies directly with the customers at the Company.



#### Customer assistance lines

In 2015, 970 customer cases were received through the Defender line, out of which 949 were closed, with an average assistance of 10 business days.





Additionally, 3,124 client situations were managed on site, settling some of them upon first contact and others were transferred to traditional service channels as first instance claims.

#### Claims channel

These claims correspond to user or citizen reports about immoral, illegal or unfair conducts or behaviors of workers, contractors or third parties, which affect the good relations of the Company with its clients or with the community.

#### **2015 Claim Management**

In 2015, 3,097 claims were received, out of which 2,847were closed. Additionally, 50 client inconformity claims were received relative to Company processes and procedures with its clients.

Claims closed

Claims rejected

#### Benefits from the claims' channel

- > Facilitate social control of users relative to conducts and behaviors of Company employees and contractors.
- > Facilitates activation of internal control mechanisms.

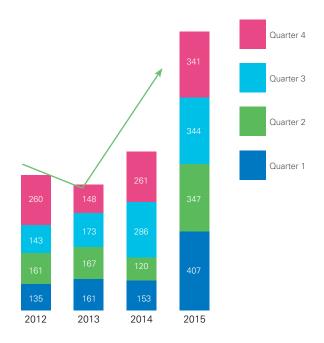
Claims received

> Confirms Company's willingness to be a good corporate citizen within the framework of social responsibility.



#### Interaction with control bodies

In 2015, control authorities submitted 1,439 requests for investigation against the Company, resulting from claims that clients report to the various control and surveillance bodies. 100% of such requests were addressed within the terms provided for by law terms.



It is worth noting that out of the total causes for investigation of control agencies, 60% corresponds to technical issues and the remaining 40% to commercial issues.

There is evidence of growth upward trend in requests from one year to the next, mainly because of the incorporation and diversification of claim receiving channels in the control agencies. This aspect evidences that the State, through its various bodies, is to exercise appropriate control as related to domiciliary utility services.

In 2015 it should also be highlighted the presentation before the Public Utility Service Superintendence, SSPD in Spanish and the Industry and Trade Superintendence, SIC in Spanish, of six high risk cases for opening investigation thereon. In 2016, plans will be managed for improvement based on a detailed analysis of prior cases and in-house management will be strengthened for prevention of investigation of cases that clients report to the control authorities.

#### **Business Development**

As regards development of new added value products and services, described below are the most relevant management aspects in 2015 for each business:

#### Electrical mobility

#### Individual public transport segment

Codensa achieved the consolidation of operations under the electrical taxi pilot program in Bogota as energy services provider and it concluded its second year with the following milestones:

Formalization of the public policy of massification of taxis with zero emissions on route, pursuant to that set forth by Decree 600 of 2015. It is the result of positive progress of the electrical taxi pilot plan, directed to environmental improvement and quality. The materialization of the initiative will enable nearly 4,000 annual replacement of taxis for electrical vehicles as of 1 January 2017.

Implementation of the fifth electrical recharging station in Santa Barbara, which is made up of five chargers, thus totaling 45 units in Codensa's Network. The space is part of the agreements entered into between Codensa and Aparcar for deployment of charging points for electrical vehicles in the city. This station will enable Codensa's network to supply charging services to nearly 450 electrical vehicles.

Launching of the El Lago station: in January 2016, the El Lago electrical taxi station will be deployed and launched, which is located on street 77 and 16th avenue in Bogotá. The station has five recharging points and access roads on Autopista Norte and 15th avenue.

Development of the Perceived Quality System (SCP in Spanish) for the individual public transport segment: the first assessment of the Perceived Quality System (CSP in Spanish) was structured (CSP) for electric taxi clients. The results obtained will enable focusing efforts on improvement of relevant elements for clients in 2016.



Unicentro Recharging Station, Bogotá.

#### **Operational Results**

During the time elapsed since the launching of the electrical taxi pilot, operational results have been relevant:

- > The fleet completed 41 operating vehicles and so far it is the largest taxi fleet in the Americas.
- > Distances covered over 4.5 million kilometers
- > Electric energy distribution over 1.5 MWh
- > Environmental emission savings exceeded 1,150 tons of CO2.

#### Particular transport segment

With respect to particular fleets, Codensa completed a total of 19 electrical vehicles used in different Company operations. For clients, 46 chargers were installed, reaching 76 units sold. There are 360 vehicles in the national territory.

In September 2015, a test charging point came into service at El Retiro shopping mall, which is compatible with electrical vehicles BMWi3, Nissan Leaf, Kia Soul, Mitsubishi i-miev and Outlander Hybrid.

Alliances also materialized in the year with BMW and BYD to promote the sale of electrical vehicles in the country. The Advisory Agreement 619 of 2015 was subscribed to, which promotes and determines technical regulations as part of the quality management and safety system, in conformity with national norms and the District Construction Code, which sets out infrastructure requirements for electrical and hybrid vehicles recharging points.

#### **EVA: Recharging automation**

In 2015 the electrical vehicle automation system, EVA in Spanish, came into service. This application enables Codensa's electrical vehicle clients to optimize the use of public stations and charging equipment that belong to its network as follows:

- > Access to Codensa's recharging network
- > Knowledge and management of account status
- > Charger reserve
- > Equipment availability
- > Post-payment billing

As of December 2015, the application is being used by 50 electrical vehicles, which began invoicing through the system, using Vehicle Recharge Units (URVs in Spanish) since November 2015. Following are some performance indicators:

	Octubre	Noviembre	Diciembre
URVs	60.696	57.587	52.950
Reservas	2.285	2.153	2.682

The electrical mobility program in 2016 will try to expand the public charging network, generate greater coverage and capacity, and standardize the implementation of charging stations. It is also expected that new business models will be developed for places other than Bogota.

#### Ecoenergy

#### **Incentive Materialization Decree**

On November 4, 2015, the Ministry of Mines and Energy of Colombia, through Decree 2143, regulated tax incentives as related to VAT (IVA in Spanish) exemption and custom fees, income tax deduction ad accelerated depreciation mechanisms for the promotion, development and utilization of unconventional energy sources, (FNCE); the foregoing include material Company projects, such as energy efficiency service and photovoltaic energy projects.

It is expected that in 2016, both the Mining Energy Planning Unit (UPME in Spanish), and the Environmental Licenses National Agency (ANLA in Spanish) will regulate due procedures set forth in Decree 2143/2015 to thus be able to develop the projects identified in 2015.

#### Agreement signed with Hybrytec

Codensa entered into an agreement with Hybrytec S.A.S., a firm specialized in installation of photovoltaic solutions, for the joint development of pilot proposals for energy efficiency contracts that, in turn, include photovoltaic energy projects. Said agreement is to be maintained next year and, further, to extend itto other commercial partners, thus meeting a greater demand for energy efficiencycontracts in Colombia.

## Execution of energy efficiency contract with Autogermana.

In 2015, an important milestone for Codensa was the execution of its first energy efficiency contractwith the concessionary network company of the BMW brand - Autogermana S.A. – in Bogota. Further benefits under the contract include the installation of a 20 KWp photovoltaic plant to be carried out by Hybrytrec S.A.S.; said plant will help to reduce dealer's energy dependence from fossil sources and to preserve the environment inasmuch as it reduces the emission of greenhouse effect gas to the atmosphere.



Photovoltaic System Codensa Office Building Calle 93

#### Photovoltaic system comes into service at Codensa's office building at Calle 93

As part of the pilot development for energy efficiency contracts based on sustainability policies and efficient resource management, Codensa started up its 42KWp photovoltaic energy system, producing sufficient energy to meet the demand of 508 homes per year. As of November 2015, the system generated 25MWh and prevented the emission of 4.75 tons of CO2, equivalent to planting 344 trees.

#### **Smart Metering**

In 2015, the road map was issued for massive deployment of Smart metering systems in Colombia for all of its clients in 2017-2019. This technology will enable the Company to offer better quality service, obtain fixed cost savings and offer new value adding services such as domotics, internet and remote surveillance.

In 2016, campaigns will be implemented with clients participating in Phase 1 of the Smart Metering project to prove to the regulator the beauties of this technology. Further, it will estimate the potential impact that the massive deployment of a Smart metering system could have on commercialization revenues. Also, the Added Value Products and Services underpinned by the smart metering infrastructure that can be offered to the clients will be evaluated.

#### Added Value Products and Services (PSVA) for massive clients

#### Insurance sales

In 2015, 160,864 insurance policy sales of the Mapfre-Codensa Alliance were made through commercialization channels, both presential and remote, whereby 693,852 clients had an active contract. Additionally, 90,885 SOAT policies were sold, which resulted in 14% sales growth as compared with 2014.

#### **Direct TV Sales**

Gross sales amounting to 6,896 for cable television plans were achieved with the partner Direct TV. The Alliance had good evolution the first year, enabling Codensa to obtain a better contribution margin and the commercial partner increased its sales as a result of the agreement entered into with the company.

#### **Electro-intensive sales**

In 2015, sales amounted to 3,073 electric heaters, 1,778 induction stoves, and 66 electric showers, for a total of 4,765 electro-intensive devices sold through two new and used housing commercial channels.

Positive results of this business line were generated to some extent by the impact of the new housing channel in 2015, with 58% sales. This implied developing a value strategy through a consultative sale that led not only to changing the Company's image, but also to conclude deals with 16 of the most important construction firms in the city, which currently are pioneers and advocates of the Full Electric solution, highlighting their benefits, both related to costs and differentials, for the final consumer.



**Electro-intensive home appliances** 

#### **Discount Passport**

Revenues obtained in 2015 amounted to \$1,907 million, IVA included, which correspond to the distribution of discount passports in Codensa's bill. This was fostered directly by the commercial management, through external channels, and by the flexibilization of the supply, which enabled trying new categories and reaching historical sales, with a growth rate above 50% as compared with 2014 results. This product is intended to offer promotions that day after day are more appealing to the clients.

It is planned for 2016 to include new products and categories, develop new strategies in sales channels to enhance operating efficiency, include the presential channel, and strengthen the technological infrastructure for sales systems and customer management.

#### Bogotá Eléktrika Public Private Association Project

In 2014 and 2015, Transmilenio S.A. was provided with the feasibility study for the Public Private Project (PPA) by Bogotá Eléktrika S.A.S., with sever current operators of the system. This project was intended to replace 1,215 buses of phases I and II of the system for clean technologies. Codensa and Emgesa played the role of technical assistants with respect to the electrical infrastructure and electric energy supply.

Transmilenio S.A. approved the schedule required for presentation of the feasibility study. It ended with the formal presentation of the study, which included all technical, technological, financial, legal, risk-related and other project aspects, which proposed total investments for \$3,300 million in buses, stations and electrical infrastructure required, added to project administration, operation and maintenance costs.

However, even though this project was an option for contributing to solve current problems of the Bogota transport system, as related to services, capacity, service quality and introduction of clean technologies such as electric-driven buses, after a comprehensive evaluation of the PPA proposal, Transmnilenio decided not to pursue it, through Resolution 519 of September 2015, mainly because of reasons associated to the current situation of the Bogota Integrated Transport System.

#### **Execution of Agreement of Understanding with FANALCA S.A.**

In December 2015, the Agreement of Understanding was signed with FANALCA S.A., leading company in operation of transport services, at national level and with operations in other countries such as Chile, Ecuador, Panama and Venezuela.

The purpose of this Agreement is to establish a joint work team to identify and assess new or already existing electrical mobility projects in the market, in order to participate therein and to generate value for the companies. The portfolio of projects to be evaluated includes e-buses, railroad cars and specific applications for electrical mobility.

In 2015, work and studies commenced with this partner and in 2016 the plan is to identify and materialize business opportunities in fronts that result in the best value proposal.

#### Not Interconnected Zones (ZNI)

Analyses commenced on the potential market for expanding coverage of the Enel Group in Colombia, identifying the potential for developing a differential model other than that existing in the Non-Interconnected Zones (ZNI in Spanish), in line with the targets established by the Colombian Government in the National Development Plan, which defines the energizing of 173,000 houses without service by the year 2018.

The Colombian Government has shown its interest in seeking solutions for regions such as La Guajira and Chocó and has already taken steps for restructuring the business model and concession of the ZNI's.

The Company, in turn, has taken actions and implements work plants to assess the feasibility of the ZNI; similarly, it has held meetings with various government agencies in order to learn about the solutions that have been offered to manage electric energy supply in those zones and to understand the needs of the communities in the area.

A possible solution to provide electric energy is based on gradual replacement of diesel generation for hybrid generation, solutions defined together with Enel Green Power, and implementation of a distribution and commercialization scheme, leveraged on solutions smart mete-ring. This offers a high level of network automation and commercial management and considers implementation of service centers and service lines for the communities, as well as the inclusion of clients on a commercial scheme enabling implementation of other products and benefits.

Special projects will have in 2016 the challenge of fostering massive electrical mobility in accordance with the city's development plans, perform scouting of electrical mobility projects and materialize new business opportunities relative to e-Buses, railroad and/or particular applications.



Pilot of Electrical Taxis in Bogota



Likewise, it will be sought to define proposals of value for electrical infrastructure and energy supply in future bus replacement processes in the main line of the Transmilenio system in the city. Furthermore, the feasibility of Non-Interconnected Zones will be assessed for contributing to the country's energizing plans.

#### Innovation-Ideo

The commitment of the Enel Group in Colombia with innovation has been strengthening since 2008 through the Ideo innovation system. 2015 was a year of transformation for the system, whereby the new vision includes innovation as one of the core values, aimed at interconnecting the various entities that are part of the ecosystem, the different businesses, the employees, and, mainly, the opportunities to generate benefits reflecting the new revenues.

In 2015, Ideo evolved and moved from just capturing opportunities proposed by the employees, to assessing those proposed by the clients, and to establish alliances for new business development. In 2015, it registered a total of 389 ideas from employees and 105 from clients, which were captured in different scenarios, such as innovation and creativity workshops, added to the Ideo Line communication channel, which was launched in 2015 to keep in contact with employees and also strengthen customer service. Its use is exclusive for information of the various innovation initiatives, register of ideas and creativity contests for culture mobilization.

The communication campaign of Ideo Players was also active, in which 363 people participated by generating ideas and managing projects.

This year the learning methodology called Learning by Doing was strengthened. It consists in arranging for workshops where people learn based on experiences to enrich their knowledge.

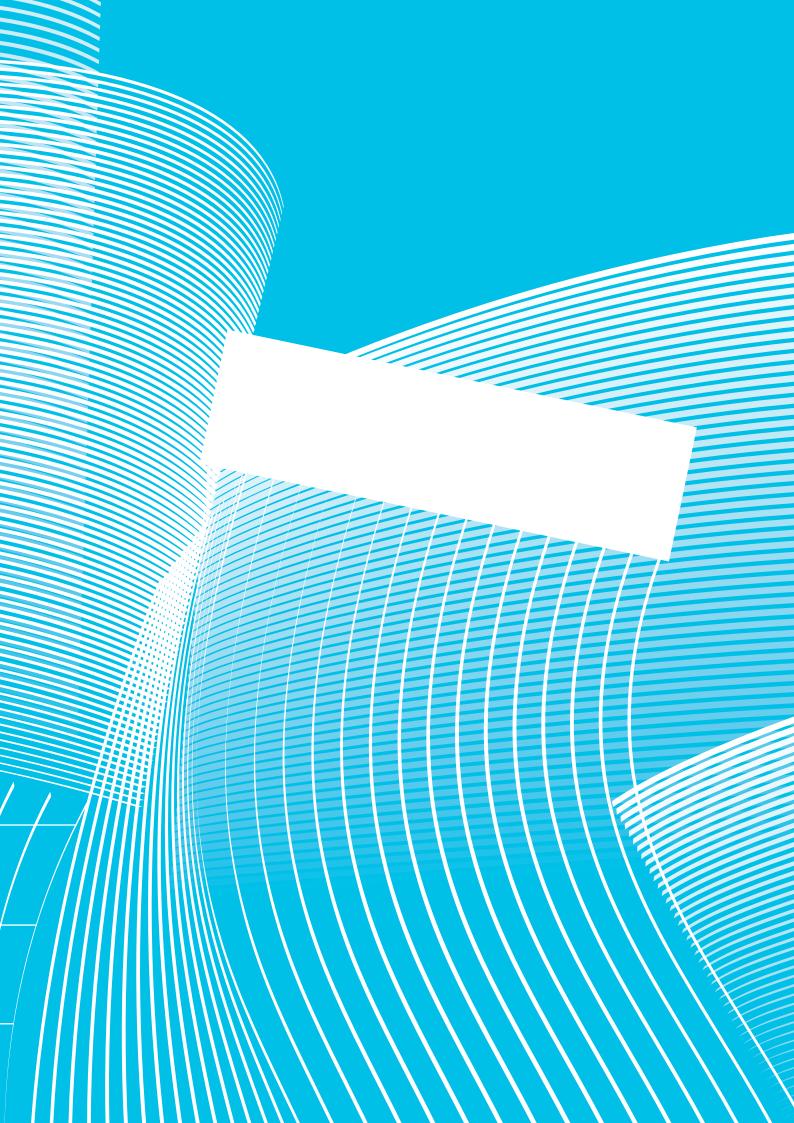
For acknowledging Ideo system projects, a yearly award event is organized; this year \$174 million were distributed among 92 employees who participated in the execution and closing of innovation projects based on the benefits obtained.

Conceptual analyses were conducted on 20 projects this year, out of which 15 were approved by corporate management, and \$2,955 million were approved as risk capital for investment thereon.

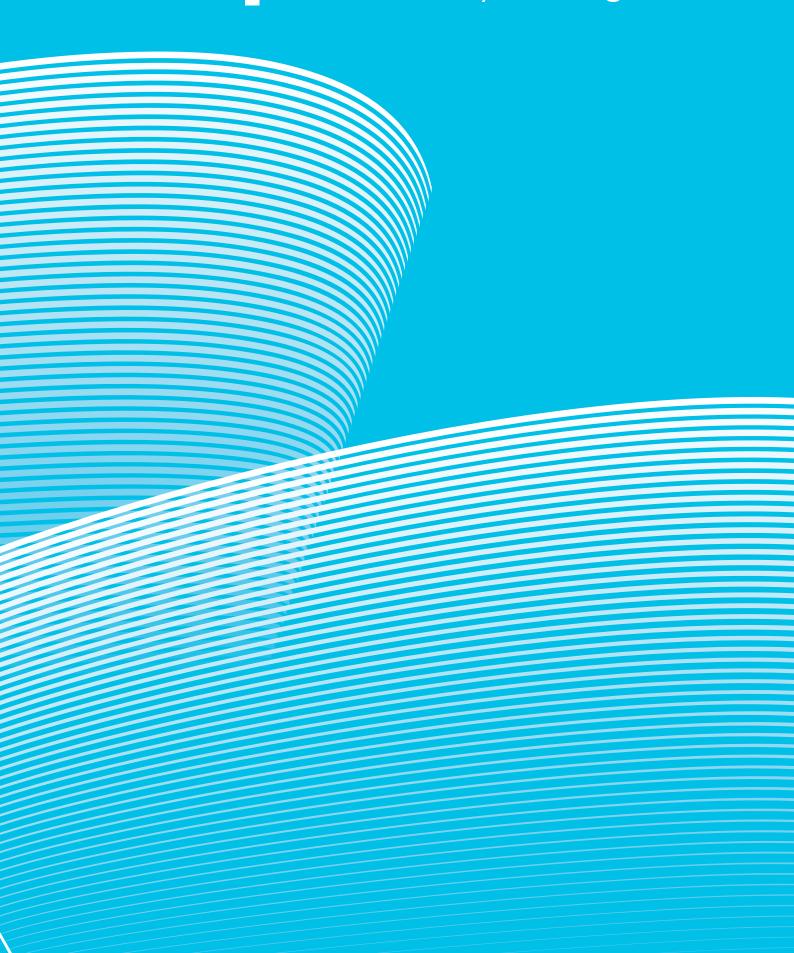
The positive outcome of the system is evident in value generation, where the Ideo innovation system produces benefits adding up to \$4,026 millionin savings and revenues from the pilots. In addition, value opportunities were generated for \$5,033 million pesos.

In 2015, the Universidad de los Andes was sponsored to participate in the Solar Decathlon Latin Ameri¬ca of the Department of Energy of the United States, DOE, which was held in Cali between 23 Novemberand 15 December. Codensa sponsored a project for the development of a sustainable home, designed for the comfort of the user as a social housing alternative for low income persons.

From Innovation, there has been participation in several national contests and, as in previous years, we participated in the innovation Accenture award, with the EVA (Electric Vehicle Application) electrical mobility project, which was runner up within the energy resources category.



# Sustainability Management



For the Company, sustainability is a strategy that integrates with business management, growth and development, aimed at creating value in the medium and long run for society and all its stakeholders.

As part of the commitment to transparency, in 2015 the Enel Group shares its sustainability performance according to the Dow Jones Sustainability Index. Hence, the Group was among the 137 companies accepted out of 3,470 that were invited. This same year, it received the prestigious Gold Class award for sustainability in the 2015 year book prepared by RobecoSAM. This publication, in its 20th edition, assessed sustainability performance among the largest companies worldwide.

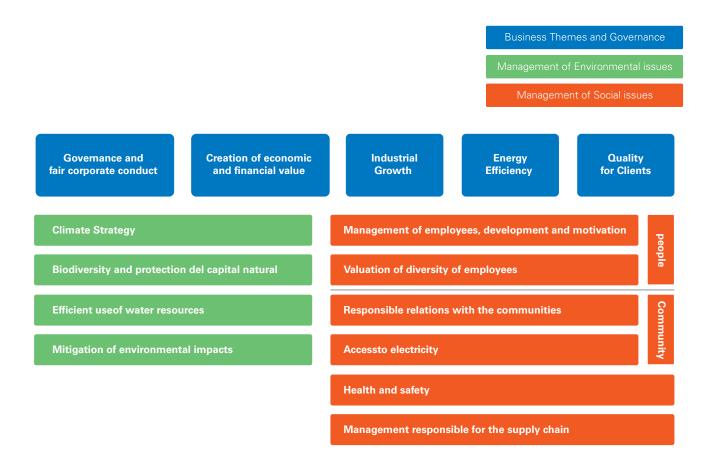
In 2015, the Group received the highest rating in the Carbon Disclosure Project (CDP), with a score of 100/100, for its transparency in communication. This index accredits, at international level, the excellence of companies as product and service suppliers based on low carbon emission business models.

As regards Holding, an innovation and sustainability function was created, which reports directly to the Group's delegate adviser and, in each country a Sustainability Management was created that, in Colombia, reports to the General Director of the Enel Group in the country.

#### 2015 - 2019 Sustainability Plan

In 2015, the Enel Group defined the guidelines of the 2015 – 2019 Sustainability Plan, which are focused on social, environmental, business and governance issues.

Codensa will manage and measure the strategy's performance by means of a project integrated, standardized system. Similarly, it will encourage the exchange of best practices, with shared value parameter pillars in all sustainability actions.





**Bosque Renace - Natural Reserve** 

#### Sustainability initiatives

In 2015, Codensa worked on programs that improved the life quality of stakeholders and on implementing initiatives that had a favorable imact on environment, innovation, technological development and operating efficiency, among which, it is worth to highlight the following:

#### 2014 Sustainability Report

The Company's eleventh sustainability report was published, thus completing over a decade of transparent, responsible accountability exercises with its stakeholders. The report was prepared pursuant to parameters set in Guide GRI 4: Exhaustive Option of Global Reporting Initiative (GRI) and the specific sectorial supplement for the electricity sector. The document was verified by the auditing firm Ernst & Young Audit SAS.

#### Renace Forest - Codensa Emgesa Natural Reserve

The forest commenced as a sustainability undertaking for the conservation and protection of 690 hectares of Andean high forest in the municipality of Soacha, Cundinamarca, and contributes to the recovery and connectivity of ecosystems in the medium and low watersheds of the Bogota River. Between 2012 and 2015, approximately 25,000 trees have been planted as compensation for Company activities.

#### Sustainable mobility

As part of the Sustainable Mobility Entrepreneurial Plan (PEMS), the Company organized in November the Third Week of the Shared Car (TSCC), an activity that contributes to mobility in the city, as employees shared their cars for transportation to their work places.

#### **Global Diversity**

Within the Global Diversity Project of the Enel Group, the initiative called Codensa is Inclusive was carried out. It is intended to ensure the best posible assistance to disabled and elderly persons who resort to presential assistance channels. This undertaking consists in incorporating the differential approach in the Codensa service model: 70 customer service advisers were trained on inclusive assistance, diagnosis was made on accessibility to service centers, and focal groups and surveys were arranged to learn about their experiences and expectations as related to the assistance required. This is aimed at recognizing the elderly and disabbled people by incoporating the provisions set out in the United Nations Human Rights Convention for the disabled.

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#### Sustainable Strategy

The integration of sustainability into Company strategies and functioning is the logic behind the change and reflects interest on environment, social development and economic sustainability.

Given the nature of the business, the intent is to work for the development of the communities where we are present, identifying opportunities for creation of shared value.

In response to the needs of the communities, Codensa focused its sustainability initiatives and projects in the education and local development lines.

#### **Education line**

#### The world of energy in Divercity

The teaching strategy The World of Energy in the Divercity Park is intended for children to learn in a fun manner the process of generation, distribution and commercialization of electric energy, as well as the reasonable, efficient use thereof. Children play the role of Codensa and Emgesa engineers who, through a mission, understand the importance of electric energy in their lives. The Company received more than 40,000 children in Divercity's interactive attractions and took over 1,500 children to the park, at no cost, both from Bogota and from neighboring municipalities.

#### Codensa Cup

Promoting education in values through sports is the goal of the Codensa Cup, which in its second version had the participation of 448 children and youth, aging 13 to 15, from 16 Bogota neighborhoods, among whom we promoted eight values: respect, solidarity, loyalty, leadership, trust, commitment, responsibility, clean game. Ten value workshops were organized and 152 games were played. Over 50 children were awarded trips to Spain, Chile and Medellin. Six teams in the neighborhoods of San Cristobal, Puente Aranda and Rafael Uribe were the winners. In this edition, the cup was largely attended by parents and companions and through the Facebook fan page messages were conveyed continuously concerning the values represented by the tournament. The fan page reached 4,715 followers in Facebook, which represented 120% increase as compared with 2014.

#### Formation for work

We support youth in vulnerable conditions to conclude their high school and technical career processes, contributing to the generation of opportunities for development and improvement of their life quality.

In 2015, accompaniment was provided to 200 youth in the municipalities of Nemocón, Cogua and Zipaquirá – Cundinamarca, in high demand areas within their social and economic context, by supporting transport, food, materials, teaching, endowment, and recreation.



Copa Codensa

#### **Educating with Energy**

Educating with Energy is a program that as of 2013 has strengthened middle education youth in public schools in Bogotá concerning socio-emotional skills, with the intent of providing them with tools to define their life plan, thus optimizing their skills. Likewise, it promotes education within the framework of sustainable development and innovation, according to sustainable development objectives.

In 2015, 5,000 youth were trained on skills for life and, as empowering strategy of the program, the Seed Plan was presented in the Tomás Rueda Vargas School in the San Cristóbal neighborhood, where 82 students expressed their interest to be trained in the technical area of "Installation and maintenance of electrical networks".

#### Connect with Education

Approximately 5,000 people, both students and teachers, in 196 education institutions in the municipalities of La Palma, Caparrapi and Yacopi – Cundinamarca, benefited with methodologies to improve mathematics and reading/writing teaching.

#### Plan Semilla (Seed Plan)

Twenty nine youth, in vulnerability conditions in the district of Gualivá in Cundinamarca, are being trained on "Installation and maintenance of electric networks" and in the framework of sponsorship with our collaborating companies, had an average minimum monthly salary (MLMS), which enabled them to develop their formation process seamlessly.

#### Local development line

# Institutional Strengthening and community organizations: Program for Development of Peace in the Middle Magdalena (PDP)

As a result of the alliance established with five firemen stations in the municipalities of Gachetá, Gachalá, Sibaté, El Colegio, and San Antonio de Tequendama, eight joint brigades were organized on fire prevention, distributing communication equipment, uniforms, and other items necessary for the work of these agencies.

In cooperation with the CommunityAction Boards (JAC), a multi-purpose sports court was provided at the Corinto School in the municipality of Yacopi, as well as the fencing of the El Oso School in Caparrapi. These activities benefited over 200 students.

Formation of one hundred leaders was supported on participation, political culture and social leadership. Also, one hundred community members participated in projects focused on economic development, organizational strengthening and productive initiatives. Furthermore, eighty young students from three education institutions were provided with training on cultural and value topics applicable to peace contribution.

## Together for the Boards (Juntos por las Juntas)

We supported the participation of 85 Community Action Boards in the training process on project proposals, participation mechanisms, and integral sustainable development, also providing seed capital to other 15 boards to strengthen their community action plans.

#### Coffee productive chain

Since the year 2010, over an area covering 2,000 m2, ten million coffee plants were sown, which benefited 800 coffee growers. This increased productivity from 400 to 1,200 kilos per hectare. Therefore, new revenues were obtained for families engaged in coffee growing activities.

A social business process was carried out with 17 coffee grower associations and a regional cooperative for commercialization of coffee and the provision of services to the growers. As regards education, 51 growers obtained certification from Universidad Minuto de Dios and the Fundación Formemos on coffee serving and tasting.



#### Cacao productive chain

This program is intended to strengthen the cacao productive chain by promoting long term productive crops, encouraging associated work and the generation of public-private alliances. Under this framework, 113 families improved their life conditions thanks to the optimization of production processes.

#### Gualivá panela producers

The Company has contributed to improving the life quality of sugar cane varieties planted, based on a reproduction model of cane species nurseries to improve on-site productivity in the district of Gualivá, Cundinamarca. With these actions, 48 panela producers were benefited, having improved their productivity.

#### Volunteer work

#### Adopt a Little Angel

Nearly 500 Company employees participated in the collection of Christmas presents, and 596 presents were distributed among children and adults in eleven foundations in Bogota, Soacha, Neiva, El Colegio and Ubalá.

#### Good Energy for your School

Over 40 employees participated in the work days that contributed to improve education infrastructure at seven schools, from which nearly 4,000 children and youth benefited in the municipalities of Tocancipá, Bogotá, Ubalá, Yaguará and San Antonio del Tequendama.

## Generation of conventional waste in administrative and commercial venues

Thanks to the collaboration of Company employees, more than 13,000 kilos of recyclable material were collected, including file paper, cardboard and newspapers, in addition to plastic caps. This material was delivered to Fundación Sanar, an entity that uses resources obtained to work with children with cancer and their families in regard to an integral care in the fight against the disease.

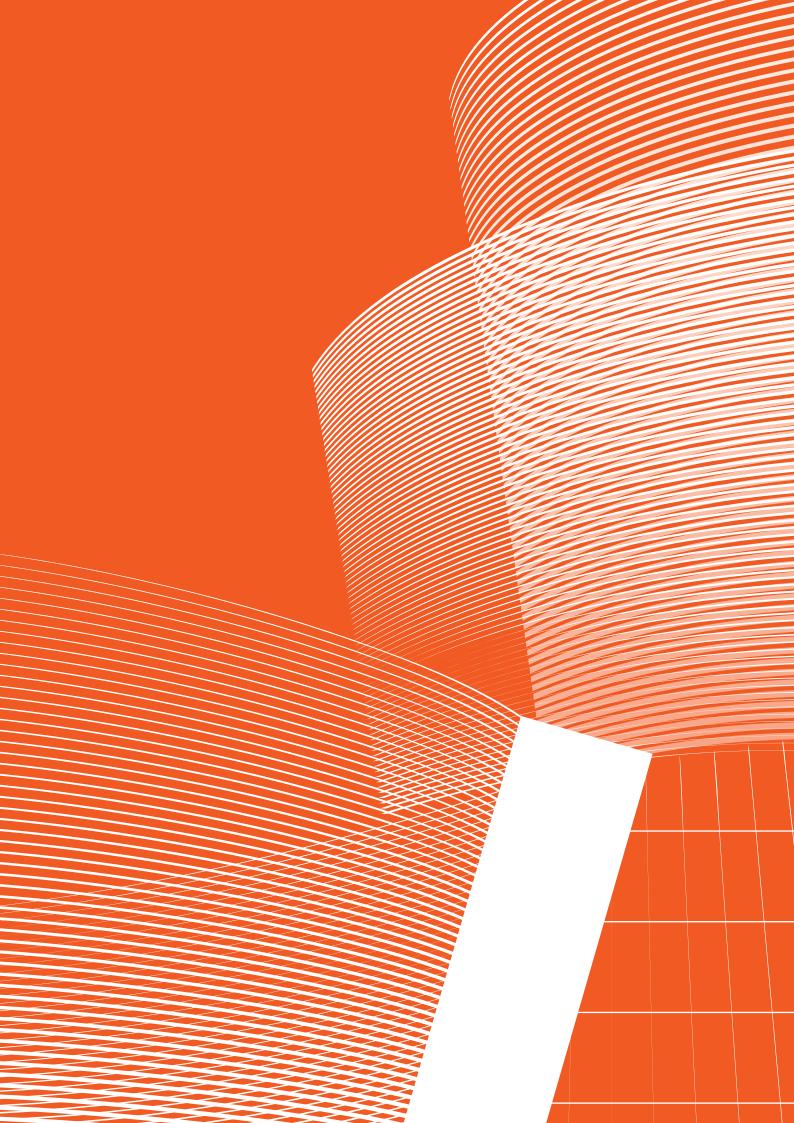




Provincia de Gualivá, Cundinamarca

# Procurement Management





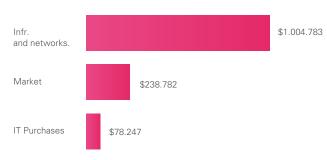
The Provisioning function is part of the good and services supply chain environment, intended to ensure external resources required by the Company to achieve its objectives.

It includes activities commenced when the Company has the need for material, Works and/or services, to the formalization of a legal relationship through the execution of a contract or a purchase order related to the acceptance of a commercial offer.

#### Main Indicators

In 2015, awards were made for \$1,321,812 million among infrastructure and networks, marketing goods and services and purchases associated with technology and informatics.

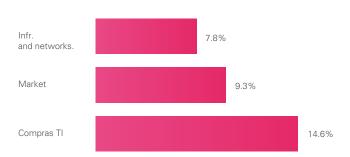
#### Award volumes by area



Source: Awards approved in 2015

These purchases enabled 8.5% savings and 0.8% increase as compared with 2014 as a result of win-win negotiations with suppliers, obtaining better market prices for the Company. The saving obtained is distributed by purchase portfolios, as shown below:

#### Management



Fuente: Adjudicaciones aprobadas durante el año 2015.

#### 2015 Major achievements

Consolidation was achieved regarding the evaluation methodology called Vendor Rating, which allows for reviewing performance of service and material supply in the Company. As regards works and services, it assesses quality, timeliness, safety and legal and labor related aspects. Every three months, an average of 66 vendors, 120 contracts and 39 families were evaluated. As to materials, timeliness and quality are assessed.

- As part of the strategy for service quality improvement, the Company acquired high voltage mobile substation to provide immediate assistance in the event of contingencies that may affect normal electric energy supply.
- In 2015, twelve suppliers were developed on material supply. The purpose of this development is to have new suppliers who are qualified for contracting material supply with the Company; such development is distributed among the following families: High voltage disconnectors, five vendors; PCV ducts, four vendors; Polymeric posts, one vendor; Optic fiber cable, one vendor; Rods, one vendor.



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- Phase III of the corporate portal "Portal One" was implemented, which allows for greater autonomy and simplicity as to availability of suppliers for procurement processes of the Enel Group. It will be possible to have a larger number of suppliers to participate in goods and services contracting processes for the Company. Based on this portal evolution, they continue to be adjusted for integration with 2ONE, which will be the new procurement system of the Enel Group.
- Continuity was stressed in the development and implementation of electronic bids through the SAGA7 (Company Procurement System), so that our suppliers participate in bids whose traceability guarantees equal opportunity, more efficient procurement processes, and availability of information in magnetic media.
- In 2015, 103 foreign trade operations were completed, amounting to \$48,415,856,440, which represented 210% increase as compared with 2014.
- In order to allow for greater participation of new suppliers in the Company's contracting processes, measures were implemented to reduce contract extensions and orders, which enabled a 6% reduction vis-à-vis 2014.
- Progress was made in the Project "Value Chain with Suppliers", which is aimed at optimizing the supply chain from planning of needs to evaluating the performance of the suppliers and highlighting ethics as one of the values of the Enel Group and its importance in all of our actions.

#### **Procurement Management**

#### Contracting of works and services

Described below are some relevant processes contracted in 2015:

- > Integral technical operations in the Bogota South Zone: works, maintenance and emergency assistance, amounting to \$168,224,585,934 and a three-year term.
- Integral technical operations in the Sabana Zone: works, maintenance and emergency assistance, amounting to \$158,924,364,923 and a three-year term.
- > Transitory contracts in the Bogota North and Zone Zones amounting to \$79,798,894,005 and a one-year term.
- Commercial operations of service connection, billing, loss control, suspension, cut-off and reconnection in municipalities defined by Codensa–West Zone, amounting to \$28,020,985,681 and a three-year term.
- Logistic service operator, amounting to \$14,619,644,703 and a three-year term.

#### Material and equipment purchases

Some relevant processes in 2015:

Local award of concrete posts for the period 2016 – 2017 with the possibility of extending it for one additional year and 20% tolerance. Total award amounted to \$30,457,593,131, saving of 3.92%.



- Solution Solution
- Local award for supply of metal posts for networks to meet requirements for two years, 2015-2016. Total award amounted to \$38,295,027,692, savings of 20.40%.
- Supply of a mobile high voltage substation to address contingencies that could affect the normal supply of electric energy and also support investment projects as part of the strategy to improve service quality. Total award amounted to \$14,924,220,634, savings of 17,40%.

# Purchases for Information Systems and Technologies

Relevant contracting in 2015 includes supply, installation, configuration and maintenance of Cisco telecommunications equipment amounting to \$3,255,077,354 and savings of 9.7%. This project intends to satisfy Company needs for telecommunications equipment, improving reliability levels and availability of telephone data networks.

#### Supplier Management

With respect to suppliers, the Company has maintained its goal of having qualified suppliers, experienced and high performers; therefore, in 2015, it carried out the following activities:

#### Qualification:

The Business Qualification Model was consolidated. It seeks to evaluate, from a legal, economic and financial standpoint, the potential suppliers of goods or services, following a bidding process. In 2015, 150 Colombian suppliers were assessed, for a total of 218 qualified suppliers.

- > The rating model was maintained for suppliers in strategic families, to verify prior to a bidding process if the suppliers meet in full the technical, business, health and safety requirements. Currently there are 130 qualified suppliers in 13 service families.
- In 2015, 48 suppliers were assessed using the safety and health rating model process to verify documents indicating if suppliers meet the requirements established by the Enel Group relative to safety and occupational health, prior to a bidding process. Currently, 171 suppliers meet this qualification.

#### On Site Audits

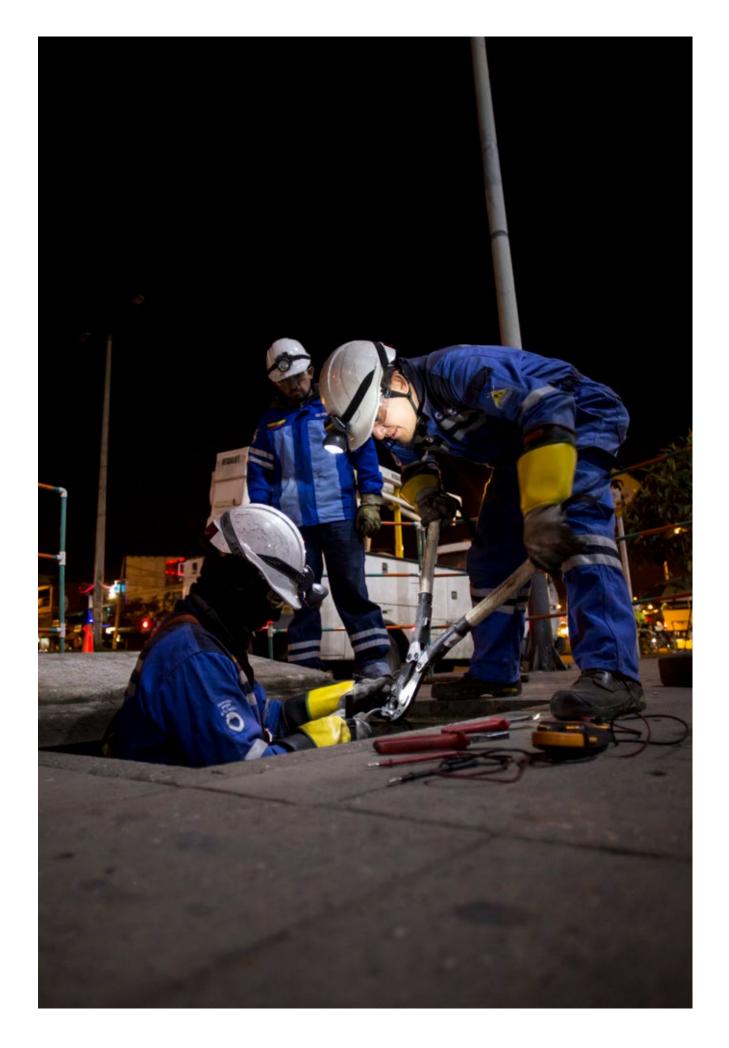
Execution of the on-site Audit program, based on a safety and occupational health model which seeks to veriy at the work site the effective implementation of the safety management system.

In 2015, the program incoporated eight audits in four strategic service families.

# Development and search for suppliers

- Performanc of the First Encounter of Potential Suppliers for Network Infrastructure, which was attended by 60 suppliers, 39 of them local and 21 foreign.
- Services for the bidding process: Works and maintenance on Medium Voltage / Low Voltage – Cundinamarca. It was intended to have new suppliers with the capacity and competences to opérate in the rural zones of Cundinamarca.
- Development and seach for suppliers of material for the bidding proess: supply of fire doors and polymeric posts.

codensa Anual Notes 2015

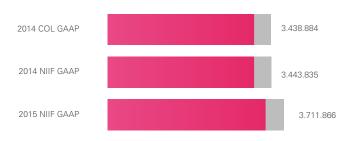


# Financial Management



In 2015, operational revenues added up to \$3,711,866 million, which represents a 7.78% growth as compared with the close of 2014. This increase was caused mostly by the increased demand in the influence area of Codensa, particularly in the residential sector, and the raise in the Producer Price Index (PPI) as compared with the previous year, an indicator to which the regulated market tariffs are indexed to.

**Operating Income** 



Million pesos

The cost of sales was \$2,100,758 million, an 8.95% increase as compared with the previous year, resulting from higher prices in contract electric energy purchases, mostly due to greater purchase volume and PPI increase, marker to which a significant percentage of energy sale costs are indexed to in the wholesale market.

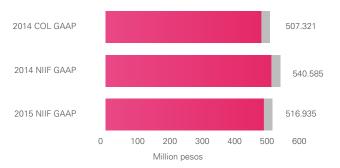
In turn, administration expenses represented an increase of 11.12%, reaching \$372,472 million, mostly because of the wealth tax applicable on 2015, which is calculated as fixed cost in EBITDA, resulting from the adoption of the International Financial Reporting Standards (IFRS) in 2015.

Thus, the Company generated in 2015 an EBITDA of \$1,238,636 million, representing a 4.93% growth as compared with 2014 and 33.37% EBITDA margin over operational income.

The Company's net financial cost amounted to \$114,862 million, a 23.64% increase, resulting from the significant increase of inflation in 2015, a market to which 100% of the debt financial cost of Codensa is indexed to, added to a higher average debt balance in 2015 vs. 2014.

Net Company profits in 2015 added up to 3,443,835 \$516,935 million, 4.38% less as compared with the previous year, resulting from the above mentioned effects, and the higher income tax rate and CREE, which was introduced after the last tax reform.

#### **Evolution of net profit**





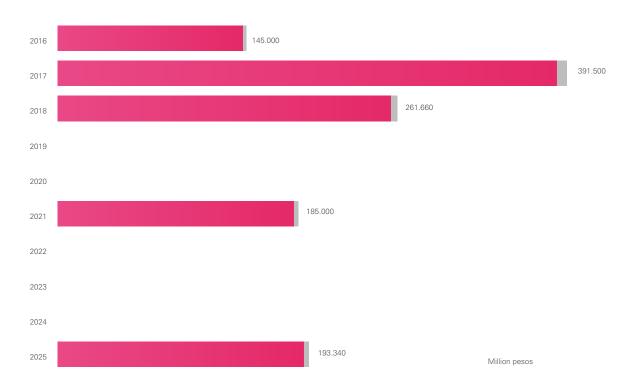
As of 31December 2015, Company total assets added up to \$4,692,346 million, with available cash and short term investment amounting to \$402,473 million. Available cash and investments decreased by 31.96% as compared with balances in 2014 mostly due to greater level of investment.

Total liabilities were \$2,369,078 million, 13.45% less than the balance in 2014, because of dividend payments that had been approved but were pending disbursement in 2014. At the end of 2015, the balance of the financial debt, including payable interest, amounted to \$1,179,039 million, almost unchanged as compared with the same cutoff date in the previous year.

The Company continues with its policy to minimize its income statement exposure to the variations of the type of exchange, so that on 31 December 2015, 100% of its debt was concentrated in pesos, in bonds in the local market. Additionally, 100% of debt interest is indexed to the CPI. Furthermore, at the close of 2015, 87.68% of the financial debt was long-term (expiry date of more than one year).

This is the maturity profile scheduled as of December 31, 2015:

#### **Maturity Profile**



Company equity as of 31 December 2015 amounted to \$2,323,269 million.

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#### **Dividends**

On 25 March 2015, the General Shareholders Assembly, in its regularsession, approved the distribution of profits for the period September-December 2014, net of the Reserve for Accelerated Depreciation (Article 130 of the Tax Statute), for a total of \$155,084 million.

In 2015, Codensa paid a total of \$552,744 million pesos in dividends to its shareholders, corresponding to the last installment (37.5%) of dividends on the 2013 net profit and the first two installments (81.86%) of dividends on 2014 net profit.

#### **Current Ratings**

On 28 July 2015, Fitch Ratings Colombia ratified in AAA (Col) the Codensa national long term rating and maintained its stable perspective. Codensa's rating reflects the low business risk profile, by supplying electricity to the regulated market and for its relatively low exposure to demand risks. Additionally, it proves the sound credit profile of the Company, characterized by a robust generation of operating cash flow, low leverage and strong liquidity indicators. Fitch Ratings highlights that the rating incorporates the strategic importanceof Codensa for Enel SA ('BBB+' international rating). The rating also considers Codensa's moderate exposure to regulatory risk.

# Investor Relations (IR) Recognition

En agosto de 2015, Codensa recibió por tercer año consecutivo el reconocimiento *Investor Relations* por parte de la Bolsa de Valores de Colombia (BVC) por elevar voluntariamente sus modelos de gestión de revelación de información y de relación con inversionistas, por encima de las exigencias de la normatividad local y por poner a disposición de los inversionistas información trimestral y anual en inglés y español en su sitio web.

# Assistant Treasury Management Process Quality Certification

Since 2010 and 2011, the Company's payment management and liquidity surplus processes have received the ISO 9001 quality certification granted by the international certifying agency Bureau Veritas.

#### Tax Management

Efficiency was determined as to management of IVA (VAT) that can be discounted and enabled reduction of Company's expense budget and, consequently, tax savings. The investment budget was optimized by using tax benefits pursuant to the law.

Following is the Company's tax burden for the last three years.



# Admiistration Management Internal Control

In 2015, the Internal Control Division coordinated the self-evaluation of the internal control model of financial information in compliance with Italian Law 162 and Sarbanes Oxley (SOX).

Internal and external corporate auditing audited the relevant Company processes and conducted design and operational tests to controls. Because of the foregoing, improvement opportunities were identified and action plans prepared. The External and Internal Auditors reported no significant issues with respect to the internal control model for financial information. The financial control model was redesigned in accordance with guidelines from the Enel Group to identify risks and control of the main Company business cycles and seek efficiency under a cross-cutting approach to thus achieve improvement and optimizing of the internal control model and prioritize key controls and risks. The new internal control model will be subjected to self-evaluation by the Administration in 2016.

# Implementation of IFRS norms (NIIF in Spanish)

In compliance with Law 1314 of 2009 and Decree 2784 of December 2012, the Company concluded the phases of preparation, transition and transition close of the process of convergence to NIIF.

In accordance with Resolution N° SSPD 20141300033795 of July 30, 2014, the Company timely reported on 29 August 2014, to the Superintendence of Public Household Utility Services the Opening Financial Statement - ESFA, the equity reconciliation, the disclosures, and the policies as of 1 January 2014.

Continuing with the process of convergence to NIIF, the Superintendence of Public Utility Services issued Resolution No. SSPD 20151300028355 of 19 August 2015, which contains the information requirements for closing of the transition period; to such end, the Company reported on 30 September 2015 the financial information required as of 31 December 2014, pursuant to the terms set forth in the aforementioned resolution.

Additionally, for purposes of reporting intermediate information as security issuing entity registered with the National Register of Security and Issuer National Register — RNVE, the Company reported to the Colombian Finance Superintendence the intermediate financial information for the March, June and September quarters of 2015, under XBRL language, according to parameters set out in external circular letters 007 of April 2015 and 011 of May 2015.

As of September 2015, the Company carried out a special purpose close, having issued two financial statements that were prepared in accordance with the Accounting and Financial Information Principles and Norms accepted in

Colombia, which consider the International Financial Reporting Standards - NIIFS, the Accounting International Standards–NIC-, the SIC interpretations, the CINIIF interpretations and the applicable conceptual framework for financial information, issued and approved by the International Accounting Standards Board (IASB).

# New structure of the Administration Management

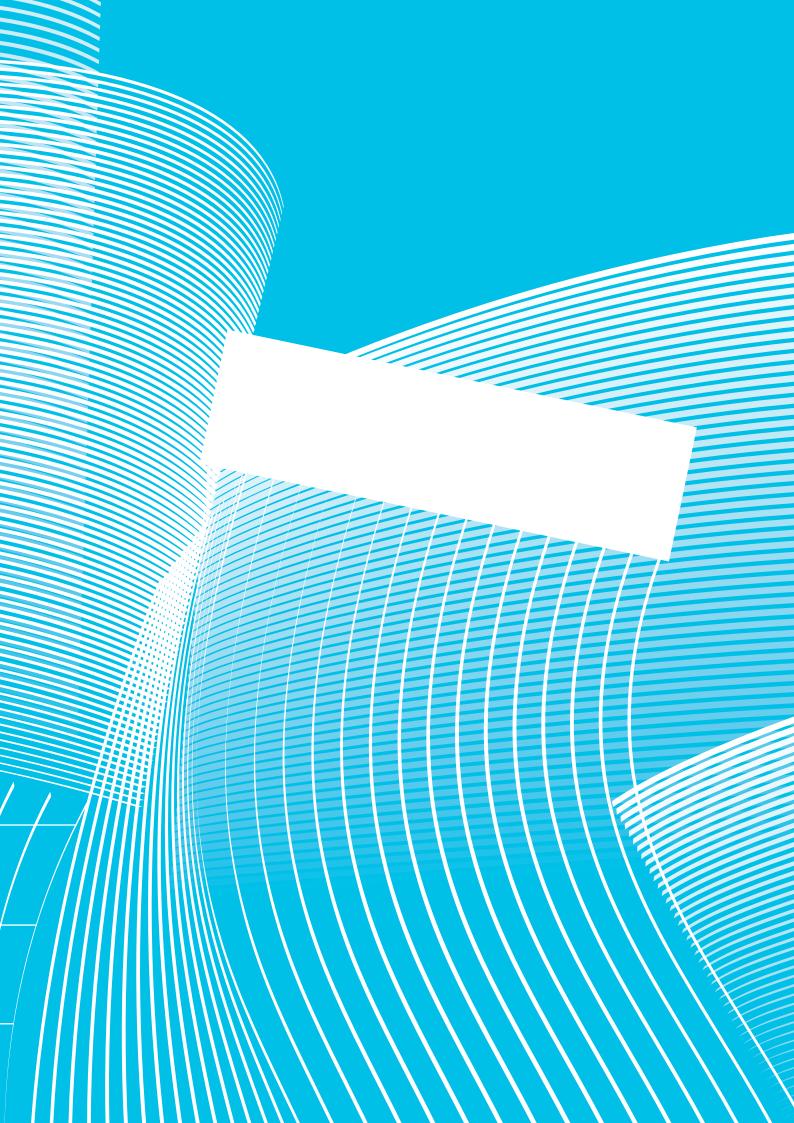
As part of the new Company organizational structure, the administration Management was created, which reports directly to the Management of AFC Colombia.

As part of its main functions, the Administration Management, pursuant to the principles and policies of the Enel Group, is responsible for the accounting management of the Company, the consolidation and preparation of the financial statements, the effective monitoring of internal control and accounts payable.

The Administration Management has been working on streamlining new processes and, as an alternative, on the redistribution of team functions to thus consolidate efficiently without affecting the day to day business operation.



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During 2015, management was concentrated mainly on strengthening and updating internal audit practices and methodologies, corporate governance, compliance, and risk assurance in the Company. Thus, it was possible to strengthen the Company's internal control system, in order to improve quality, transparency, service, competence and leadership in the sector and in the country.

Key actions developed in 2015 that are to be highlighted:

#### **Corporate Conduct**

In 2015, the Company signed the Transparency and Ethics Commitment of Companies in the Electric Energy Sector in Colombia, as a result of a collective action that was promoted with other eleven companies in the sector and with government agencies.

The commitment is aimed at strengthening healthy competition, trust and sustainability of the companies and the industry at large, taking into account the best practices and world guidelines on transparency, anticorruption and compliance.

Further, the Internal Compliance Committee was created, which is responsible for monitoring the implementation and adjustment of compliance programs. The Committee intends to structure the programs under tools, protocols and control systems that ensure and demand from employees and stakeholders transparent, honest, fair and ethical actions in performance of their work or in their relations with the Company.





The Company has in place programs and protocols that in 2015 were updated and used to raise awareness for the strengthening of ethics and transparency that are worth mentioning:

- > Ethics Code
- > Corruption Zero Tolerance Plan
- > Guidelines 231 and criminal risk prevention model
- Protocol on offering and accepting gifts, presents and favors
- Protocol on acts related to treatment of officials, control agencies and authorities
- > Conflict of Interest Norms
- > Antitrust Manualu

Similarly, there was monitoring and management of the various communication channels that the Company has in place as reporting mechanisms (ethical cannel, mail, calls, etc.). The claimants were protected from retaliation or discriminating actions, ensuring confidentiality as to their identity and carrying out an adequate analysis of the denounced events.

Future challenges imply continuing with the update and implementation of best practices and becoming a model in the country as to corporate governance, ethics, transparency and prevention of crime and corruption. Part of these challenges include participating in the Project of the EACA (Anti-Corruption Compliance active Companies) award granted by the Secretary of Transparency of the President's Office).

# Audit and risk assurance function

Throughout 2015, the guidelines and handbooks of the audit function were updated so as to align them with best practices. The function was, in addition, subjected to the evaluation by an external party to recertify compliance with norms and standards for professional practice of internal audit and the Ethics Code of the Infernal Auditors Institute. In December 2015, notice was received of the successful certification with the highest raring set out by international auditing standards.

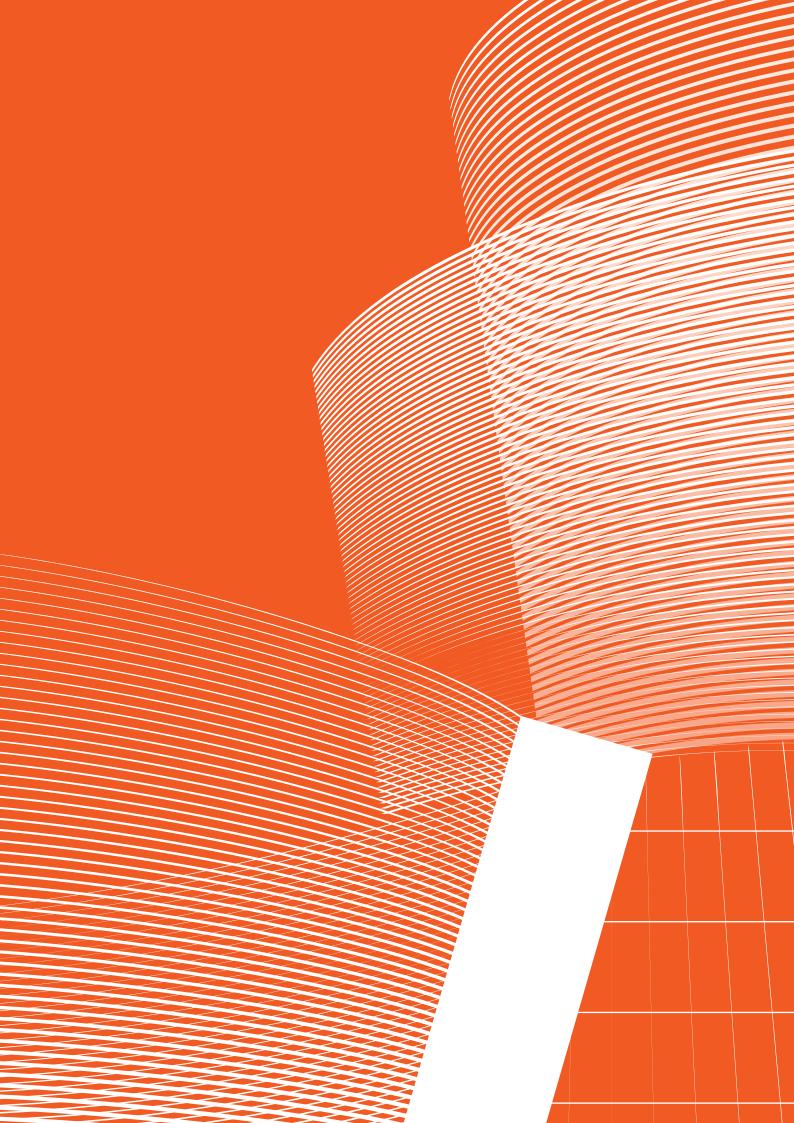
The annual audit plan was completed entirely, which implied performance of 10 audits. This included reviewing control architecture, compliance with internal procedures and external regulations, risk management in keyCompany processes such as client billing and sales, management of losses in the electricity network, procurement management, human resources management and payment to suppliers' management.

Similarly, progress and compliance of actions plans from previous audits were monitored, in order to solve any weakness and improve Company in-house processes.

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# Legal Management





In 2015, the legal management of the Company was focused on expansion projects, out of which it is worth mentioning the substations of Nueva Esperanza and Norte; the presentation of environmental licensing; the approval of the merger with Empresa de Energia de Cundinamarca and Decsa, and the structuring of financing mechanisms and, in general, provided legal support and security in performance of the corporate purpose.

As regards the regulatory perspective, active work was performed on structuring new ventures, analyzing various proposals presented by the Commission of Regulation of Energy and Gas (CREG), and following up legislative initiatives that affect Company activities. Furthermore, timely responses were given to requirements from diverse overseeing and control bodies.

In the same token, there was attention given to management of public lighting service, property clearing, easements, social responsibility and innovation, promotion of new products and services that add value, as well as legal advice for continuous improvement of activities, operations, and global functions of the new organizational structure of the Company.

In line with the development, promotion and generation of energy alternatives that contribute to counteract climate change and efficiency in the provision of energy service and transport systems, legal management supported the analysis and shaping of pilot plans and new ventures, added to the structuring of different business models that promote electoral mobility in Colombia.

In the year 2015, 24 final rulings were issued, out of which 21 were favorable, thus achieving 87.50% sentence exoneration. In accordance with the pretensions of the claims, savings in proceedings against Codensa were achieved amounting to \$3,574 million, added to gains of approximately \$16 million.



Construcción Subestación Nueva Esperanza

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Regulatory, institutional engagement and regulatory management



The Company continuously tries to create and maintain a transparent relation with its institutional stakeholders, assisting on the operation and adequate management of regulatory and institutional risks.

# Distribution regulatory management

In 2015, the regulatory management was focused on methodological reviews of distribution charges and commercialization.

For revision of regulated distribution charges, the Commission for Regulation of Energy and Gas (CREG), in February 2015, issued the draft for Resolution 179 of 2014, which proposes the remuneration methodology based on a regulated income scheme. This methodology is aimed at strengthening the signals for replacement of the existing infrastructure, the integration of new technologies into the system, the stability of remuneration of investments performed, and the improvement in reliability and quality of service and loss control. All of the foregoing is part of the proposals and guidelines developed in Resolution 079 of 2014.

Additionally, the Commission for Regulation issued CREG Resolution 095 of 2015, through which it defined the methodology for calculation of the regulated remuneration rate – WACC, which will be applied for electricity distribution and transmission activities, and the distribution and transport of natural gas, fuel gas and liquefied petroleum gas (LPG) by pipelines. Relevant progress was made as related to recognizing income tax and CREE supplementary tax, market capitalization information, and proposal for expanding the window time for calculation of WACC variables, which implies greater stability of the calculated rate.

As related to the regulated commercialization charge, in January 2015, the CREG issued Resolution 180 of 2014, which defines the new methodology for remuneration of the commercialization activity. Codensa requested CREG, in March 2015, the base charge for commercialization under the new methodology and between September and December 2015 the commission published resolutions CREG 120 and 191 of 2015, which finally approved the new commercialization charge of the Codensa rates, which will be incorporated into the rates calculated in January 2016.



Subestación Nueva Esperanza

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The CREG, through Resolution 240 of 2015, issued an amendment to the guarantee scheme of the Regional Transmission System (STR) and the Local Distribution System (SDL). This norm mitigates the risk to which the network operators are exposed to in the eventual non-payment of charges for the use of the STR and SDL chargeable to the marketers, which was requested to the Commission by Codensa and the distributors industry.

In response to Decree 2469 of 2014, which established the guidelines of the energy policy concerning delivery of self-generation surplus, the CREG published Resolution 24 of 2015, which regulates the large scale self-generation activity and the Mining Energy Planning Unit (UPME), published Resolution 281 of 2015, which defines the limit of self-generation at minor scale equivalent to 1 megawatt. Additionally, the CREG issued Resolution 11 of 2015, which promotes response mechanisms for responding to demand. Subsequently, in November 2015, the Ministry of Mines and Energy published Decree 2143, which defines the guidelines for applications of incentives: i) Special deduction on income and supplementary taxes; ii) IVA exclusion; iii) Customs Duty; iv) Accelerated Depreciation Regime, and v) Processing Adjustments.



# Environmental regulations management

As regards environmental regulations, the Company's guild management within the following regulating processes is to be highlighted:

- Issuance of the Only Regulatory Decree of the Environmental Sector and Sustainable Development, which compiles all environmental decrees in the country.
- > Regulation of Article 51 of Law 1753/2015 in relation with environmental licenses and permits for Strategic National Interest Projects (PINE).

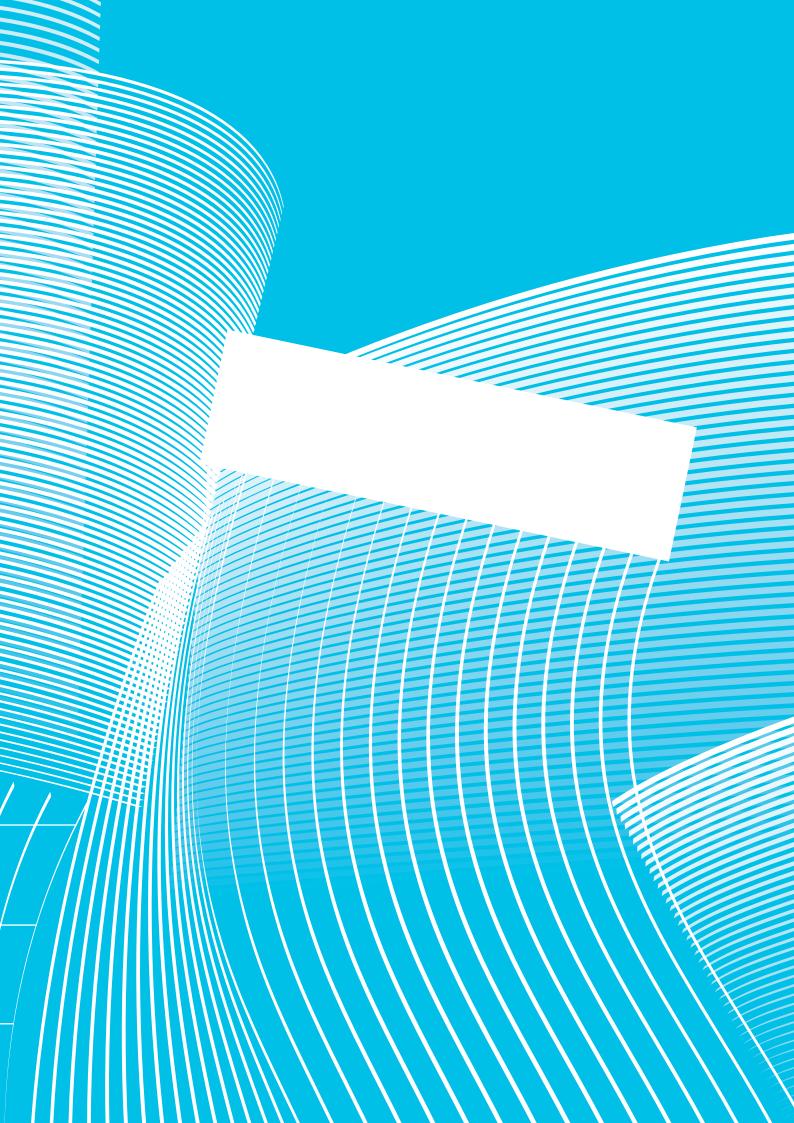
## **Institutional Engagement**

It should be noted that the creation of the Institutional Relations Division was created, and its contribution to management of regulatory issues (regulatory and legislative) and corporate (business area's needs), based on the determination of the following objectives:

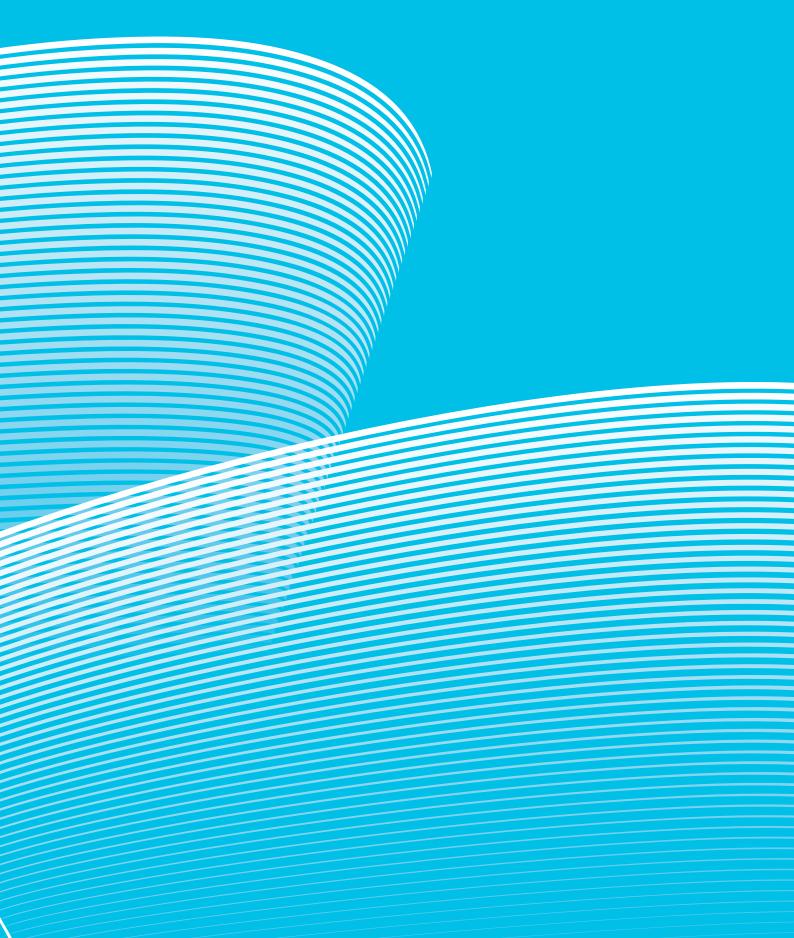
- Accompany, advice and define guidelines for institutional management of the Enel Group and its companies in Colombia, pursuant to the Colombian Constitution and the law, and the guidelines from the Enel Group as related to institutional matters, transparency and anti-corruption fight.
- Advise and manage strategically the Company's agenda for public and institutional affairs and contribute to its sustainability and achievement of corporate objectives.
- Achieve strategic positioning of the Enel Group and its companies in Colombia, among institutional interest audiences and contribute to the building of reputational value.
- > Analyze and identify Company political, environmental and social environment risks.

Within this context, the identification of stakeholders is noted, as well as the building and definition of the business discourse, plus the preparation of the engagement plan, for management of the following matters:

- > Codensa- EEC merger.
- > Non-interconntected Zones
- > Promotion of Smart Cities.
- > Definition of distribution rate charge.





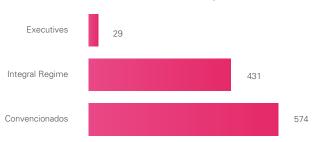


Human Talent Management in Codensa is applied in execution of several processes described below:

## **Personnel Management**

Total direct employees of Codensa at the close of 2015 were 1,034, 0.8% less as compared with the immediately preceding year. 90.5% of the work force had a standard contract, classified as follows:

### Clasificación de Trabajadores



Additionally, at the close of 2015, Codensa had 49 SENA apprentices and 59 university trainees.

# Compensation

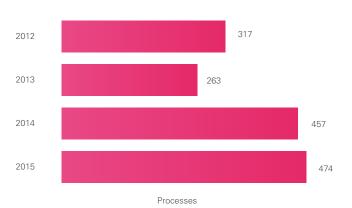
In accordance with the Company's compensation policy and seeking to improve salary competitiveness, internal equity and personnel retention, 162 salaries were leveled, 124 for unionized personnel and 38 for integral regime personnel.

### Selection Process

The effectiveness average in selection processes as of August 2015 was 98%, which means that the 2014 indicator is stable.

The graph below shows the number of selection processes completed in 2015, as compared with previous years:

#### **Codensa Selection Processes**



Codensa Type of Contract Direct Students Temps 2012 96 162 59 2013 128 109 82 2014 102 166 189 2015 156 184 134

## Internal job postings

Growth opportunities were given to Group employees, filling 22% of vacancies internally.

Codensa	Vacancies filled	
	Internally	Externally
2012	17	79
2013	56	72
2014	63	39
2015	34	122



To promote Company personnel, 13 promotions were made directly to positions with increased responsibility and, likewise, 34 promotions were made through in-house competition.

The personalized feedback process continues among 100% of in-house candidates in order to advise them on their strengths and areas for improvement, which strengthens the transparency of such competition processes.

## **Employer Brand**

The Company's employer brand building process commenced, aimed at talent attraction and retention. Initiatives developed included training, development, selection, compensation and life quality. The Company was ranked NO. 55 in the Merco Talento ranking, which measures corporate value relative to attracting and retaining human talent. This study was conducted by the Centro Nacional de Consultoría, and it was applied to approximately 16,000 employees of the most important companies in the country.

# Organizational development and formation

The formation and development plan included activities aimed at strengthening technical competences, occupational health and safety prevention, languages, special projects, management systems, organizational culture, innovation as a competitiveness factor, business knowledge, etc.

Investment in training amounted to \$428 million, 4% higher than in 2014. Training hours added to 81,518, with a total of 4,774 participants.

Similarly, the average training hours per person was 70 and the average cost per person was \$368,330, 2% higher than in 2014. These results stem from internal training initiatives and inter-institutional agreements intended to optimize costs and expand coverage.

In accordance with Results obtained in perception evaluations among participants, training was rated as 4.4 out of 5.0 points, which reflects 2% quality improvement as related to facilitators, contents, and logistics.

In 2015, 14 after graduate sponsorships were provided, and also 46 employees are undertaking a professionalizing program, which enables them to obtain a professional Industrial Engineer title. Further, with regard to formal education, the program of Network Supervision Technology continued, in which 48 workers participated.

For this year, work has also been carried out on labor for the sector, thus implementing the Seed Plan (Pan Semilla), under which one hundred high school students sponsored by collaborating companies are participating in the technical program for networks construction and maintenance.

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In 2015, the customer service school in the corporate University began, launching the program on emotional intelligence, focused on service, having obtained a score of 4.7. Additionally, the infrastructure school that will begin in 2016 was structured.

In general, the focus of actions in 2015 were the development of workshops for professional and personal realization of workers, the strengthening of culture and working climate, and the assessment and recognition of performance through a short international stay program.

# Management of organizational climate

Taking into account the results obtained in the survey called Great Place to Work in 2014, in the year 2015 several different actions were undertaken to strengthen the Company's organizational climate.

In order to promote greater synergy in the teams and teamwork and integration, 4 outdoors were organized, which were attended by 65 workers.

## Good practice conversations

Conversations were held with different company leaders to share good practices that strengthen organizational climate. These were attended by 18 leaders.

## Benchmarking

Taking into account the ranking of the survey Great Place to Work 2014, visits were made to the three preferred companies in Colombia. Movistar, DHL and Aseguradora Solidaria de Colombia were visited in order to know their good practices.

## 13 Leadership Principles

Communication of basic principles commenced, which all leaders in the Organization should implement in their day to day activities. Dissemination campaigns were carried out and 130 leaders were provided with the "basic guide", which explains to each leader how to implement such principles in their work.

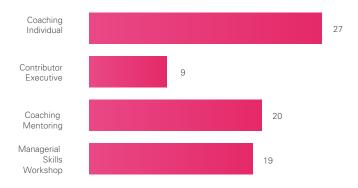




## **Development Methodologies**

In 2015 work continued with development methodologies such as coaching and mentoring. Additionally, workshops were conducted to strengthen the management skills of employees. The next graph shows the number of employees that participated in said activities:





The internal tour's program continued, working mostly with impact and influence behaviors, assuming risks and responsibilities, and communication. This program will continue in 2016, with participation of 19 tutors and students.

## Life quality

In 2015, Codensa as Family Responsible Company (EFR), under the development management model that seeks to have a positive impact on its employees' life quality, promoting balance of their personal, family and working life, developed programs and initiatives aimed at strengthening working equity, flexibility measures, economic support for employees, recreation spaces for employees and their families, and cultural activities, all of them contributing to promote equality and equity.

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## Flexibility Measures

In accordance with programs performed in 2015, the use of flexibility measures in Codensa was 3,961, which represented 18.0% increase as compared with 3,358 cases in 2014. The flexibility measured that is used the most is the balance day2

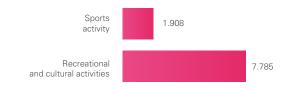
#### **Utilization of flexibility measures**

Flexibility measure	Benefited Employees
Assistance to sick relatives	147
Birthday	315
Balance day	2.680
Voluntary work day and balance	7
Flexible schedules	520
Short Christmas workday	67
Postnatal fathers	3
First day in school	66
Gradual postnatal return to work, mothers	15
Tele-work	141
Total general	3.961

### Participation in sports, recreation and cultural activities

There was a total participation of 9,693 employees and relatives in the various sport activity modalities (karts, bowling, soccer, volleyball, marathon, tennis, etc.), recreational and cultural activities (cultural breakfast, wine tasting, ecological walks, children's party, adventure, Christmas "novenas", etc.).

### Participation of employees and families



Total participation in quality of life events 2015

Event	Participation of employees and families
Sports Activities	1.908
Recreational and cultural activity	7.785

#### Valuation of quality of life activities and flexibilization program

Every year the company carries out a perception survey in order to verify acceptance of the programs offered, ranging from quality of life as a tool for new projects, inventions and other actions contributing to the balance of the employees and their families work, personal and family life.

In 2015, approximately 53% of the employees participated in the EFR; following are the results with respect to the best rated initiatives.

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### Valuation of quality of life activities and flexibilization program

Balance Day	98%	Children's Party	95.3%
Assistance to sick relatives	97.9%	Walk	93.2%
Birthday	95%	Children's Party / Bowling	92.4%
Postnatal return to work, mother	94.7%	Sports activities	92.3%
First day of school / Postnatal return to work, fathers padres	92%	Cultural breakfasts / Special celebrations (Father's, Mother's and Women's Day)	89.2%
Flexible work hours	90.7%		

Likewise, 96% of the employees consider that the quality of life portfolio contributes to the strengthening of work and family life balance.

#### **Economic benefits**

The Company in 2015 contributed economic resources for loans amounting to \$14,504 million, which were granted to 766 employees in the following credit lines.

Type of loan	Codensa	
	No. Loans	Value
Housing for unionized workers	52	4.807.762.279
Integral housing	31	4.338.255.015
Study loan	51	304.569.012
Vehicle loan	69	2.224.715.860
Higher studies loan	84	650.627.778
Domestic accidents/injuries loan	3	12.210.000
Home appliances loan	279	1.020.862.190
Dental loan	11	27.671.200
Guaranteed college loan	3	120.000.000
Vacation loan	61	407.968.925
Three investment loan	122	589.805.880
Total	766	14.504.448.139

# Certifications

## **Labor Equity Certification - Equipares**

Codensa reached a score of 99 there were 100 and was granted though Silver award with the labor equity certification – Equipares. This acknowledgment stemmed from senior management commitment to promote equity culture in the Company, and the fulfillment of stages established in the pilot program of the Labor Ministry, the Higher Presidential Advisor on Women Equity, and the United Nations Development Program (UNDP). Covering eight aspects (personnel recruiting and selection, professional promotion and

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development, training – performance, remuneration and salary, conciliation between family and work life, sexual and labor harassment, working and health environment and non-sexist communication).

Aspects considered for this certification included: good practices, alternatives and programs that impact quality of life, inclination and equality.

# Dimension of labor and sexual harassment

During the second half of the year 2015, a strategy was designed to raise awareness and disseminate the Company's position regarding no tolerance for any type of harassment, which included guidelines to be observed when learning about said situations.

The following activities were performed as part of this dimension:

- > Design of a protocol on labor and sexual harassment.
- > Launching of the campaign "Get in contact with tact".
- > Two stand up comedies were performed, which were exclusively directed to managers.
- > An animated virtual course was designed and implemented on these matters.
- A form was designed to formalize labor harassment claims and suggestions for presentation to the coexistence at work committee.
- Several trainings were provided to raise awareness on labor harassment and gender equity, with accompaniment from the Ministry of Labor and the United Nations (UNDP).
- Talks were held for managers and leaders of the different company areas, in spaces that were called "OHR critical processes".
- > A relevant flyer on this matter was distributed.

The Enel Group companies in Colombia have been the first to receive the labor equity certification within the energy sector. In 2015 we were included in the group of 10 top companies in Colombia with respect to gender equity, according to the CESA University and Aequales. It should be noted that in Colombia only eight companies have been certified and Codensa is the only one in the energy sector considered a Family Responsible Company (EFR).

Satisfactory recommendation obtained from the audit conducted by the auditing body in Colombia to grant for three more years the re–certification as Family Responsible Company (EFR), which is granted by Foundation + Family.

This audit was aimed at verifying actions to implement a culture of balance of personal, labor and family life, by means of designing and implementing family responsible practices for personnel, an objective that was successfully achieved.

### New initiatives for quality of life

New benefits were defined in order to promote a positive work climate that affects the quality of life of employees. Such new benefits include flexibility of time for sharing with their children, as well as access to psychological assistance, possibility of extending maternity leave without pay for three additional months, among others.

### Labor relations

# Collective Agreement Negotiation 2015 – 2018

Codensa and the employees' union Sindicato de Empleados de la Energia de Colombia (SINTRAELECOL) carried out the negotiation of the new Labor Collective Agreement for the period 2015 – 2018, which will govern relations with unionized employees. The foregoing is in compliance with international and internal norms and respect for collective rights.

The main points of agreement were the following:

#### Salary increase:

- > 2015 salary increase of CPI plus 3%.
- > 2016 salary increase of CPI plus 2%.
- > 2017 salary increase of CPI plus 1.5%.
- > 2018 salary increase of CPI plus 1%.
- > Signing bonus for an amount of \$1.500.000.

Increases in aids, benefits and loans:

- > Transport aid
- Nursery school, pre-school, primary, high school and special education
- > Extralegal bonus
- > Meals subsidy
- > Housing loan

#### New benefits:

- > Free Investment Loan
- > Saving incentive

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**Olympics Inauguration** 

## Conflict of interest reports

The norm was prepared containing the definitions of conflict of interest to clarify the policies set out in the Ethics Code. The reports, analysis and definition of situations susceptible of generating conflicts of interest were regulated and the employees' obligation of reporting said situations was established.

The purpose of the foregoing is for processing of conflicts of interest to evidence principles of transparency, truthfulness, and timeliness and to maintain the report up to date.

This norm will be released during the first quarter of 2016.

The program for the disciplinary prevention Workshop (HACER) is an initiative aimed at consolidating an ethical culture for preventing employees' faults, by holding presential workshops at each of Company headquarters and power plants. The workshops are focused on encouraging compliance with functions (Doing), with an ethical behavior (Acting), added to knowledge of applicable norms (Knowing), analysis of specific cases (Examining), and effective consultation with superiors (Reporting).

In 2015, 17 workshops were provided, attended by 303 participants who highlighted the dynamic manner of the workshops and the benefits derived therefrom, not only professional, but also personal. In 2016, virtual and essential workshops will continue.

# Human Resources Administration

#### On-line assistance for employees

On-line assistance for employees. Since October, new products were available for employees through the Nostrum - Employee Self-Service portal. This tool is intended to address on-line the most frequent concerns of employees and to optimize informatics tools that support processes.

Described below are the new products that can be accessed by the employee:

- Consultation and printing of income and withholdings certificate.
- > Generation and printing of loan balance.
- > Generation and printing of housing certificate.
- > Consultation of severance pay balance.

#### Payroll process

During the period January - December 2015, three payroll process quality and timeliness indicator closed in 115%, which means that the efficiency and effectiveness of payroll calculation processes was guaranteed as well as compliance with legal labor and union, tax and social security obligations for 2,324 persons, including active employees and pensioners, for a total amount of \$137,456 million.

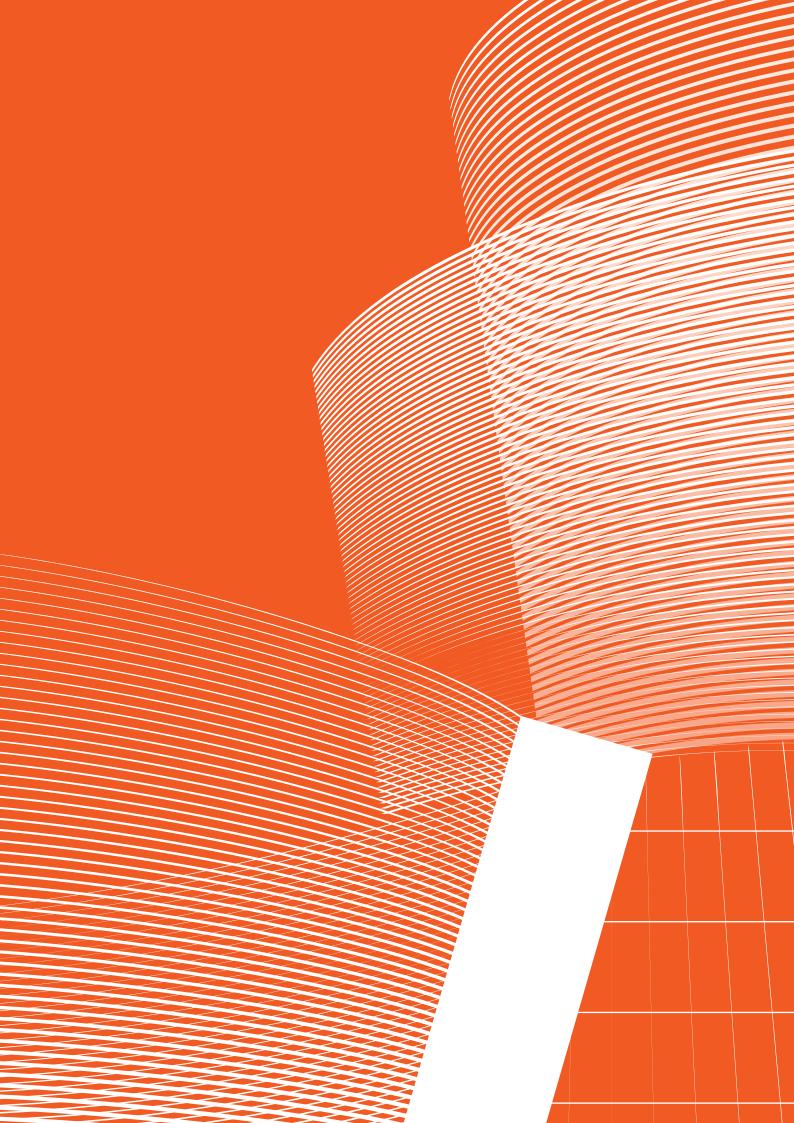
# Management of receivables for employees

Company accounts receivable from active and retired personnel loans as of 31 December 2015 amounted to \$42,205 million .There were 766 loans approved in 2015 for a cumulative disbursement of \$14,504 million.

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# Communication Management







2015 Annual Meeting with Employees

Codensa develops communications strategies to facilitate engagement with stakeholders and to make their management viable. In this regard, it works from different fronts to convey messages, capitalize projects, and strengthen their reputation and image.

In 2015, objectives were focused on positioning Codensa as an innovative company, with a relevant presence in digital media, open to technology, which invests on infrastructure to improve service quality and to be socially responsible and sustainable.

# Communication media management

Different strategies were implemented, and it is worth to highlight the performance of press meetings to present projects such as Telecontrol (modernizing the network in Bogotá and Cundinamarca) and technology in infrastructure investments; strengthen the concept of

Smart city, as well as the modernization of public lighting in the city with LED luminaries and the expansion of the Bacatá substation. Media activities included the launching of the sustainability report, the program called Educating with Energy, the Codensa Cup, the Company policy of a Family Responsible Company, and its labor equity strategies.

It should be highlighted that as part of the strategy to reinforce engagement with journalists and acquire better knowledge of the Enel Group, the main communications media were invited to the launching of the Business Plans for 2015 and 2016, in London and Milano respectively, as well as in Expo Milano 2015, where they were in close contact with the components of a smart city.

# Management of sponsorships and participation in public acts

As part of the positioning strategy, relevant scenarios were promoted and supported to share experiences, best practices and project achievements, all of which make Codensa a leader or benchmark in areas such as innovation, electrical mobility, sustainability and gender equality.

Both as sponsors or participants as exhibitors, the Company was present in nearly 40 events, some of which are to be highlighted:

- Colombian Investor Forum 2015: operations, risk and better alternatives for allocation of resources in investment projects in Colombia
- Colombia Inside Out: presentation of investment projects in Colombia
- First Colombia Community Forum for Companies on Gender Equality
- > Third ethics form of the electric energy sector
- > Solar Decathlon Latin América & Caribbean 2015
- > Innovation Summit

# Advertising and digital communication

Advertising and digital communication undertakings were focused, mostly, on conducting campaigns to position and generate sales opportunities for residential and business Value Added Products and Services (PSVAs). Emphasis was made on the benefits derived from the PSVAs for the clients, both relative to quality of life in the residential segment, and for productivity in the business segment. Relevant, timely information was also provided to help the clients interact with the Company and to teach them how to make better use of the service. Some of the campaigns carried out are: insurance portfolio, induction stoves, portfolio for business clients, kite flying season, payment of bills through electronic media, and efficient use of energy.

Moreover, with respect to digital communication, indicators related to web site visits increased by 16% and the operations and transactions made by users increased by 20% as compared with 2014. Likewise, 10,525 downloads of the Codensa mobile application were made, which is a solution that enables clients to obtain, among other things, information on the volumes at dates of payment of their bills through their account registration.



Social network strategies were based on the increased number of communities getting new followers, encouraging participation of users through the content generated (I like, comments and shared publications) and disclosure of business contents. The goals set were achieved, with increased percentages on the three objectives vis-à-vis 2014: in Facebook, followers reached 321,817; Twitter had a 46% increase thereof, and YouTube exceeded 1 million reproductions.

## Internal communication

Projects' progress was conveyed through seven internal communication media. Through the channel En Directo (monthly virtual meeting with employees), over 20 projects were presented throughout the year, sharing information on Company and Groupmilestones. Additionally, more than 100 concerns expressed by employees on various issues were addressed. The success of this communication initiative is reflected on the rating reached, with an acceptance percentage of 91%.

Furthermore, in order to promote fairer policies relate to gender equality and to make personnel aware, the in-house campaign "IgualES" was launched, which was highlighted by the external audit, for the awarding of that equity certification - Equipares, based on assertiveness of messages at diversity of communication channels.

## 2016 Challenges

In 2016, communication strategies will be structured based on the principle of being a company that creates tomorrow's energy solutions that will help people, communities, companies, species and countries to face the most relevant challenges.

In this regard, communication actions will be directed to reflect a more human Company, open to people and to technology.





Press meeting at vehicle recharging station of Unicentro, Bogotá

Systems and telecommunications management





In Situ Invoicing System

During 2015, TIC main activities were focused on IT project development to support strategies and initiatives in the lines of network infrastructure, commercial management, and support areas management.

Following is a summary of the main projects that were developed.

# **Commercial Management Projects**

- Technological Renewal of the In-Situ Invoicing System (FIS): this project was developed in order to improve the quality of information and the efficiency of field data processing. Having high quality information contributed to a differential engagement with the client.
- Automation of Electrical Vehicle Recharging (EVA): as part of the electrical mobility plans that have been implemented by Codensa with electrical taxis, a system was developed to offer differential services to such clients. The project consisted in the installation

of recharging units for electrical cars, anti-vandalic, connected to a unified control system through GPRS and development of a mobile application, and development of a mobile application, multidevice, through which taxi drivers can identify the nearest available unit, make projections of distances to travel on a map, reserve all charging points at any time, prepare statistics on use and consumption, and create a direct channel with the Company.

### Control and monitoring center for servicing clients:

one of the main objectives of Codensa is to improve the timing and quality of service to its clients; to such end, together with the Commercial Management, this project was developed, which enables, in real time, to monitor, measure and manage the productivity of the analysts in the different Company service channels. The general alarm system and graphic reports are used to activate preventive procedures to support management in the various service channels of Codensa, to ensure and optimize service guidance and fulfillment of the promise of value provided to the clients.

- > **PSVA's Sales System:** In 2015, the first phase of this project began, which is focused on implementing a CRM system under the Salesforce platform. During this initial phase, a business model was designed to increase sales and the number of clients through marketing of Added Value Products and Services (PSVA's). This new model is intended to improve the client experience, digitize service channels and omnichannels, improve operational efficiency, automate activities, and reduce service costs.
- > Evolution of the commercial portal: new functions were implemented for the functions of segments of clients in areas of infrastructure, public lighting, constructors, residential clients, companies and SMEs; this enables achieving efficiency and sales targets, and improving the clients' service experience through a more modern tool. This chat will minimize the traveling of clients to service centers and reduces the volume of calls to the call center. The foregoing affects directly the optimizing and productivity of commercial service.

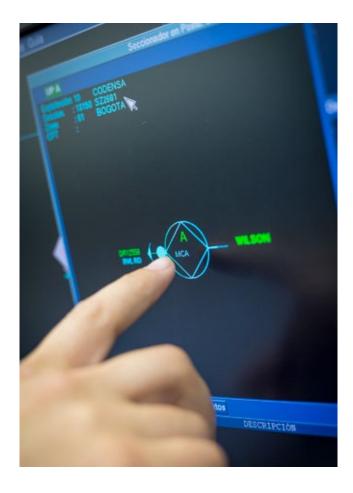
# Projects for Management of infrastructure and networks

- LINP Project: one major control line of Codensa is that of losses caused by electric energy thefts. Therefore, it implemented a business intelligence system to manage in a unified manner though tracking of possible stealing clients and to identify transformers with high loss probability. This is them incorporated a unique methodology for calculating low and medium voltage power, and sub-macro, and in addition it performs continuous monitoring of all cases where energy theft was detected to thus guaranteeing, by means of controlling consumption behavior, opportune detection of future manipulation.
- System for management of work on-site (E-order): this system was developed to maximize effectiveness and integration of the commercial and technical operation on-site, reduce costs for optimizing operational routes, and improve resources and times of displacement of work teams on-site through the use of mobile solutions.
- Medium Voltage Telecontrol System STM: together with the infrastructure equipment and the network, a new supervision and control system was implemented for the control room of Codensa. This is a medium voltage telecontrolled tool intended for maneuvering

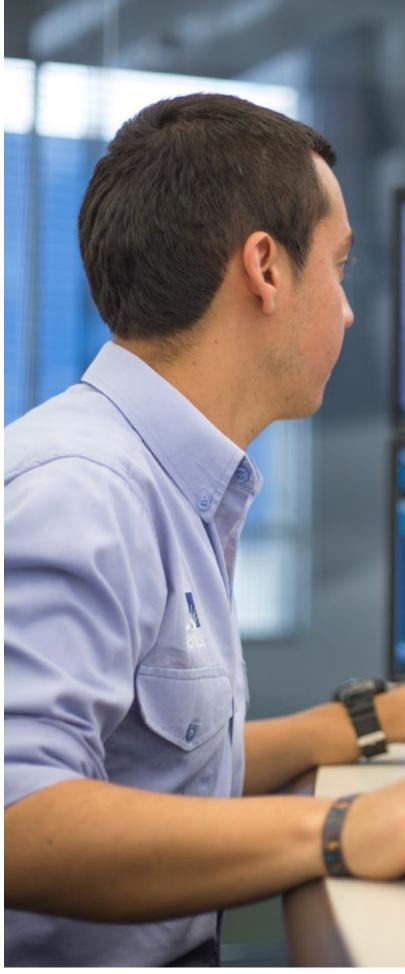
- devices. Likewise, a satellite solution was incorporated for management of telecontrol equipment on site and a GPRS device management system was implemented on site, which are necessary for network supervision.
- Substations maintenance (mansub): for management of Codensa's movable and immovable assets, a specialized information system was implemented, which enables storing detailed information on every asset, with their respective characteristics and images, to generate comprehensive reports in a disaggregated, efficient manner.

# Projects for support areas management

Archibus real state and assets management Project: for management of Codensa's movable and immovable assets, a specialized information system was implemented, which enables storing detailed information on every asset, with their respective characteristics and images, to generate comprehensive reports in a disaggregated, efficient manner.

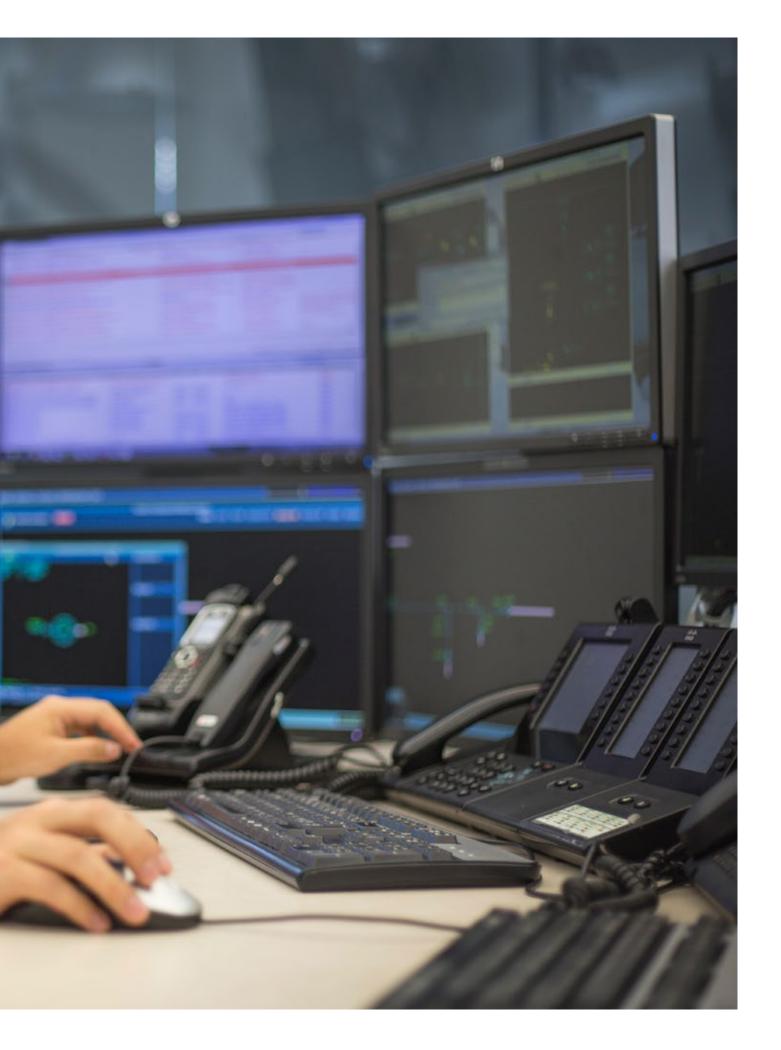


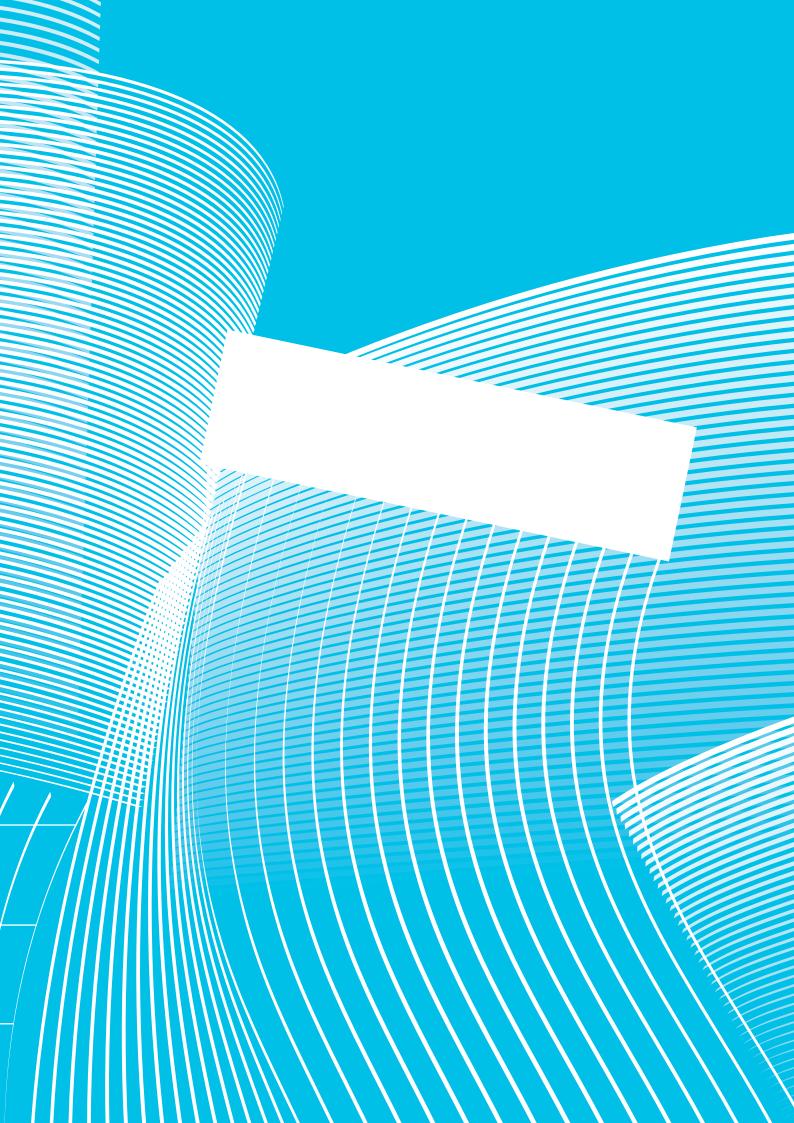
- **Digitization of Board of Directors Reports:** to support the environmental policy, a tool was designed to access all board of directors' documents via digital media.
- GP\_2ONE Project: it consisted in standardizing all purchasing processes, defining procedures and ways of working relying on common applications.
- Invoice system modernization: it enabled improvements to the process of receiving and loading of vendor invoice data in order to optimize times in the operating process of receiving and booking invoices.
- NIIF Project Colombia stage II: the process for adoption of the International Financial Reporting Standards (IFRS), for compliance with norms and regulations defined by government agencies with respect to accounting and taxes.
- Project for personnel costs planning: configuration and implementation of the SAP PCP (personnel costs planning). This implementation supported Human Resources with the automation of storage processes, calculation, simulation and analysis of planning related to personnel costs, having optimized its function management.
- Technological security project: this project was developed to maintain the security platform of the company up-to-date in order to support new functions and maintain protection of all critical service zones in case of intrusion or potential cyber-attacks. The renovation project was implemented 100%.
- Renovation of IT infrastructure: all IT equipment units with four or more years of use were renovated, the electronics of the network was updated with stateof-the-art communication equipment, to thus mitigate the occurrence of incidents in communications at the commercial locations of Codensa in Cundinamarca.

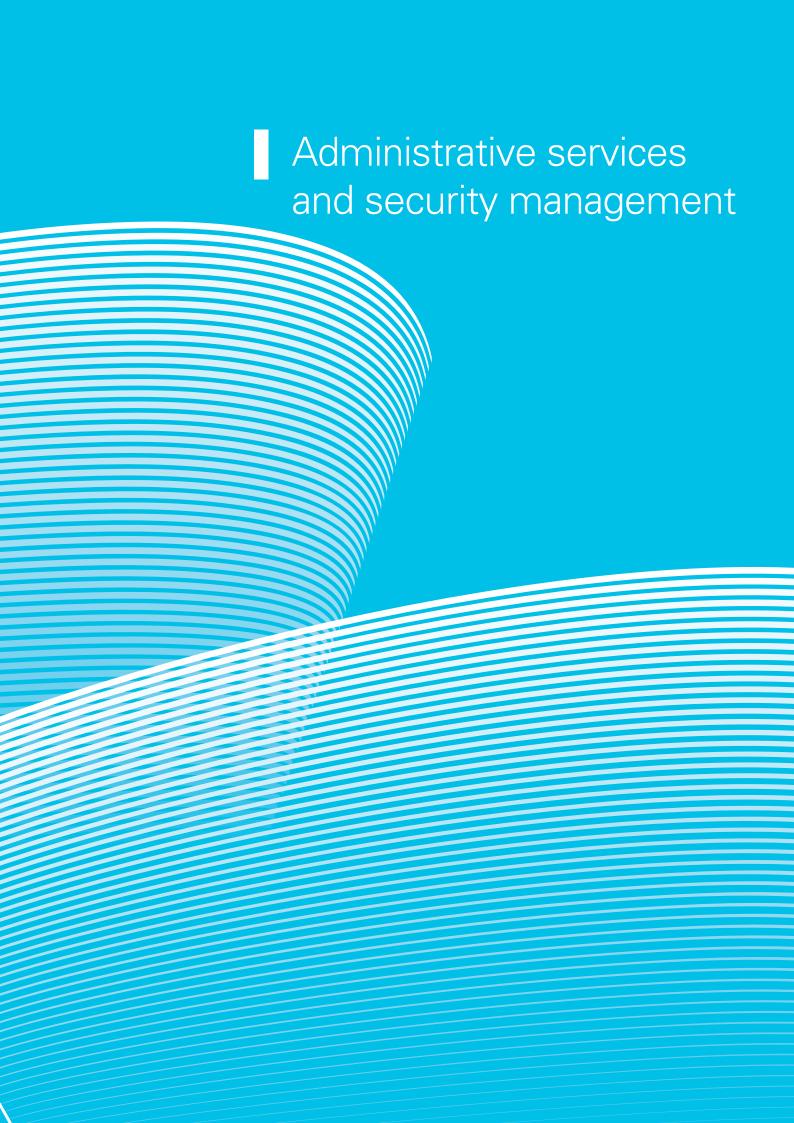


Control Center

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In 2015, the services and security management was focused on identifying more innovating and functional solutions for the provision of administrative, security real estate management, and contractors' control.

In June, that Administrative Services Assistance Center (CASA) was established, where a group of advisors address consultations, requests, claims and suggestions through service channels such as telephone, chat and web portal.

On average, 2,955 requests for general services and security services were addressed monthly, and a challenge for 2016 is to manage service requests relative to real estate management and contractor management.

It is worth highlighting the main processes and activities that were implemented during the period:

## General Services and Maintenance

As part of the road safety strategic plan, activities performed were intended to guarantee the safety of people who use this service. As a result of the implementation of these measures, serious road accidents decreased by 100%.

Services such as cleaning, cafeteria and building maintenance, equipment and infrastructure were integrated as a single service, which translated into synergies in planning, coordination and operational control processes.

At the buildings for the company operates, the traditional air-conditioning systems that used refrigerant gas with a high environmental impact were replaced with state of the art equipment that use refrigerant gas that is not harmful to the environment.

The OBT (Online Booking Travel) tool was implemented, which allows for employees to request reservation and purchase of tickets and accommodation for their business trips via Internet, thus optimizing the process of requesting, approving and issuing a ticket.

A plan was defined to comply with Resolution 8934 of 2015, which structures management of files for proper development and preservation of documentary memory, which will continue in 2016.

## Security services

### Special Investigations:

352 claims were managed in relation with presumed corruption acts involving personnel affiliated to contractor companies or actions that constitute an offense against Company interests and assets. For five of such claims, criminal processes were filed before the competent legal authorities.

### Information security:

During the last year, the Company has been performing actions intended to comply with Law 1581 of 2012 "General Regime for Protection of Personal Data", which, among other things, requires the following:

- Existence of an administrative system proportional to the structure and size of the business, which supports the implementation of the law.
- Adoption of internal mechanisms to implement related policies, including tools for implementation, training and education programs.
- Adoption of processes for addressing and responding to consultation, petitions and claims of holders, with respect to any issue related to management of personal data.
- Registration of databases with the Industry and Trade Superintendence (SIC).

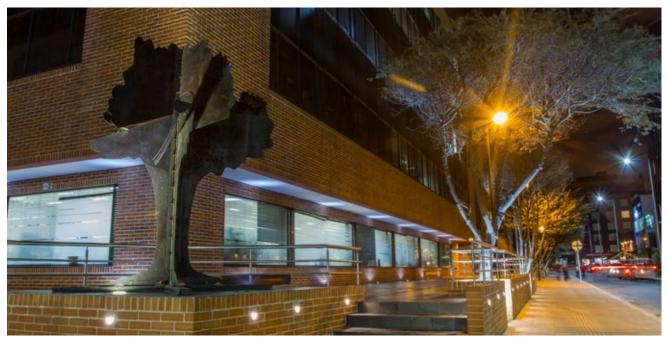
In this regard, pursuant to that provided for in External Circular No. 02 of November 3, 2015 of the SIC, Codensa will register its databases in that National Register of Databases-RNBD, in May, 2016.

## Real estate management

The property is of the Sesquilé substation was normalized, and the expansion of the San Jose Substation was commenced. In addition, the process was initiated to find and acquire adequate properties for the construction of seven high and medium voltage substations in the sectors of Guadueros, Occidente and Siberia in the Sabana; Guaymaral, Naranjos, Altamira, and Alhambra in Bogotá.

The design was completed for the Integrated Operational Venue (SOI for the Spanish), which incorporates bio climatic concepts, public spaces that are largely integrated with the city and use of technologies that allow for the

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Codensa Headquareters, Bogotá

building to be sustainable. In order to provide better service to clients, the commercial facilities in Suba Rincón, Calle 80, La Vega and Mesitas were enhanced, applying the LEED criteria and creating spaces for assisting people who have any type of disability.

### Contractors' control

The Colabora system consolidated as the tool for management of contractor company information and was formalized also as a document management tool for contract performance. This system enables a detailed control of labor compliance by contractors, which contributed to the responsible management of the supply chain.

Application of the Vendor Follow up System (BSC) for contract management purposes resulted from the identification of potential risks in contracting execution. The system allowed for an early identification of financial problems among contractor companies.

The annual meeting with contractors was attended by nearly 300 of them, where awards were presented to the best projects and initiatives on continuous improvement and innovation. A total of 38 initiatives were received

on work safety, technical and environmental matters. This was an opportunity to tell the contractors about the strategy and challenges for 2015, occupational safety and health, training programs and customer development and service.

Additionally, as part of the human talent development programs, the training of 95 high school graduates were developed under the Technical Program for electric energy networks, voltage levels I and II, included in the Plan Semilla project, which is intended to obtain and to train labor for performance in different activities that are outsourced by the Company.

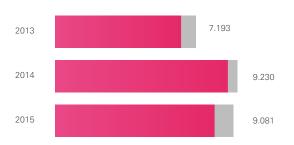
In alliance with the national apprenticeship service - Service Nacional de Aprendizaje (SENA) - the formation of 80 employees from contractor companies was organized for training on technology to supervise electric energy distribution networks, as well as the coordination of the technical program on construction and maintenance of electric energy distribution networks, attended by 20 employees of contractor companies.

To ensure responsible management of the supply chain, the performance evaluation for contractors (Vendor Rating) was conducted, which is aimed at continuous improvement of these companies' processes and serviced provided to the Company. Over 85 contracts were evaluated each quarter in the module of compliance with legal and labor obligations.

#### Statistics -

### **Information Management**

### **Evolution of Workers**

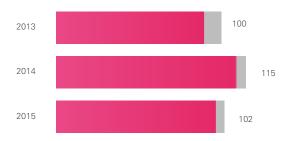


Contractor company workers engaged in the contracts

## **Evolution of service contracts**



### **Evolution of Collaborating Companies**



Number of Contractor Companies providing services

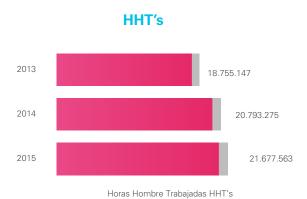
hese graphs show a stable number of employees, although the number of contractor companies decreases, as well as the contracts; this is explained in the distribution business given that integration of activities in a few contracts.



### **Man Hours Worked by Contractor Company Employees**

Month	Dx - Year 2013	Dx - Year 2044	Dx - Year 2015
January	1.684.892	1.572.208	1.760.898
February	1.517.979	1.511.516	1.845.384
March	1.494.360	1.583.322	1.862.853
April	1.685.066	1.442.876	1.887.749
May	1.609.520	1.629.788	1.744.609
June	1.478.127	1.483.441	1.773.575
July	1.459.216	1.889.834	1.817.353
August	1.526.756	1.766.910	1.817.843
September	1.569.788	1.931.011	1.786.925
October	1.623.299	2.085.439	1.851.266
November	1.507.799	1.849.252	1.765.848
December	1.598.344	2.047.677	1.763.260
Total	18.755.147	20.793.274	21.677.563

In the past three years there has been an increase in man hours worked (MHW), mostly because of performance of new projects, which imply increasing the contractors' workforce



## **Training center – Bosanova**

CE - Bosanova	2013	2014	2015
Number of courses	399	466	494
Workers	11.702	14.845	13.835
Companies	33	50	48
Number of subjects	60	76	92
Training Man Hours	248.712	261.651	297.208

Statistics on issues of training center for contractor employees and own personnel.

### Labor control activities to ensure compliance

Integral audits	31
Audit findings	130
Labor inspections	80



## Challenges for the year 2016

Consolidate the operation of the service assistance model. anticipate the needs of internal clients, and improve times for addressing requests.

Perform analyses of service improvement to make it more efficient as to cost and time of delivery to the users.

Implement action plan to comply with Resolution 8934 of 2015, which structures file management.

Consolidate the operation resulting from the merger with Empresa de Energía de Cundinamarca (EEC).

Meet the deadline for registration of databases in the national register of databases set out for Codensa by the Superintendence of Industry and Trade.

Carry out new works and remodeling to ensure service provision, as follows:

- Construction of the Data Processing Center.
- Modernization of two control rooms (public lighting and low voltage).
- Construction of customer service centers in Restrepo, Santa Librada and Kennedy.
- Implementation of information systems: geographical and real property management.

Manage the CLM (Contract Lifecycle Manage¬ment) project, the purpose of which is to guide the contracting process from its planning to its evolution stage.

Build a space at the Bosanova training center to carry out practices on photovoltaic cells and electrical batteries, in order to train own and contractor employees on these new technologies.

Managed the vendor-strengthening program as part of their agreement with the Bogota Chamber of Commerce in order to generate improvement processes in business management that will translate into enhanced competitiveness in the sector.

Participate in the electricity sector table supporting execution of three processes.

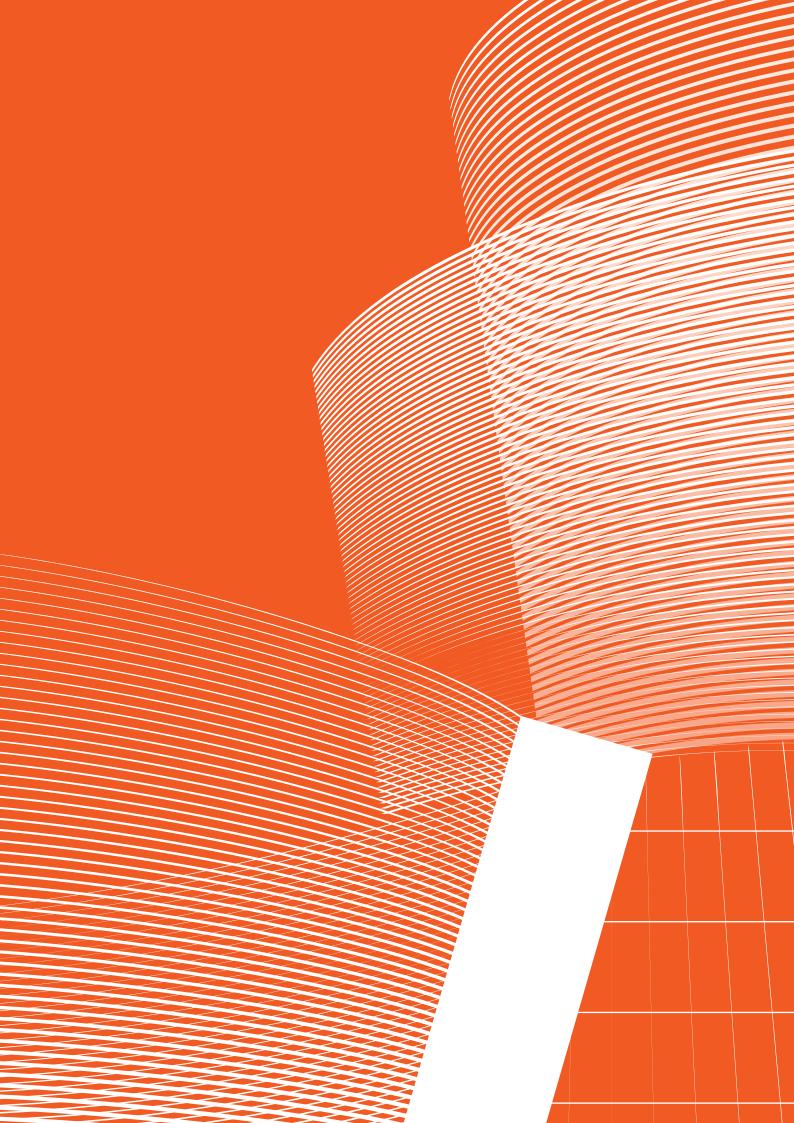
As regards training, review of the productive stage of students under Semilla and analyze the whole project. Additionally, reactivate the work competence certification process.

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El Rosal Substation, Cundinamarca





UNCONSOLIDATED FNANCIAL STATEMENTS

Codensa S.A. E.S.P.

For the 12-month period ended on 31 December 2015 and 2014 and 1 January 2014 and Statutory Auditor Report.

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To the Shareholders of Codensa S.A.

I have audited the attached unconsolidated financial statements of Codensa S.A. E.S.P., which include the consolidated Financial Statementas of 31 December 2015 and the corresponding income statements, consolidated income, equity changes and cash flow statements for the year ending on that date, and the summary of significant accounting policies and other notes thereto.

The Administration is responsible for the preparation and proper presentation of the unconsolidated financial statements according to accounting principles generally accepted in Colombia, as well as for designing, implementing and keeping relevant internal controls for preparation and proper presentation of financial statements free of material errors, either on account of flat or ever, and for selecting and applying adequate rate accounting policies and establishing reasonable accounting estimates according to the circumstances.

My responsibility is expressing an opinion regarding the aforementioned unconsolidated financial statements, based on my audit. I obtained the necessary information for these and examining the documents according to auditing norms generally accepted in Colombia, which require compliance with ethical requirements, planning and performance of audit to obtain reasonable certainty on whether the unconsolidated financial statements are free of material errors.

An audit implies developing procedures in order to obtain information supporting figures and disclosures contained in the unconsolidated financial statements. These selected procedures depend on the auditor's judgment including the evaluation of the risk of material errors contained in the unconsolidated financial statements. Upon evaluating them, the auditor takes into account relevant internal controls for the preparation and presentation of the unconsolidated financial statements in order to design audit procedures according to the circumstances. Likewise, it includes an evaluation of accounting principles used and significant estimates made by the Administration, as well as the presentation of the financial statements as a whole. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the attached at consolidated financial statements faithfully taken from accounting books, reasonably present, in all their important aspects, the financial situation of the company as of December 2015, the results of its operations and the cash flow for the year ended on that date, in accordance with the accounting norms and financial information accepted in Colombia (NCIF).



Additionally, based on my audits, I am not aware of any circumstance indicating failure to comply with the following company obligations: 1) keeping Minutes, Shareholders book and accounting books, according to legal norms and the accounting technique;2) performing its activities according to the bylaws and the decisions of the Shareholders Assembly on the Board of Directors, also in accordance with the norms relative to integral Social Security; 3) keep correspondence and account vouchers; and 4) take internal control, conservation, and safekeeping measures relative to company includes or third party goods it may have in its possession. Additionally, there is coincidence between the financial statements attached to the accounting information included in the management report prepared by the Administration of the Company, which includes certification by the administration regarding free circulation of endorsed invoices issued by vendors or suppliers.

Angela María Guerrero Olmos Statutory Auditor Professional Card 104291-T

Appointed by Ernst & Young Audit S.A.S. TR-530

Bogotá, Colombia 27 January 2016

# **Financial Statements – Unconsolidated**

(In thousands of pesos)

	Note		Until 31 December	- (	Jntil 31 December	Until 1 January
			2015		2014	2014
Assets						
Current assets:						
Cash and cash equivalents	4	\$	402,473,307	\$	522,458,043	\$ 428,208,139
Other financial assets	5		-		69,062,850	268,088,259
Other non-financial assets	6		11,493,920		10,535,479	7,180,071
Commercial accounts and other receivables	7		439,041,362		367,314,132	323,866,075
Accoutns receivable from related entities	9		14,217,943		11,841,761	11,494,771
Inventories, net	10		61,069,129		20,454,348	20,146,678
Total current assets			928,295,661		1,001,666,613	1,058,983,993
Non-current assets						
Other financial assets	5		16,192		26,231	26,261
Other non-financial assets	6		10,331,577		10,153,817	8,779,062
Commercial accounts and other receivables	7		35,221,534		35,823,153	34,628,871
Investment in subsidiaries, joint ventures and associated	8		104,252,500		104,252,500	104,252,500
Intangible assets other than good will, net	11		73,392,804		69,166,310	69,152,401
Properties, plant and equipment, net	12		3,507,866,276		3,307,401,938	3,184,531,016
Assets for deferred taxes, net	13		32,968,992		96,858,830	94,147,069
Total non-current assets			3,764,049,875		3,623,682,779	3,495,517,180
Total assets		_	4,692,345,536		4,625,349,392	4,554,501,173
. 014. 400010		_	1,002,010,000		1,020,010,002	1,001,001,110
Liabilities and equity Current liabilities:						
Other financial liabilities	14		156,516,917		8,931,451	257,889,589
Commercial accounts and other receivables	15		680,605,627		632,962,904	530,635,404
Accounts payable to related entities	9		112,679,569		588,005,601	178,616,558
Provisions	16		23,373,270		28,941,946	21,774,546
Payable taxes	18		95,842,430		36,934,149	57,982,026
Provisions for employee benefits	17		70,363,490		60,441,314	55,804,560
Other non-financial liabilities	19		1,937,500		2,687,500	3,885,184
Total current liabilities	13		1,141,318,803		1,358,904,865	1,106,587,867
Total Current naminues			1,141,310,003		1,330,304,003	1,100,307,007
Non-current liabilities:						
Other financial liabilities	14		1.032.500.742		1.178.586.279	994.136.423
Provisions	16		14.097.656		14.260.719	29.801.592
Provisions for employee benefits	17		181.159.628		189.748.285	177.618.803
Total non-current liabilities		_	1.227.758.026		1.382.595.283	1.201.556.818
Total liabilities		\$	2.369.076.829	\$	2.741.500.148	\$ 2.308.144.685

# Financial Statements – Unconsolidated (Continued)

(In thousands of pesos)

	Note		Until 31 December	Until 31 December	Until 1 January
			2015	2014	2014
Equity					
Issued capital	20	\$	13,209,327	\$ 13,209,327	\$ 13,209,327
Issue premiums			13,333,540	13,333,540	13,333,540
Other reserves	20		134,562,808	57,567,062	57,567,062
Other integral results	30		(28,938,844)	(29,512,130)	(14,566,969)
Period profits			516,934,616	540,585,253	
Anticipated dividends			-	(352,236,817)	-
Retained profit			33,264,251	-	535,910,519
Retained profit for conversión to NCIF			1,640,903,009	1,640,903,009	1,640,903,009
Cummulative gain			2,191,101,876	1,829,251,445	2,176,813,528
Total equity		•	2,323,268,707	1,883,849,244	2,246,356,488
Total Liabilities and equity		\$	4,692,345,536	\$ 4,625,349,392	\$ 4,554,501,173

See attached Notes.

The undersigned Legal Representative and Accountant certify that we have previously verified statemetrs contained in these financial statements and that they have been accurately taken from the Company accounting books. The openiong financial Statemtns as of 1 January 2014 and transition as of 31 Deember 2014, include conversión adjustments obtained pursuant to the guidelines described in Note 2.1 "Accounting Principles" adopted for the first time form accounting norms and financial information accepted in Colombia.

David Felipe Acosta Correa Luz Dary \$armiento Quintero Legal Representative **Public Accountant** 

Professional Card 65450-T

Ángela María Guerrero Olmos Statutory Auditor Professional Card 104291-T

Appointed by Ernst & Young Audit S.A.S. TR-530

(See my report dated 24 February 2016)

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# Income Statement, by nature – Unconsolidated

(IN thousands of pesos, except profit per share)

	Note	Year fir	nished 31 December 2015 2015	Yearfinish	ed 31December2014
Revenues from ordinary activities	21	\$	3.688.070.591	\$	3.435.187.373
Other exploitation revenues	22		23.795.495		8.648.023
Total revenues from ordinary activities and other operational revenues			3.711.866.086		3.443.835.396
Provisioning and services	23		(2.100.757.734)		(1.928.190.073)
Contribution margin			1.611.108.352		1.515.645.323
Fixed asset works			18.667.723		15.581.207
Personnel expense	24		(154.189.207)		(125.065.787)
Other fixed operational costs	25		(236.950.951)		(225.711.903)
Operational results, gross			1.238.635.917		1.180.448.840
Depreciations and amortizartions	26		(249.600.971)		(253.653.303)
Losses for impairment (Reversions)	26		(338.759)		(8.415.199)
Operational resutls			988.696.187		918.380.338

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# Income Statement, by nature - Unconsolidated

(In thousands of pesos, except profit per share)

	Note	Year finish	ned 31 December 2015	Yearfinished 31	December 2014
Profit per base share Profit per base share in continued operations (*)	29	\$	3.865,69	\$	4.056,21
Weighted average number of outstanding ordinary shares			132.093.274		132.093.274
Diluted earning per share					
Diluted earning per base share in continued operations (*)	29	\$	3.865,69	\$	4.056,21
Weighted average number of outstanding ordinary shares			132.093.274		132.093.274

# (\*) Expressed in Colombian pesos

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified statements contained in these financial statements and that they have been accurately taken from the Company accounting books. The opening financial Statemtns as of 1 January 2014 and transition as of 31 Deember 2014, include conversion adjustments obtained pursuant to the guidelines described in Note 2.1 "Accounting Principles" adopted for the first time form accounting norms and financial information accepted in Colombia.

David Felipe Acosta Correa Luz Dary Sarmiento Quintero Legal Representative Public Accountant

Professional Card 65450-T

Ángela María Guerrero Olmos Statutory Auditor Professional Card 104291–T Appointed by Ernst & Young Audit S.A.S. TR-530

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# Integrated Income Statement- Unconsolidated

(In thousands of pesos)

	Note	Yearfinishe	d 31December2014	Yearfinishe	ed31December2014
Profit for the period		\$	516,934,616	\$	540,585,253
Components of other integrated results that will not be reclassified to the period results, before taxes					
Profit (Loss) for new measurements of defined benefit plans Losses in new measurements of financial instruments			1,064,806		(22,640,232)
Losses in new measurements of financial insulanterits			(10,039)		-
INtegrated result that will be be reclassified as per period results, before taxes			(89,088)		
**Other			965,679		(22,640,232)
Components of other integrated Results that will be reclassified to the period results, before taxes					(2.054)
Loss for hedging of cash flow Other integrated Results that will be reclassified to the period results, before taxes			-		(3,951)
			-		(3,951)
Taxes on earning related to components of other integrated results that will not be reclassified to the period results					
Effect of taxes for new measurements of defined benefit plans Effect of taxes for hedging of cash flows			(428,028) 35,635		7,697,679 -
Total tax on earnings related to components of other integral results that will not be reclassified to the period results			(392,393)		7,697,679
Taxes on earning related to components of other integrated results that will be reclassified to the period results					
Effect of taxes for hedging of cash flows			-		1,343
Total taxes on earnings elated to components of other integral results that will be reclassified to the period results			-		1,343
Total other integrated result	30		573,286		(14,945,161)
Total integrated result		\$	517,507,902	\$	525,640,092

See attached Notes.

The undersigned Legal Representative and Accountant certify that we have previously verified statements contained in these financial statements and that they have been accurately taken from the Company accounting books. The opening financial Statements as of 1 January 2014 and transition as of 31 December 2014, include conversion adjustments obtained pursuant to the guidelines described in Note 2.1 "Accounting Principles" adopted for the first time form accounting norms and financial information accepted in Colombia.

# Codensa S.A. E.S.P.and its Affiliate

# Consolidated Statement of Equity Changes

				Reserves			Other integral result	gral result			
	Subscribed and paid capital	Stock Placement surplus	Legal Reserve	Occasional Reserve	Total Reserve	Cash hedged position	Gain and losses from new measurements of financial instruments measured at reasonable value	Gains and losses from benefit plans defined	Other	Accumulated profits	Total
Initial equity as of January 1st , 2014	<b>\$</b> 13.209.327	\$ 13.333.540	\$ 6.604.664	\$ 50.962.398	\$ 57.567.062	\$ 2.608	\$ 0	(\$ 14.569.577)	\$ 0	\$ 2.179.514.827	\$ 2.249.057.787
Integral results											
Year Profit	ı	i					1			549.562.039	549.562.039
Other integral results		ı		ı	ı	(2.608)		(14.942.553)	(1.945.674)	ı	(16.890.835)
Integral result	ı							(14.942.553)	(1.945.674)	549.562.039	532.671.204
Declared dividends						(2.608)				(888.147.336)	(888.147.336)
Total Increase (reduction) in equity		ı		ı	ı	(2.608)		(14.942.553)	(1.945.674)	(338.585.297)	(355.476.132)
Final Equity as of December 31st, 2014	\$ 13.209.327	\$ 13.333.540	\$ 6.604.664	\$ 50.962.398	\$ 57.567.062	\$0	\$0	(\$ 29.512.130)	(\$ 1.945.674)	\$ 1.840.929.530	\$ 1.893.581.655
Changes in equity											
Year Profit										520.093.365	520.093.365
Other integral results						(53.453)	(10.039)	636.778	106.803		680.089
Integral result (N, 30)						(53.453)	(10.039)	636.778	106.803		520.773.454
Declared dividends										(78.088.439)	(78.088.439)
Increase (reduction) for changes in equity				76.995.746	76.995.746					(76.995.746)	
Total Increase (reduction) in equity	1	1		76.995.746	76.995.746	(53.453)	(10.039)	636.778	106.803	365.009.180	442.685.015
Final Equity as of December 31st, 2015	\$ 13.209.327	\$ 13.333.540	\$ 6.604.664	\$ 127.958.144	\$ 134.562.808	(53.453)	(10.039)	(\$ 28.875.352)	(\$ 1.838.871)	\$ 2.205.938.710	\$ 2.336.266.670

see attached notes.

he undersigned Legal Representative and Accountant certify that we have previously verified statements contained in these financial statements and that they have been accurately taken from the Company accounting books.

David Felipe Acosta Correa Luz Dary Sarmiento Quintero
Legal Representative Public Accountant
Professional Card 65450–T

Angela María Guerrero Olmos Statutory Auditor Professional Card 104291–T Appointed by Ernst & Young Audit S.A.S. TR-530

codensa

# Estados de Flujos de Efectivo, Método Directo

(En miles de pesos)

	Yearfin 31Decem		earfinished December2014
Cash flows from (used in) operation activities:			
Types of charges for operation activities:			
Charges from goods sales and service provision	\$	3,412,085,051	\$ 3,275,647,249
Charges from royalties, installments, commissions and other revenues from ordinary activities	· •	159,594,834	179,522,460
Charges from bonuses and benefits, annuities and other benefits from subscribed policies		11,088,797	301,618
Other charges for operation activities	1,	741,293,608	1,548,923,881
Types of cash payments from operation activities:			
Payments to vendors for supply of goods and services	(2,2	250,658,784)	(2,207,923,928)
Payments to and on behalf of employees	(1	.56,525,606)	(147,248,087)
Charges from bonuses and benefits, annuities and other benefits from subscribed policies		(4,601,552)	(3,909,451)
Other charges for operation activities		31,810,293)	(1,434,041,067)
Taxes on earnings reimbursed (paid)	•	29,063,119)	(300,978,613)
Other cash inflow (outflow)	•	.53,489,576)	(150,653,947)
Net cash flows from operation activities	!	997,913,360	759,640,115
Cash flows from (used in) investment activities:			
Other charges for the sale of equity or debt instruments of Other Entities		337,292,735	268,084,309
Other payments for acquiring equity or debt instruments from Other Entities	(2	268,229,885)	(69,062,850)
Loans to related Entities		(34,653,849)	-
Purchases of property, plant and equipment	(5	37,343,274)	(263,276,567)
Charges from futures contracts, termed, financing options and swaps		308,749	23,296
Charges to related Entities		34,653,848	-
Interests received		13,840,759	12,065,498
Net Cash flows used in investment activities	(4	154,130,917)	(52,166,314)
Cash flows from (used in) financing activities:			
Dividends paid	(5	52,744,004)	(463,156,180)
Interest paid	(1	.09,586,656)	(83,833,374)
Liability payments for financial leasing		(1,436,519)	(1,234,343)
Amounts from loans		-	250,000,000
Reimbursements from bond emission		-	(315,000,000)
Net cash flows used in financing operations	(6	663,767,179)	(613,223,897)
Increment (reduction) net of cash and cash equivalents	(1	19,984,736)	94,249,904
Cash and cash equivalents at the beginning of the period		522,458,043	428,208,139
Cash and cash equivalents at the end of the period	\$	402,473,307	\$ 522,458,043

# See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified statements contained in these financial statements and that they have been accurately taken from the Company accounting books. The opening financial Statements as of 1 January 2014 and transition as of 31 December 2014, include conversion adjustments obtained pursuant to the guidelines described in Note 2.1 "Accounting Principles" adopted for the first time form accounting norms and financial information accepted in Colombia.

David Felipe Acosta Correa Representante Legal Luz Dary Sarmiento Quintero Contador Público Tarjeta Profesional 65450–T

Low Dary Sommiento W.

Ángela María Guerrero Olmos Revisor Fiscal Tarjeta Profesional 104291–T Designada por Ernst & Young Audit S.A.S. TR-530 (Véase mi informe del 24 de febrero de 2016)

# Notes to the Financial Statements – Unconsolidated

(In thousands of pesos)

# 1. General Information

# **Economic Entity**

Codensa S.A. E.S.P. is a household utilities company regulated by Law 142 of 1994. The Company has an indefinite term.

The Company was incorporated on 23 October 1997 and registered with the Chamber of Commerce on the same date with No. 00607668, with distribution and commercialization assets contribution of Empresa de Energía de Bogotá S.A. E.S.P. holding 51.52% of shares and cash contributions of other investors holding 48.48% of the shares.

The Company is of Colombian origin, with domicile and main headquarters located at carrera 13A No. 93-66, Bogotá D.C.

Codensa S.A. E.S.P. is an affiliate of Enersis S.A., which, in turn, is an affiliate of Enel Iberoamérica S.R.L, entity controlled by Enel, S.P.A. (hereinafter, Enel).

Their corporate purpose of the Company is the distribution and commercialization of electric energy, as well as execution of all activities related, associated, and supplementary to distribution and trading of electric power, the execution of the signed works, electrical engineering consultancy services and product trading in benefit of its clients.

Additionally, the Company's purpose also includes, among others, offering financing services for goods and services residential, urban, and moral clients, including the "Crédito Fácil Codensa" credit line, and offering subscriptions and insurance policies, part of which were transferred to Banco Colpatria Red Multibanca Colpatria S.A. as of 27 November 2009.

# **Corporate Cooperation Agreements**

Included in the credit portfolio sale process of the Codensa Crédito Fácil business and the transfer of the ongoing business, a corporate Corporation agreement was entered into with Banco Colpatria Red Multibanca Colpatria S.A., whose purpose is regulating terms and conditions between the parties for promotion, origination, administration, invoicing, and collection of financial services exclusive to the Codensa users of the "Crédito Fácil Codensa" business, and, in general, managing the "Crédito Fácil Codensa" ongoing business during its 10 years of operation + 4 years of wind-down. The remuneration base is directly associated to invoicing and collection. The agreement includes certain indemnity clauses, mainly associated to regulatory changes with the transferred deal, which involves economic sanctions as defined in the agreement.

# **Correspondent bank**

In its meeting held on 27 March 2014, according to Minutes No. 56, the General Shareholders Assembly approved the inclusion of the correspondent bank activity in the Company's corporate purpose, which was made official through public deed 619 of 27 February 2015, registered with the Chamber of Commerce on 13 March 2015.

Currently, the Company has not started operations as banking correspondent.

# Notes to the Financial Statements – Unconsolidated

(In thousands of pesos)

# **Mapfre Seguros Contract**

In August 2010, a contract was entered into with Mapfre Colombia Vida Seguros to provide the company energy clients access to the market channel built in order to allow Mapfre to sell insurance policies, for an eight – year term, and a single \$6 billion payment, entered as revenues received in advance; it will be amortized in the contract term.

# Codensa S.A. E.S.P. – Distribuidora Eléctrica de Cundinamarca S.A. E.S.P. – Empresa de Energía de Cundinamarca S.A. E.S.P. Merger

On 8 October 2015, the Shareholders Assembly in the Company's Extraordinary Meeting No 62 approved the merger commitment among Codensa S.A. E.S.P. Distribuidora Eléctrica de Cundinamarca S.A. E.S.P. (DECSA) and Empresa de Energia de Cundinamarca S.A. E.S.P. (EEC), by virtue of which Codensa will absorb the tool mentioned companies.

The data and figures supporting and, consequently, the Corporation described were taken from forecasts and valuation exercises of the companies participating in the process, and please were endorsed through an opinion furnace process by the investment bank BBVA Valores Colombia S.A. Comisionista de Bolsa.

Upon approval by the Shareholders Assembly's, on 27 and 30 October 2015, on 27 and 30 October 2015 the request for prior authorization to carry out the merger operation was presented to the Industry and Trade Superintendence and the Corporations Superintendence respectively. To date, the Company is waiting for the decision of the aforementioned Superintendences. It is expected that their decisions from the Superintendences will be obtained during the first four months in 2016.

On 15 December 2015, the General Assemblies were held simultaneously by the holders of bonds in the second issue, third issue, first tranche of the program, and second tranche of the program, in which the merger was approved unanimously.

On 21 January 2016, the General Assembly of the holders of bonds in the third tranche of the bond issue on placement program of the Company in its second call approved the merger unanimously.

# **Legal and Regulatory Framework**

For implementation of the new framework stipulated by the Constitution, the Household Public Utilities Law (Law 142 of 1994) and the Electric Law (Law 143 of 1994) were issued, which defined the criteria and policies that are to govern the provision of household public utilities in the country, as well as the procedures and mechanisms for their regulation, control and monitoring.

The Electric Law makes the constitutional approach viable, regulates power generation, transmission, distribution and commercialization activities, creates the market and competition environment, and strengthens the sector and the State's intervention. Taking into account the characteristics of each activity or business, the general guidelines were established for development of such regulatory framework, the creation and implementation of rules that provide for free competition in power generation and commercialization businesses, while the guidelines for transmission and distribution were focused on treating said activities as monopolies, anyhow seeking competition conditions wherever possible.

# Notes to the Financial Statements - Unconsolidated

(In thousands of pesos)

The main institution in the electric energy sector is the Ministry of Mines and Energy, which, through the Mining Energy Planning Unit (UPME), reversed the National Energy Plan and the Generation - Transmission Expansion Plan. The Commission for Regulation of Energy and Gas (CREG) and the Superintendence of Public Household Utilities (SSPD) are responsible, respectively, for regulating and auditing the companies in the sector; furthermore, the Industry and Trade Superintendence is the national authority that governs competition protection issues.

The electric sector is based on the fact that commercialization companies and large consumers can negotiate electric energy by means of bilateral contracts. Additionally, the sector agents can negotiate energy through a short-term market, which is known as the spot market, which functions freely depending on supply and demand conditions.

# 2. Basis for the presentation

The Company presents its general-purpose financial statements in Colombia in pesos and the volumes have been rounded up to the closest unit of thousands (COP\$000), except when indicated otherwise.

The accounting principle used in its preparation are those described herein below:

# 2.1 Accounting Principles

The Company's general-purpose financial statements as of 31 December 2015, have been prepared in accordance with the Accounting and Financial Information Norms accepted in Colombia (NCIF), which take into account all International Financial Reporting Standards - IFRS-, International Accounting Norms -NIC-, the SIC interpretations, the CINIIF interpretations and the conceptual framework for financial information, as applicable, issued and approved by the International Accounting Standards Board (IASB) as of 31 December 2012, which were published in Spanish by such organization in August 2013, and incorporate the Colombian technical accounting framework through Law 1314 of 13 July 2009, regulated by the Only Regulatory Decree 2420 of 2015, amended by Decree 2496 of 2015. These decrees contained the following guidelines, which are exceptions to the NIIF as compared with those issued by the IASB:

- Article 2.1.2., Part 1 of book 2 of Decree 2420 of 2015, supplemented with Decree 2496 of 2015 provides for application of article 35 of Law 222, which states that holdings in subsidiaries must be recognized in the unconsolidated financial statements by the equity method instead of that of recognition, in accordance with that provided for in NIC 27, that is, the reasonable cost or value. This recognition shall apply as of this year 2016.
- Part 2 of book 2 of Decree 2420 of 2015, added by decree 2496 of 2015, stipulates that for determining post-employment benefits on account of future retirement or disability pensions, the parameters established in Decree 2783 of 2001 are to be used as the best market approach, instead of the requirements set out pursuant to NIC 19. The Company considers that decree 2783 of 2001 is of a tax nature and that, for accounting purposes, the regulatory framework of NIC 19 prevails.

The Company belongs to Group 1 for adoption according to the definitions of Decrees 2784 of 28 December 2012 and 3024 of 27 December 2013, according to which the Company has considered in its application schedule that 2013 was a preparatory period to define the plans for implementation and 2014 was the transition. To carry out in 2015 the full adoption of the new regulatory framework, also known as (NCIF) given some mentions in the current norms, which require preparation of an opening financial deterioration statement asked at 1 January 2014 according to the new norms so that all year long in 2014 the transition took place, with the simultaneous application

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# Notes to the Financial Statements - Unconsolidated

(In thousands of pesos)

of the foregoing and the new accounting regulations. The last official financial statements, pursuant to Decrees 2649 and 2650 of 1993 are those corresponding to the period ended on 31 December 2014, and the first financial statements under the new norms are those of 2015.

In view of the foregoing, on 28 February 2013, the company presented to the Superintendence of Public Household Utilities the implementation plan approved by the board of directors on 21 February 2013, according to Resolution N° SSPD 20131300002405 on 14 February 2013, which regulated the information requirements to apply decree 2784 of 28 December 2012.

The NCIF implementation plan that was presented included activities associated with the mandatory preparatory phase and the mandatory preparation of the opening financial statement, which were developed between 1 January 2013 and 31 December 2014.

In accordance with that provided for in Resolution N° SSPD 20141300033795 30 July 2014, whereby information requirements for public utility companies are established, classified in groups 1 and 3; the Company reported to the Superintendence of Public Household Utilities on 29 August 2014 the opening financial statement with figures estimated to that date and on 30 September 2015, it presented financial statements at the close of the transition.

The general-purpose financial statements have been prepared following the current business principle through the application of the cost method, with exception, according to NCIF, for such assets and liabilities that are registered at reasonable value.

The preparation of the financial statements in accordance with NCIF requires the use of some critical accounting estimates. It also requires management to apply its judgment in the process of applying accounting policies.

### 2.2 Transition to Accounting and Financial Information Norms accepted in Colombia (NCIF)

For every period until the year ended on 31 December 2014, the Company prepared its general-purpose financial statements in accordance with accounting principles generally accepted in Colombia. The financial statements as of 31 December 2015 are the first yearly financial statements prepared in accordance with the Accounting and Financial Information Norms accepted in Colombia (hereinafter NCIF). The company applied the NIIF 1 adoption for the first time for the recognition of the transition of its financial statements under local norms to the NCIF preparing its opening balance sheet as of 1 January 2014. The financial statements have been prepared in accordance with the policies described herein below.

# a) Transition Procedures

The Company applied the following exceptions contained in the NIIF 1 Adoption for the first time in its transition process:

- In accordance with paragraph D16, letter a) "if a subsidiary adopts the NIIF for the first time after its holding company, the subsidiary shall measure assets and liabilities in its financial statements, either by:
  - (a) Book entries that were included in the consolidated financial statements of the holding company, based on the date of transition of the holding company to the NIIF, if no adjustments were made for purposes of consolidation and for combining businesses for which the holding company acquired the subsidiary (this option is not available for the subsidiary of an investment entity, as defined in NIIF 10, which requires measuring at reasonable value with changes on results), or

# Notes to the Financial Statements - Unconsolidated

(In thousands of pesos)

(b) Book entries required by the rest of the NIIF, based on the date of transition to the NIIF of the subsidiary's NIIF..."

The Company has opted for taking as cost the entries in books included in the financial statements under the NIIF of Endesa, which is its holding company since 31 December 2003, which adopted the NIIF in 2004.

- Codensa S.A. E.S.P. holds 100% of Inversora Codensa S.A.S. and 48.9% of Distribuidora Eléctrica de Cundinamarca DECSA S.A. E.S.P., in line with that stated in the previous paragraph, the initial cost of the investments was defined on the basis of cost included in the financial statements under the NIIF of the holding company.
- The Company has been capitalizing costs for loans directly attributable to the acquisition and construction
  of a suitable asset.
- Total earnings and actuarial losses generated in the actuarial calculation of benefits defined for retirement pensions and employee long-term benefits are recognized as retained earnings.
- The Company used to estimate under NCIF, which are consistent with that applied under the Accounting Principles Generally Accepted in Colombia.
- Estimates included in the opening balance sheet and the transition reflected the conditions existing at the
  date of each financial statement. In particular, estimates relative to market prices, interest rate or exchange
  rates reflected the market conditions on such dates.
- According to paragraph D9 "A company adopting the NIIF for the first time can apply the transitory provision
  of the CINIIF 4 Determination as to whether a contract contains a leasing. Hence, an entity that adopts the
  NIIF for the first time may determine if a parent agreement on the date of transition to the NIIF contains a
  leasing, based on the consideration of facts and circumstances existing on said date." The Company
  included in its financial statements figures from contracts that were evidence to be financial leasing.

# b) Reconciliation between the Accounting Principles Generally Accepted in Colombia under Decree 2649 and the NCIF

The transition to the NCIF as of 1 January 2014 (Opening Financial Statement– ESFA) and 31 December 2014 (Financial Statementat the End of the Transition) and for the period January – December for the consolidated income statement of 2014, the following reconciliations are summarized:

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# Notes to Financial statements – Unconsolidated (continued) (In thousands of pesos)

(In thousands of pesos)					
ASSETS	Note	Closing	Transition Balance 31/12/2014		OpeningBalance 01/01/2014
Total assets under previous generally accepted accounting principles (hereinafter GAAP) (Decree 2649)		\$	5,595,903,099	\$	5,527,961,451
Adjustments for conversion to NCIF					
Properties, plant and equipment	а		(905,918,809)		(926,158,481)
Intangibles	b		(46,014,263)		(47,392,534)
Investments in subsidiaries, joint ventures, and associates	С		(56,868,941)		(46,157,559)
Outstanding commercial papers and other receivables	а		(12,422,003)		(11,384,757)
Inventories	е		4,118,965		5,338,824
Other financial assets	f		726,359		
Other non-financial assets	d				(1,257)
			10,937,714		9,443,935
Deferred tax	g		34,887,271		42,851,551
Total assets under NCIF		\$	4,625,349,392	\$	4,554,501,173
LIABILITIES	Note	ClosingT 31/12/20	ransition Balance 14		ningBalance 1/2014
Total liabilities under previous GAAP (Decree 2649)		\$	2,818,969,402	\$	2,379,529,635
Adjustments for conversion to NCIF Current provisions for employee benefits	h		3,399,010		3,954,348
Outstanding commercial papers and other accounts payable	i-d		3,106,221		2,843,476
Deferred tax	g		(43,101,568)		(36,431,563)
Other financial liabilities	a		4,321,828		4,974,446
Other provisions	j		407,613		407,589
Other non-financial liabilities	b		(45,602,358)		(47,133,246)
Total liabilities under NCIF		\$	2,741,500,148	\$	2,308,144,685
		Transitio	n Closing Balance	Opei	ning Balance
EQUITY	Note	31/12/	_	-	1/2014
Total equity under NCIF (Decree 2649)	\$	2,7	76,933,697 \$		\$3,148,431,816
Adjustments for conversion to NCIF					
Properties, plant and equipment	a L		(905,918,809)		(926,158,481)
Investment in subsidiaries, joint ventures, and associated Outstanding commercial papers and other	C		(56,142,582)		(46,157,559)

# Notes to Financial statements – Unconsolidated (continued)

(In thousands of pesos)

EQUITY ASSETS	Note	TransitionClosing Balance 31/12/2014	OpeningBalance 01/01/2014
Inventories	е	4,118,965	5,338,824
Other financial assets	f	-	(1,257)
Other non-financial assets	d	-	9,443,935
Deferred tax	g	77,988,839	79,283,114
Current provisions for employee benefits	h		
		(3,399,010)	(3,954,348)
Outstanding commercial papers and other	i-d		
accounts payable		(3,106,221)	(2,843,476)
Other financial liabilities	a	(4,321,828)	(4,974,446)
Other provisions	i	(407,613)	(407,589)
Other non-financial liabilities	b	45,602,359	47,133,246
Total equity under NCIF		\$ 1,883,849,244	\$ 2,246,356,488

Income Statement Reconciliation	Note	Transition Income Statement 01/01/2014 a 31/12/2014		
Profits under previous GAAP (Decree 2649)		\$	507,321,002	
Adjustments for conversion to NCIF  Properties, plant and equipment	a		20,236,474	
Intangibles	b		(152,616)	
Investment in subsidiaries, joint ventures and			(132,010)	
associates	С		261	
Outstanding commercial papers and other receivables	d		403,873	
Deferred and current tax	g		(8,993,300)	
Current provisions for employee benefits	h		23,195,570	
Outstanding commercial papers and other accounts payable	i		(1,429,939)	
Other provisions	j		(23)	
Forward Liquidation	k		<u>3,951</u>	
Total profit as of 31 December 2014 under NCIF		\$	540,585,253	

- a) Adjustments of properties, plant and equipment:
- Adjustment at cost, elimination of valuation for (\$696,455,016) and (\$695,799,205) as of 1 January 2014 and 31 December 2014, respectively, in the Opening Financial Statement and at the End of the Transition.

The exemption set out in D16 of the NIIF 1 Adoption was adapted for the first time, using values reported under NIIF by the holding company, valuating property, plant and equipment at cost; therefore, valuations are eliminated taking into account that they are not part of the asset cost.

Adjustment at cost, elimination of adjustments for inflation (2004 and 2005) for (\$152,226,442) and (\$134,041,874) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period 1 January to 31 December for \$18,184,568.

# Notes to Financial Statements – Unconsolidated (continued)

(In thousands of pesos)

The exemption set out in D16 of the NIIF 1 Adoption was adapted for the first time, using values reported under NIIF by the holding company, valuating property, plant and equipment at cost, taking into account that the NIIF adoption by the holding company took place in the year 2004, eliminating adjustments for inflation for the years 2004 and 2005, and reversing their effects in the next depreciation.

• Reversion of capitalized financial costs – depreciation for (\$82,190,643) and (\$80,020,578) as of 1 January 2014 and 31 December 2014 respectively in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period1 January to 31 December 2014, for \$2,170,062.

Corresponds to elimination of financial costs that can be capitalized, which did not meet the requirements in accordance with the NIC 23 Costs for loans, taking into account that under the local norm, interests were capitalized on fixed assets, which under the international norm are not qualified assets.

• Car leasing for \$4,713,620 and \$3.942.848 as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period 1 January to 31 December 2014, for (\$118,156).

The Company has car leasing contracts in place that, for their term and conditions, constitute an implicit leasing in accordance with that provided for in the NIC 17 Leasing; this adjustment recognized vehicles as property, plant and equipment and recognizes the liability for this commitment.

# b) Intangibles adjustment:

• Adjustment at cost, elimination of monetary correction for (\$47.133.246) and (\$45.602.359) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.

Under the Accounting Principles Generally Accepted in Colombia (GAAP), until 2005 the deferred debit and credit monetary correction was calculated over the works that were underway; it was amortized locally through the useful life of the operating good; this adjustment corresponds to the elimination of the balance to be amortized. This record does not affect the Results, as it is reflected on the assets (intangible) vs. liabilities (Other non-financial liabilities).

• Adjustment at cost, elimination of items that cannot be capitalized (\$356,628) as of 1 January 2014 and 31 December 2014, in the Opening Financial Statement and at the End of the Transition.

Corresponds to the elimination of expenditures made in the expansion of the Company's commercial system, which were capitalized locally, but do not meet the capitalization criteria as per NIC 38 Intangible Assets.

Adjustment at cost, elimination of adjustment for inflation (2004 and 2005) for \$97,340 and (\$55,276) as of 1
January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the
Transition, effective on the income statement of the period 1 January to 31 December for (\$152,616).

The exemption set out in D16 of the NIIF 1 Adoption was adapted for the first time, using values reported under NIIF by the holding company, valuating intangibles at cost, taking into account that the NIIF adoption by the holding company took place in the year 2004, eliminating adjustments for inflation for the years 2004 and 2005, and reversing their effects in the next depreciation.

# Notes to the Financial Statements – Unconsolidated (continuation)

(En miles de pesos)

- c) Ajustments on investmetns in subsidiaries, joint ventures and associates:
- Adjustment at cost, elimination of valuations for (\$44,489,477) and (\$55.200.859) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period 1 January to 31 December for \$261.
  - Corresponds to the elimination of valuation of investments in Distribuidora Eléctrica de Cundinamarca S.A. DECSA and Inversora Codensa SAS; these are recognized under local regulations but are not part of the investment cost under NCIF.
- Adjustment at cost, elimination of capitalized costs for (\$1,668,082) as of 1 January 2014 and 31 December 2014 in the Opening Financial Statement and at the End of the Transition.
  - Under the Accounting Principles Generally Accepted in Colombia, the expenditures made within the review analysis to make this investment were capitalized as part of the value of investment in Distribuidora Eléctrica de Cundinamarca S.A. DECSA, while under NCIF this investment is to be valued at cost; therefore, the capitalized amount is eliminated.
- d) Adjustment of outstanding commercial papers and other accounts receivable:
- Adjustment of portfolio net present value agreed for (\$875,386) and (\$471,546) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period 1 January to 31 December for \$403,873.
  - Corresponds to the adjustment for the discount off commercial accounts receivable at net present value, taking into account that these are long term receivables, with interest rate below market rates and, furthermore, its effect is recognized on the calculation of impairment of this line item.
- Netting of current taxes for (\$1.065.436) and (\$1,012,744) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.
  - In accordance with the NIC 12 Tax on Earnings, thet net liabilities are shown for taxes on earnings and tax advanced payments. Adjustment of outstanding commercial papers and other receivables and their matching commercial papers and other Accounts Payable.
- Adjustment of net present value of employees credit benefit for (\$9,443,935) and (\$10,937,713) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.
  - The Company provides its employees with credit below market rates and, therefore, the present value thereof is calculated by discounting the future flows at market rates, recognizing as an advanced benefit paid the difference between the market rate and the rate granted, chargeable to accounts receivable. Ajust outstanding commercial papers and other receivables and its macthing other non-financial assets.

# e) Inventories:

• Recognition of goods on consignment for \$5,338,824 and \$4.118.965 as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.

# Notes to Financial Statements - Unconsolidated (Continuation)

(En miles de pesos)

Corresponds to recognition as inventory of goods in consignment, given that according to the contractual form and in practice, there is no uncertainty level in purchasing thereof. Its matching entry is reflected in outstanding commercial papers and other Accounts Payable.

### f) Adjustment of Other Fnancial Assets:

• Adjustment at cost, elimination of valuations for (\$1.257) and \$726.359 as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.

Corresponds to the elimination of valuations of investments in Empresa Electrificadora del Caribe S.A. E.S.P. – Electricaribe S.A. and Inversora Codensa SAS; recognized under local regulations but not part of investment cost under the NCIF.

# g) Adjustment of Deferred tax:

Calculation on adjustments under NCIF for \$79,283,114 and \$77,988,839 as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period 1 January to 31 December for (\$8,993,300).

Corresponds to the deferred tax generated by adjustments for conversion to NCIF.

• Netting tax on debits and credits for (\$36,431,563) and (\$43.101.568) as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.

In accordance with the NIC 12 Tax on Earnings, the deferred taxes on debits and credits are netted for presentation purposes.

# h) Adjustment of current provisions for employee benefits

Actuarial calculation of retroactive severance pay for \$659,874 and \$832,499 as of 1 January 2014 and 31
 December 2014 respectively, in the OpeningFinancial Statement and at the End of the Transition, effective on
 the income statement of the period 1 January to 31 December for \$124,123.

The liabilities for actuarial calculation of retroactive severance pays reflecting the obligation of the company with employees who are not covered by law 50 of 1990 are recognized by means of these adjustment, in accordance with that provided for in the NIC 19 Employee Benefits.

• Five-year actuarial calculation for \$3,294,474 and \$2.566.511 as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition, effective on the income statement of the period 1 January to 31 December for \$727,963.

This adjustment recognizes liabilities for their five—year actuarial calculation (See note 17), in accordance with that provided for in the the NIC 19 Employee Benefits.

• The pension actuarial calculation has no effect on the Opening Financial Statement nor on the End of the Transition, but it does have an effect on the results of the period 1 January to 31 December for \$22,343,484.

Under previous GAAP (Decree 2649), the financial cost was determined based on payments keeping as balance of liabilities the actuarial liabilities on this account. Under the NCIE, the financial cost is forecast using the GIO.

# **Notes to Financial Statements - Unconsolidated (Continuation)**

(En miles de pesos)

- i) Adjustment of outstanding commercial papers and other Accounts Payable.
- Taxes net present value of the Equity Tax as of 1 January 2014 for \$1,429,939 Opening Financial Situation Statement, with effect on the income statement for the period 1 January 2014 and 31 December 2014 of (\$1,429,939).
  - In 2011, there was recognition of the equity tax provided for in Law 1370 of December 2009, which for reporting purposes to the holding company under NIIF was recognized at 100% of the tax against the February results and, for local purposes, it is recorded against the revaluation line item of equity. These adjustment includes at the same time the update to net present value recognized as financial cost; payment of this tax was completed in September 2014 and, therefore, there is no adjustment as of 31 December 2014.
- Recognition of liabilities for goods on consignment for \$5,338,824 and \$4.118.965 as of 1 January 2014 and 31 December 2014 respectively, in the Opening Financial Statement and at the End of the Transition.
  - Corresponds to liabilities for recognition as inventory of the goods in consignment, given that, in accordance with the contractual form and the practice, there is no uncertainty level in purchasing thereof. Its matching item is reflected on the inventory.

# j) Ajustment of Other provisions

Provision of Codensa Hogar risk for \$407,589 and \$407.613 as of 1 January 2014 and 31 December 2014
respectively, in the Opening Financial Statement and at the End of the Transition, with effect on the income
statement for the period 1 January 2014 and 31 December 2014 of (\$23).

This adjustment reflects a provision for retained risk for the company in their sale of Codensa Hogar portfolio, because of different factors such as potential changes in local regulations that would prevent including these items in the electric energy bill.

# k) Forward liquidation

In the foreward liquidation, the preliminary adjustment is reversed, through which the cost of valuation of Mark to Market had been transferred to other consolidated results, with effect on the income statement for the period 1 January 2014 and 31 December 2014 of \$3,951.

# 2.4 Accrual Accounting Base

The Company prepares its Financial Statements using the accrual accounting base, except for cash flow information.

# 2.5 Accounting and Financial Information Norms Accepted in Colombia, issued but not yet in force

Article 2.1.2 of book 2, part 1 of Decree 2420 of 2015, amended by Decree 2496 of 2015 includes the norms that have been issued by the IASB and adopted in Colombia, which will be effective in years subsequent to 2015.

# 2.5.1. New Accounting and Financial Information Norms (NCIF) accepted in Colombia and effective as of 1 January 2016

# **Notes to Financial Statements - Unconsolidated (Continuation)**

(En miles de pesos)

# Information to be disclosed on the non-financial recoverable assets that are modified by the NIC 36 Asset Value Impairment (May 2013)

This amendment reduces the cases in which the disclosures of the recoverable value of assets or cash generating units are required; it clarifies such disclosures and introduces the explicit requirement of disclosing the discount rate used in determining impairment (or reversions thereof), were the recoverable value is determined using the present value.

# CINIIF 21 Levies - new interpretation (May 2013)

The interpretation intends to provide guidance on the circumstances were a liability for levies is to be recognized, in accordance with the NIC 37. In this regard, the CINIIF may be applied in any situation that generates a current obligation of paying taxes or levies to the State.

Novation of derivatives and continuation of hedging accounting that is amended by the NIC 39 financial instruments: recognition and measurement (June 2013)

Under this norm, it would not be necessary to stop applying the hedging accounting on novated derivatives that meet the criteria set out thereunder.

# Annual improvement of the NIIF: 2010-2012 cycle (December 2013):

These amendments include:

NIIF 3, NIIF 8: corresponds to a series of improvements that are necessary but not urgent, which amended the aforementioned norms.

NIC 16 Property, plant and equipment and NIC 38 Intangible Assets

The amendment is applied with proactively and it makes it clear in NIC 16 and NIC 38 that an asset may be reevaluated based on evident data, either by adjusting the gross asset value in books to the market value, or adjusting the cross value and the cumulative depreciation or amortization proportionately so that the resulting book value equals the market value. Additionally, the cumulative depreciation or amortization is the difference between the gross value and the book value of the assets.

NIC 24 Information to be disclosed regarding related parties

The amendment is applied retroactively and it makes it clear that a management entity (an entity that provides the services of key administration personnel) is a related party, subject to disclosure of related parties. Furthermore, a company that uses a management entity is bound to disclose the costs incurred on for such management services. This amendment is not relevant for the Company, as it does not receive management services from other entities.

# Annual improvementd of their NIIF: 2011-2013 cycle (December 2013):

These amendments include:

NIIF 3, NIIF 13: corresponds to a serious of improvements that are necessary but not urgent, which amend the aforementioned norms.

# **Notes to Financial Statements - Unconsolidated (Continuation)**

(En miles de pesos)

# Defined Benefits Plans: contributions for employees that are amended by the NIC 19 employee benefits (November 2013)

The NIC 19 requires that an entity should consider contributions to employees or third parties in the accounting of defined benefit plans. When retributions are associated to service, these must be attributed to the service as a negative benefit. These amendments make it clear that, if the amount of retribution is independent from the number of years of service, an agency may recognize said retributions as a reduction in the service cost during the period in which the services are provided, instead of allocating retributions to the service periods.

# NIIF 9: hedging accounting financial instruments and amendments to NIIF 9, NIIF 7 snf NIC 39 (November 2013)

This amendment mainly changes the following aspects:

- Adds a new chapter concerning hedging accounting, introducing a new model where accounting and risk
  management are aligned, and improvements are introduced as related to disclosure of these items.
- Introduces improvements in the report of changes in the reasonable value of own debt of an entity, which is contained in the more easily available NIIF 9.
- Eliminates the effective date for mandatory application of the NIIF 9.

# 2.5.2 New Accounting and Financial Information Norms (NCIF) accepted in Colombia, applicable as of 1 January 2017, except for the NIIF 15, which is applicable as of 1 January 2018

# NIIF 9 Financial Instruments: classification and valuation

In July 2014, the IASB published the final version of the NIIF 9 Financial Instruments, which compiles all the phases of the financial instruments project and substitutes the NIC 39 Financial Instruments: valuation and classification, and all previous versions of the NIIF 9. The norm introduces new requirements for classification, valuation, impairment and hedging accounting. The NIIF 9 is the application for exercises beginning on 1 January 2018, although Decree 2420 has established it for 1 January 2017 and its early application is permitted. Its retroactive application is required, but it is not necessary to amend comparative information. The early application of versions prior to the NIIF 9 is permitted (2009, 2010 and 2013) provided that the initial publication date is prior to 1 February 2015.

# **NIIF 14 Deferral of Regulated Activities**

The NIIF 14 is an optional norm that allows for an entity, when adopting the NIIF for the first time and whose activities are subject to rate regulation, to keep on applying most of its previous accounting policies for regulated deferred accounts. The entities that adopt the NIIF 14 must present regulated deferred accounts as separate line items in the Financial Statement and present also the movements of said accounts in the income statement and the global income statement. The norm requires breakdowns relative to the nature and the risks associated with the company's regulated rates, as well as the impact of regulated rates on the Financial Statements. The NIIF 14 is applicable to periods commencing as of 1 January 2016.

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# **Notes to Financial Statements - Unconsolidated (Continuation)**

(En miles de pesos)

# Annual improvement of the NIIF, 2010 - 2012 cycle

These improvements are effective as of 1 July 2014. The improvements include the following changes:

# NIIF 15 Revenues from ordinary activities derived from contracts with clients

The NIIF 15 was published in May 2014, and establishes a new five—step model that is applicable on revenues from contracts with clients. In accordance with the NIIF 15, the revenues are recognized as a volume reflecting the consideration that an entity expects to receive in exchange for the transfer of goods or services to a client. The principles of the NIIF 15 suppose a more structured approach to value and record revenues.

This new norm is applicable to all entities and will derogate all previous norms on recognition of revenues. It requires retroactive application or partially retroactive for periods commencing on 1 January 2018, but allowing early application thereof.

# Amendments to the NIIF 11: accounting off acquisition of interests in joint ventures

Any amendment to the NIIF 11 requires a joint operator to account for the acquisition of an interest in a joint operation, which constitutes a business, applying the relevant principles of the NIIF 3 to account for business combinations. The amendments also clarify the previously held interest in the joint operation are not revalued by the acquisition of additional interest, as long as the joint control is kept. Additionally, an exception has been added to these amendments so that they are not applicable when the parties that share joint control are under the common control of and ultimately dominant company.

The amendments apply on initial interest acquisition in a joint operation and on the acquisition of any additional interest in the same joint operation. These will be applied prospectively for periods commencing on 1 January 2016, although early application thereof is permitted.

# Amendments of NIC 16 and NIC 38: clarification of acceptable amortization methods

These amendments clarify that the risks reflect a pattern for obtaining benefits derived from the exploitation of a business (of which the asset is part), more than the economic benefits consumed by the use of the asset. Therefore, it is not allowed to amortize the fixed material using an amortization method based on revenues, and it can be used only in very few circumstances to amortize intangible assets. The amendments shall be applied prospectively for periods commencing as of 1 January 2016, although early application thereof is permitted.

# Modifications to the NIC 27: equity method in unconsolidated Financial Statements

The amendments allow the entities to use the equity method tool accounted for subsidiaries, joint ventures and associated parties in their unconsolidated Financial Statements. The entities that have already applied the NIIF and opt for changing to the equity method, will have to apply these changed retroactively. The entities that apply the NIIF for the first time and opt for using the equity method in their unconsolidated Financial Statements, will have to apply the method since the date of transition to the NIIF. These amendments must be applied for periods commencing on 1 January 2016, although early application thereof is permitted.

# **Notes to Financial Statements - Unconsolidated (Continuation)**

(En miles de pesos)

# Amendments to the NIIF 10 and NIC 28: sale or contribution of assets between the investor and its associated or joint ventures

The amendments address the conflict between the NIIF 10 and the NIC 28 as to treatment of loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the loss or gain resulting from the sale or contribution of assets that constitute a business, as defined in the NIIF 3, between the investor and its associate or joint venture is still recognized entirely. Any gain or loss resulting from the sale of or contribution of assets that does not constitute a business, nevertheless, is recognized only up to the interest of unrelated investors in the associate or joined venture. These amendments must be applied prospectively and are effective for periods that commence on or after 1 January 2016, with early adoption permitted.

# Annual improvements 2012-2014 cycle

These improvements are effective for annual periods that commence on or after 1 January 2016, with early adoption permitted. These include:

NIIF 5, NIIF 7 Correspond to a serious of improvements, necessary but not urgent, which amend the aforementioned norms.

# **NIC 19 Employee benefits**

The amendment makes it clear that the depth of the market for high quality corporate bonds is assessed based on the currency on which the obligation is set out, instead of the country where the obligation is held. When there is no depth market for high quality corporate bonds in that currency, the government bond rates shall be used. This amendment must be applied in a prospective manner.

### Amendments to the NIC 1 Disclosure initiative

The Amendments to the NIC 1 Presentation of the Financial Statements make it clear that instead of changing significantly, the existing requirements of the NIC 1 are:

- Requirements of materiality in the NIC 1.
- That specific lines in the income statements, the ORI, and the Financial Statement can be disaggregated.
- That entities have flexibility regarding the order in which the notes to the Financial Statements are to be
- That participation in the ORI of the associates and joint ventures that are accounted for using the equity method must be presented in one single line and classified among the items that will be reclassified to the income

Additionally, the amendments clarify that the requirements that apply when additional subtotals are submitted in the financial statements and the income statement and ORI. These amendments are effective for yearly periods commencing on or after 1 January 2017, with early adoption permitted.

# 2.6 Relevant estimates and accounting criteria

In the preparation of the Financial Statements, specific estimates have been used by the Company's management, the business areas, and the Support areas to quantify some assets, liabilities, revenues, expenses and commitments registered therein.

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# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

# Estimates basically refer to:

- Hypothesis used in actuarial calculation of liabilities and obligations with the employees, such as discount rates, mortality rates, salary Increases, etc.
- The useful life of properties, plant and equipment and intangibles. (See Notes 3.6 and 3.7)
- The hypothesis used for the calculation of the reasonable value of the financial instruments. (See Notes 3.1.2 and 3.1.3).
- Electric energy supplied to clients pending meter reading.
- Specific magnitudes of the electric system, including those corresponding to other companies, such as
  production, client billing, power consumed, etc., which allow for estimating the global liquidation of the
  electric system that are to be materialized in the respective final liquidations, pending billing on the date of
  issue of the Financial Statements that could affect the balances of assets, liabilities, revenues and costs
  registered therein.
- Probability of occurrence and amount or uncertain liabilities or contingent. (See Note 3.10)
- Future disbursements for reclaiming and decommissioning, as well as the discount rates to be used. (See Note 3.7)
- Tax results, which will be declared before the respective tax authorities in the future, twhich have been the
  basis for recording the various balances related to taxes on gains in the current Financial Statements. (See
  Notes 3.11.1 and 3.11.2)

In spite that these judgments and estimates have been made relying on the next information available on the date of issuing these Financial Statements, it is possible that future events will force their change, upwards or downwards, in future periods, which would be done prospectively, recognizing the effects of changes in the judgment or estimates in the respective future Financial Statements.

# 3. Accounting Policies

The main accounting policies applied in the preparation of the general-purpose Financial Statements attached hereto, have been the following:

### 3.1 Financial Instruments

# 3.1.1 Cash and other equivalent liquid cash media

This line item in the Financial Statement includes cash, bank balances, term deposits and other short-term investment (equal to or less than 90 days after the date of investment), high liquidity that are rapidly realized in cash and which have a low risk of change in their value.

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

# 3.1.2 Financial Assets

The Company classifies its financial assets in the following measurement categories: goals measured at reasonable value and those measured at amortized cost. The specification depends on whether the financial asset is a financial asset or equity.

# 3.1.2.1 Debt Instrument

# (a) Financial Assets at Amortized Cost

A debt instrument is classified as measured at "amortized cost" only if meeting the following criteria: the purpose of the business model of the company is to keep the asset to obtain contractual cash flows, and the contractual terms give rise, on specified dates, to receiving cash flows that are only payments of principal and interest on the capaital pending payment.

The nature of the derivatives implicit in a debt investment is considered to determine if the cash flows of investment are only payments of principal and interest over the capital that is pending payment and, in such event, these are not accounted for separately.

# (b) Financial assets at reasonable cost

If any of the tools mentioned criteria for financial assets at costs are not met, the debt instrument is classified as measured at "reasonable value with changes in results".

# 3.1.2.2 Equity instrument

All variable income instruments are measured by their reasonable value. The equity instruments that are kept to negotiate are valued at reasonable value with changes in results. For the rest of equity instruments, the Company can make an irrevocable election in the initial recognition to recognize changes in the reasonable value chargeable to other results integrated in the equity, instead of the results.

# 3.1.2.3 Derivative financial instruments and hedging activities

The derivatives are recognized initially at their reasonable value on the date on which the contract is entered into and are constantly revised at their reasonable value.

If the derivative financial instruments are not qualified to be recognized through the hedging accounting treatment, they are registered at their reasonable value through the income statement. Any change in the reasonable value of the derivatives is immediately recognized in the income statement as "other gains/losses, net". If they are designated for hedging, the method to recognize the gain or loss resulting from the changes in reasonable value of the derivatives depends on the nature of the risk and the item that is being covered.

The Company designates certain derivatives such as:

- (a) hedging of reasonable value of recognized assets or liabilities (hedging of reasonable value);
- (b) hedging of a particular risk associated with a recognized asset or liability or a highly probable foreseen transaction (hedging of cash flow), or

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# Notes to the Financial Statements - Unconsolidated (continuation)

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The Company documents, at the beginning of the hedging, the relationship of the hedging instruments and the hedged items, as well as their objectives and risk administration supporting their hedging transactions. The company also documents its evaluation, both at the beginning of the hedging and periodically as to whether the derivatives used in the hedging transactions are highly effective to compensate the changes in reasonable volumes or in the cash flows of the hedged items.

The total reasonable value of the derivatives used as hedging is classified as non-current asset or liability when the maturity of the remaining hedged item is more than 12 months, and it is classified as current asset or liability when the maturity of the remaining hedged item is less than 12 months. The derivatives that are not used for hedging or that are kept for being negotiated, are classified as current assets or liabilities.

# (a) Reasonable value hedging

The changes in their reasonable value of the derivatives that are designated and qualified as reasonable value hedging are registered in the income statement, and the gain or loss of the hedged item attributable to the covered risk adjust the book value of the hedged item and are recognized in the results for the period. The gain or loss related to the cash portion of the derivatives are recognized in the income statement as "financial costs", as well as the non-cash portion that is also recognized in the financial results but this time as "other gains/(loss), net".

If the hedging no longer meets the criteria to be recognized through the hedging accounting criteria, the adjustment of the book value of the hedged item is amortized in the results using the effective interest method in the remaining period until its maturity.

# (b) Cash flow hedging

The cash portion of the changes in reasonable value of the derivatives that are designated and that qualify as cash flow hedging are recognized in the equity. The gain or loss elative to the non-cash portion is recognized immediately in the income statement as "other gains/ (losses), net".

The amounts accrued in the net equity are registered in the income statement for the periods on which the hedged item affects them. However, when the hedged transaction foreseen results in the recognition of a non-financial asset, the gains or losses previously recognized in the equity are transferred from the equity and included as part of the initial cost of the asset. The capitalized amounts are finally recognized in the cost of sales when the products are sold, if dealing with inventory, or in the depreciation, if dealing with properties, plant and equipment.

When a hedging instrument expires or is sold, or when it no longer needs the criteria to be recognized through the hedging accounting treatment, any gain or loss accrued in the equity on that date is kept in the equity and recognized when the projected transaction affects the income statement. When expected that there will be no projected transaction, the accrued gain or loss in the equity is transferred immediately to the income statement as "other gains/(losses), net".

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

### (c) Net investment hedging overseas

The hedging of net investment of operations overseas are correct in a similar manner as the cash flow hedging. Any gain or loss of the hedging instrument related to the cash portion of the hedging is recognized in the equity. The gainor loss related to the non-cash portion of the hedging is immediately recognized in the income statement as "other gains/(losses), net".

The accrued gains and losses in the equity are transferred to the income statement when the operation overseas is sold or partially cancelled.

# 3.1.3 Debts (financial obligations)

The debts are initially recognized at the reasonable value, net of the costs incurred in the transaction. The debts are booked subsequently at their amortized cost; any difference between the funds received (net of the costs of the transaction), and the redemption value is recognized in the income statement during the loan period, using the effective interest method.

The costs incurred to obtain the debt are recognized as transaction costs to the extent that it is likely that the debt will be received in whole or in part. In such case, the fees are deferred until the loan is received. To the extent that there is no evidence of probability that part or all of the dead will be received, the fees are capitalized as costs paid in advance for services to obtain liquidity and are amortized in the loan period to which they are related.

The loans are classified in the current liabilities, unless the company has they inconditional right of deferring payment of the obligation at least 12 months counted as of the date of the balance sheet. On the date of presentation of these Financial Statements, the Company has debt in bonds, does not have any loans and these beng immaterial, the cost of the transactions have been booked as results at the time of the bond issue.

The cost of general and specific debts directly attributable to acquisition, construction or production of suitable assets, which are those requiring a substantial time to be prepared for the expected use or sale, are added to the cost of said assets until the time in which the assets are substantially prepared for their use or sale. Revenues for investments obtained in the temporary investment of resources obtained from specific debts that have not yet been invested on qualified assets are deducted from the costs of interest susceptible of capitalization. All other debt costs are recognized in the income statement in the period in which they are incurred.

# 3.1.4 Financial assets and financial liabilities with related parties

Credits and debts will be related parties are initially recognized at the reasonable value of the transaction plus the directly attributable transaction costs. After the initial recognition, these credits and debts are measured at their amortized cost, using the effective interest method. The amortization of the interest rate is recognized in the income statement as revenues or financial costs or as operational revenues or expenses, depending on the nature of the asset or liability that generates it.

# 3.1.5 Commercial accounts payable

The commercial accounts payable are payment obligations for groups or services that have been acquired from the vendors in the regular course of business. The accounts payable are classified as current liabilities if the payment is to be made in a one-year time or less. If the payment is to be made in a period of more than one year, these are then presented as non-current liabilities.

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

The commercial accounts payable are initially recognized at reasonable value and subsequently at their amortized cost using the effective interest method.

### 3.1.6 Recognition and measurement

Conventional purchases and sales of financial assets are recognized on the date of negotiation, which is the date in which the company undertakes to purchase or sell the asset. The financial assets that are cancelled when the right to receive cash flows have expired or have been transferred and the company has substantially transferred all risks and benefits inherent in the property.

In the initial recognition, the Company values their financial assets at reasonable cost laws, in the case of a financial asset that is not measured at reasonable cost with changes in results, that transaction costs that are directly attributable to the acquisition of the financial asset. The asset transaction costs that are measured at their reasonable value with changes in results are directly accounted for in the profit and loss account.

The gain or loss in a debt instrument that is subsequently valued at its reasonable cost and which is not part of a hedging operation are recognized in the results and presented in the income statement as "other (losses) /gain - net" in the period in which they are caused.

The gain or loss in a debt instrument that is subsequently valued at its amortized cost and is not part of a hedging operation are recognized in the results of the period when the financial asset is canceled or impaired and through the amortization process using the effective interest method.

Subsequently, the Company measures all equity instruments at reasonable cost. When the administration has opted for presenting gains or losses at reasonable cost, unrealized and realized, and losses in equity instruments in other consolidated results, the gains and losses at reasonable cost cannot be registered in the results for the period. The dividends of equity instruments are recognized in the results, provided that they represent a return on investment.

The Company must reclassify all affected debt instruments if, and only if its business model for management of financial assets changes.

# 3.1.7 Financial instruments compensation

Financial assets and liabilities are offset and their net value is presented in its Financial Statement when there is a legally demandable right to offset the volumes recognized and the Administration has the intention of liquidating the net amount or realize the asset and pay for liabilities simultaneously.

# 3.1.8 Reasonable values

The reasonable values of investment in the stock market are based on their current listed price. If the market for a financial instrument is not active or the instrument is not listed in the stock exchange, the company establishes its reasonable cost using appropriate valuation techniques depending on the situation. These techniques include the use of values observed in recent transactions performed as per the terms of free competition, reference to other instruments that are substantially similar, and analysis of cash flows discounted and models of options making the best possible use of market information and trusting to the extent possible on in-house specific data.

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

# 3.2 Inventories

The stock in inventories includes material on which the risks have been acquired and the typical benefits of property; these classifications include materials such as those handled in the warehouses of the Company's logistic operator.

The inventories are shown in the current asset or Financial Statements, even if done after 12 months, to the extent in which it is considered that they belonged to the regular operation.

The cost of inventories is made up of purchase cost and all costs that are directly or indirectly attributable to inventory, for example: transport, cost of duties, insurance, non-recoverable in direct taxes, etc. and net of discounts, bonuses and premiums of a commercial nature.

The cost is measured in accordance with the weighted average method, which considered the units of an article purchased in different dates and costs as part of a set in which individual purchases are no longer identifiable but all of them are equally available.

The weighted mean cost must include additional charges, for example: Marine freight cost, costumes costs, insurance etc., chargeable and acquired during the period.

The cost of the inventories may not be recoverable if that inventories are damaged, or partially or totally obsolete, or in some cases due to low turnover.

Obsolete materials are understood as those not expected to be sold or used during the ordinary functioning cycle, such as scrap and technologically expired materials. Surplus at a stock level that can be considered reasonable, in accordance with the normal use expected in the ordinary operating cycle, which can be considered as of slow movement. Obsolete and slow movement inventories have the possibility of being used or realized, which in some cases represents their cost as scrap sales.

Inventory items that are used in maintenance affect the Company's results.

# 3.3 Non-current assets maintained for sale and discontinued activities

The Company classifies as non-current assets those held for sale of property, plant and equipment, intangibles, investments in associates, joined venture's and groups subject to disappropriation (more of assets that will be sold together with associated liabilities), relative to which on the date of closing of the Financial Statement active processing had commenced for sale thereof and it is estimated that such sale is highly probable.

These assets or groups subject to disappropriation are booked at the lowest value between the book value and the reasonable value, less costs until the sale, and are no longer amortized from the moment in which they are classified as non-current assets held for sale.

Non-current assets held for sale and the components of groups subject to disappropriation, classified as held for sale are presented in the Financial Statement as follows: "non-current assets or group of assets for disposal, classified as held for sale" and liabilities are also in a single line that reads "Liabilities included in groups of assets for disposal, classified as held for sale".

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# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

In turn, the Company considers discontinued activities the significant and separable business line that have been sold or have been disposed of by different means, or that meet the conditions to be classified as held for sale, including, in each case, other assets that together with the business line are part of the same sales plan. Similarly, also considered discontinued activities are those entities acquired exclusively for resale purposes.

The results after taxes of discontinued activities are presented in a single line of the consolidated results reading "gain (loss) of discontinued operations". On the date of presentation of the Financial Statements, the company does not have any non-current assets held for sale, nor discontinued activities.

### 3.4 Investment in subsidiaries

A subsidiary is an entity controlled by the Company; such control exists when holding the power to lead relevant activities of the subsidiary that, in general, are operation and financing activities intended to obtain benefits that are derived from and are exposed or entitled to its variable yields.

Investments in subsidiaries are measured at cost in the unconsolidated Financial Statements of the Company. The dividends received from the subsidiaries are recognized as revenues in the income statement once the right of the company to receive payment is established, based on the dividend decreed, except when that dividend represents an investment cost recovery.

# 3.5 Invetment in associates and joint ventures

An associate is an entity on which the Company has significant influence regarding the financial and operational policy decisions, without having control or joint control thereon. A joint business is an entity that the company controls together with other participants, where the latter subscribe to a contractual agreement setting out the joint control over the entity's relevant activities. On the date of acquisition, excess cost of acquisition over the share at reasonable net cost of the identifiable assets, liabilities and contingent liabilities of the associate or joined venture, is recognized as commercial credit. The commercial credit is included in the book value of the investment, is not amortized, and is individually subjected to value impairment testing. On the date of issue of the Financial Statements, the company has not registered any commercial credit derived from investments in associates and joint ventures.

Investments in associates or joint ventures are measured in the individual financial statements at cost.

# 3.6 Intangible assets

Intangible assets are recognized initially for their cost of acquisition or production and, subsequently, are valued at net cost of the respective cumulative amortization and the losses for impairment that, in each case, have been experienced.

Intangible assets are amortized linearly throughout their life, as of the moment in which they are in usable condition.

Criteria for recognition of losses for impairment of these assets and, in each case, the recovery of losses for impairment registered in previous years, are explained in the policy on impairment of asset value.

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

# (a) Research and Development Costs

The Company applies the policy of recording as intangible assets in the Financial Statement the cost of projects in their development phase, provided that their technical viability and economic profitability are reasonably assured.

Research costs are recognized directly in the period results.

# (b) Other intangible assets

These assets correspond fundamentally to IT software, rights and easements. Their accounting recognition is done initially at the cost of acquisition or production and, consequently, they are probably at net cost of the respective cumulative amortization and the losses for impairment that, in each case have been experienced.

Use life for amotization:

Concept	As of 31 De	cember 2015 in years	As ofDecember 31 2014 in year	ars
				_
Studies a	and projects	2	2	
Licences		3	3	
Easemen	nts	50	50	
Software	<b>:</b>	4	4	

# 3.7 Properties, plant and equipment

Properties, plant and equipment are valued at their acquisition cost, net of the respective cumulative depreciation and the losses for impairment that have been experienced. Additionally, at the price paid for acquisition of each item, the cost also includes, in each case, the following factors:

- The cost of general and specific interest that are directly attributable to acquisition, construction or production of suitable assets, which are those necessarily requiring a given substantial time before they are ready for the use expected or for sale, are added to the cost of said assets until the time in which the assets are substantially ready for their intended use or for sale. The Company defines substantial period as that exceeding 12 months. The interest rate used is that corresponding to the specific financing or, if not available, the average rate of financing of the Corporation making the investment. In 2015 no interest have been capitalized on construction projects.
- Personnel expenses related directly to constructions underway.
- Future disbursements that the Company will have to make in relation with the closing of its facilities are incorporated to the asset value for the updated value, recognizing from an accounting standpoint the respective provision for decommissioning or restoration. The Company reviews annually its estimates on the aforementioned future disbursements, increasing or decreasing the asset value in function of the results of said estimation. (See Note16, number 4).

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#### Notes to the Financial Statements - Unconsolidated (continuation)

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Constructions underway are transferred to assets in exploitation wants the trial period has been completed, that is, when they are available for use, as often when their depreciation starts.

The costs for upgrading, modernizing or enhancing representing an increase in productivity, capability, efficiency or extension of the useful life of goods are capitalized as greater cost of the respective goods.

The substitutions or renovation of complete items that Increase the useful life of a good, or its economic capacity, are registered as greater value of the respective goods, taking the substituted or renewed items out of the accounting.

Periodical maintenance, conservation and repair costs are registered directly in the income statement as costs in the period they were incurred on.

The Company, based on the process of the impairment testing, considers that the accounting value of assets does not exceed the recoverable value thereof.

Property, plant and equipment, in this case net of its residual value, is depreciated distributing linearly the cost of the variable components during their estimated life, which constitutes the time in which the Company expects to use them. The estimated life and residual value are revised periodically and, if applicable, adjusted in a prospective manner. On the date of issue of these Financial Statements, the Company did not consider significant the residual value in it fixed assets.

Following are the main types of property, plant and equipment, together with their respective estimated useful life.

	ecember 31 15 in years	As of December 3 2014 in years	1 As of 1 January 2014 in years	
Constructions and buildings	45	49	48	
Plant and ducts	17	17	20	
Grids, lines and cables	15	14	30	
Machinery and equipment	17	15	11	
Office equipment	10	10	9	
Transport fleet and equipment transp	orte 5	5	5	
Communications	7	9	7	

At the beginning of the second half of 2014, the Company began the revide aimed at equalizing information on technical assets with the accounting information on them, defining the opening of its technical sytems in the electric assets, as well as the updating of their remaining useful life.

As a result of this project, on 29 December 2014, the opening of electric assets as substations, lines and networks in the accounting system was made in the accounting system and the remaining average useful life was modified, which were applied as of 1 January 2015.

The change in useful life corresponds to the average of each category, which may vary from one year to the other due to the effect of fully depreciated assets.

Lands are not depreciated as their useful life is undefined.

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

The excess of tax depreciation versus accounting depreciation generates a tax effect that is registered as a passive deferred tax. The Company, in addition, has established a reserve in Equity equivalent to 70% of the greater depreciation value requested from a tax perspective, in accordance with article 130 of Tax Statute.

The gains or losses arising from sales of goods under property, plant and equipment are recognized as other gains (losses) in the consolidated income statement, and are calculated by deducting the sum received for the sale, the net accounting value of the sale, and the respective sale costs.

#### 3.8 Asset impairment

#### (a) Non-financial assets (except for Inventories and assets for deferred taxes).

Throughout the period and essentially on its date of closing, an assessment is performed to determine if there is any indication that an asset could have been the subject of loss for impairment. Should there be any sign, an estimation is made of the recoverable value of said asset to, determine, as the case may be, the value of the impairment. If dealing with identifiable assets not generating cash flows independnelty, the recoverability is estimated for the Cash Generating Unit (CGU) to which the asset belongs to, understanding as such the smaller group of assets generating independent cash inflows.

The recoverable value is the greater bewteen the reasonable value less the cost required for its sale and the value in use, understanding this as the effective value of estimated future cash flows. For calculation of the recovery value of property, plant and equipment, capital gain, and intangible assets, the value in use is the criterion used by the Company in nearly every case.

To estimate the value in use, the Company prepares the forecast of cash flows before taxes based on the most recent budget available. These projects incorporate the best estimates of the Administration regarding revenues and costs of the Cash Generating Units, using sectorial projections, past experience, and future expectations.

These projections, in general, cover the next 10 years, estimating cash flows for coming years by applying reasonable growth rates, which are neither growing, nor exceeding average long term growth rates, for the respective sector. These flows are discounted to calculate its current value add a rate before taxes, which reflects the business capital costs. For these calculation, the current cost of money is considered, as well as the risk premiums used in general by business analysts. In the event that the CGU recoverable value is less than the net book value of the asset, the respective provision is registered for the impairment loss for the difference, chargeable to the line item "Losses for impairment of value (Reversal)"in the income statement. Said provision is allocated, first, to the added value of the CGU, if any, and then to the other assets that make it up, by prorating on the basis of the accounting value of each of them, with a cap of their reasonable value less the sales cost, or its use cost, with no possibility of a negative value.

Losses for impairment recognized in an asset in previous years are reversed when there is a change in estimates of the recoverable cost, increasing the value of the asset, crediting it to the results with the cap of the book value that the asset would have had should the accounting adjustment not be made. With respect to capital gain, accounting adjustments that could have been made are not reversible.

#### (b) Financial assets

The Company assesses at the end of each period if there is objective evidence of impairmanent on value of a financial asset or group of financial assets measured at amortized cost. A financial asset or a group of financial assets are impaired and the losses for impairment of value have been incurred if there is objective evidence of

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group of financial assets that can be calculated in a reliable manner.

For determining the need of making an adjustment for impairment on financial assets, the procedure is as follows:

1) For commercial origin assets, the Company has defined a policy for the register of impairment provisions depending on the seniority of the balance due, which is applicable in general, except in cases were there is a special characteristic that makes it advisable to perform a specific analysis of collection probability.

The Company performed an analysis based on the nature, impairment and payment behavior by type of portfolio and nature of clients, having established the following impairment percentages:

#### Energy portfolio:

Portafolio class	Residential	Commercial	Industrial (	Official Publi	c municipality lighting
Energy portfolio					
Between 1 and 180	2.9%	4.6%	4.2%	0.4%	0.1%
Between 181 and 360	33.4%	28.6%	13.4%	6.4%	1.3%
Over 360 days	100%	100%	100%	100%	100%
Agreed portfolio	13.8%	16%	35%	51.6%	51.6%
Frozen portfolio					
Creditor agreement	100%	100%	100%	100%	100%
Less than 360 days	77.7%	77.2%	76.9%	96.9%	96.9%
More than 360 days	100%	100%	100%	100%	100%

In the particular case of public lighting portfolio with the Capital District, an individual evaluation is performed.

The analysis of impairment percentages is reviewed every two years.

#### Other businesses

The following provision percentages will be applied to Codensa's portfolio of services, electrical work, and work for private parties, infrastructure and electricity companies.

Provision	Age
	<del>-</del>
1.31%	Current portfolio - 1 to 30 days
7.16%	Portfolio between 31 and 90 days in arrears
20.74%	Portfolio between 91 and 180 days in arrears
34,23%	Portfolio between 181 and 360 days in arrears
100%	Portfolio of more than 360 days

#### Notes to the Financial Statements - Unconsolidated (continuation)

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The write-off of the portfolio is recognized once there is legal or material certainty of the debt loss. For this write-off to be applicable, it is required to prove the insolvency of the debtors, the lack of real guarantees or any other cause that proves the impossibility to recover the debt with certainty.

(1) In the case of financial origin balances receivable, the determination of the need for impairment is done through a specific analysis in each case; up to the date of issue of these Financial Statements, there are no financial assets for a significant amount that are not of a commercial origin.

#### 3.9 Leasing

For determining whether a contract is, or contains, leasing, the Company analyzes the economic background of the agreement, evaluating if performance of the contract depends on the use of a specific asset and if the agreement transfers the right of use of the asset. If both conditions are met, at the beginning of the contract, based on their reasonable values, payments and considerations related to the leasing are separated from those corresponding to other items incorporated in the agreement.

The leasings where all risks and benefits inherent in the property are substantially transferred are classified as financial. The rest of the leasings are classified as operational.

The financial leasings under which the company acts as lesee, are recognized at the beginning of the contract, registering an asset according to its nature and liabilities for the same amount and equal to their reasonable value of the leased good, or at present value of minimum payments for the lease, should it be less. Subsequently, the minimum payments for leasing are divided between financial cost and debt reduction. The financial cost is recognized as expense and it is distributed between the periods that constitute the leasing term, thus obtaining a constant interest rate in each period. The financial cost is recognized as expense and is distributed among the periods that constitute the leasing term, so that a constant interest rate is applied in each period over the balance of debt pending amortization. The asset is depreciated in the same terms than the rest of similar depreciable assets, should there be reasonable certainty that the lessee will acquire the property at the end of the leasing. If there is no such certainty, the asset is depreciated in the shortest term between the useful life of the asset or the leasing term.

With regard to operational leasings, the installments are recognized as expense in case of being the lessee and as revenues in case of being the lessor, in a linear manner for its term, except if there is another systematic distribution base that is more representative.

# 3.10 Provisions, contingent liabilities and contingent assets

The obligations existing on the date of the Financial Statements, resulting from past events or that may generate equity damage of likely materialization for the company, whose amount and type of payment are uncertain, are registered in the Financial Statement as provisions for the real value that is estimated as most likely for the company to cancel the obligation.

The provisions are quantified taking into account the best information available on the date of issue of the Financial Statements, related to the consequences of the event, including their cost to be re-evaluated at the subsequent accounting close.

As part of the provisions, the Company includes the best estimates on risk of civil and labor lawsuits; therefore, it is

#### Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

When evaluating the loss probability, the available evidence should be considered, as well as case law and juridical evaluation.

The risk of civil and labor lawsuits that are considered eventual are disclosed in the Notes to the Financial Statements.

A contingent asset is caused by the occurrence, or non-occurrence, of one or more uncertain events in the future, which are not fully controlled by the company. The likely occurrence of benefits is disclosed and, if the realization of revenues is almost certain, it is recognized in the Financial Statements. The Company shall abstain from recognizing any asset of a contingent nature.

#### **3.11 Taxes**

It includes the cost of mandatory general nature levys in favor of the State and payable by the Company on account of private calculations that are determined on the taxable basis of the physical year, in accordance with tax regulations of national and territorial order governing the locations where the Company operates.

#### 3.11.1 Income and Supplementary Taxes, Equity Income Tax (CREE), and Deferred Tax

The cost of income on gains for the period includes income tax, equity income tax (CREE), CREE Surcharge and Deferred tax, resulting from application of the type of levy on the period's taxable base, after applying the deductions that are allowed from a tax perspective, plus the variation of assets and liabilities for deferred taxes and tax credits. Differences between the accounting value of assets and liabilities and their tax base generate the balance of deferred taxes of assets or liabilities, which are calculated using the tax rates expected to be valid when assets and liabilities are realized, considering for such purpose the rates that at the end of the period reported have been approved or the approval process is close to an end.

The provision for income tax is calculated at the oficial rate as of 31 December 2015 at a 39% rate. This rate includes the 25% income tax, the equity income tax, CREE, and the 14% surchage, using the accrual method, determining it based on the commercial profit in order to properly relate the revenues of the period with its respective costs and expenses, registering the amount of the estimated liabilities.

Law 1739 of 2014 modified the equity income tax rate (CREE) as of taxable year 2016, from 8% to 9%, indefinitely, which affects the taxable profits obtained each year; additionally, this same law established the CREE Surcharge of 5%, 6%, 8% and 9% for the years 2015, 2016, 2017 and 2018, respectively.

The asset or deferred taxes are recognized because of all deductible temporary differences, losses and tax credits not used, to the extent that it is likely that there will be future tax gains sufficient to recover deductions for temporary differences and to make tax credits effective, except if the deferred tax relative to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that:

- (a) Is not a business combination, and
- (b) At the time it was realized, it did not affect either the accounting guarantee or the tax gain (loss).

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

With respect to deductible temporary differences related to investment in subsidiaries, associates and joint ventures, assets for deferred taxes are recognized only to the extent that it is likely that the temporary differences will revert in the foreseeable future and if there are tax gains against which the temporary differences can be used.

Liabilities for deferred taxes are recognized for all temporary differences, except for those derived from the initial recognition of added values and those whose origin stems from the valuation of investment in affiliates, associates and joint ventures, where the company can control their reversion and it is likely that there will will be no reversions in a foreseeable future.

The effects of temporary differences that imply payment of a lower or higher income tax in the current year are booked as deferred tax credit or debit respectively at the current tax rate when the differences are reversed (40% for the year 2016, 42% for the year 2017, 43% for the year 2018 and 34% in subsequent years), provided there is a reasonable expectation that such differences will be reversed in the future and, also for assets, that in that moment sufficient taxable rate will be generated.

The current tax and the variations in deferred taxes on assets or liabilities are registered in the results or in Total Equity lines in the financial situation statement, according to where the gains or losses that give rise to them have been registered.

The discounts that can be applied to the amount determined as liability for current tax are chargeable in the results as a contribution to "Cost of Taxes on Gains", except if there are doubts about tax realization, in which case they are not recognized until their effective materialization, or if they correspond to specific tax incentives, which in that event are registered as grants.

For each accounting close, the registered deferred taxes are reviewed, both assets and liabilities, in order to prove that they are in force, making timely corrections thereon, in accordance with the results of the aforementioned analysis.

Income tax is presented net, after deducting advanced payments made on favorable withholdings at source.

Assets for deferred taxes and liabilities for deferred taxes are presented net on the financial situation statement, if there is a legal right to offset assets for current taxes against liabilities for current taxes, and only if such deferred taxes are related to taxes on gains corresponding to the same tax authority.

#### 3.11.2 Taxes on wealth

Law 1739 of December 2014 created the tax on wealth for the years 2015 to 2017 for companies. The tax is determined at a rate of 1.15%, 1% and 0.4% for the years 2015, 2016 and 2017, respectively, for equities above \$5,000,000; and are calculated annually on the liquid equity as of first January of each taxable year, less \$5,000,000.

The legal obligation of the tax on wealth is applicable to taxpayers who are companies as of 1 January 2015, 2016 and 2017.

In January 2015, the Company recognized the liabilities for the tax corresponding to 2015, affecting the income statement.

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#### 3.11.3 Tax on Equity

Law 1370 December 2009 established a new tax on equity for the taxable year 2011, at a rate of 2.4% for taxpayers with a tax equity above \$3,000,000 and below \$5,000,000, and 4.8% for taxpayers with equity equal to or greater than \$5,000,000.

Subsequently, Decreee 4825 of December 2010 established a 25% Surcharge on the tax on equity, for taxpayers with equity equal to or above \$3,000,000.

This tax was imposed on equity held as of 1 January 2011 and its payment was made in eight equal installments between years 2011 and 2014. (See Note2.3, letter b, note h).

#### 3.12 Employee Benefits

#### (a) Pensions

The Company has commitments related to pensions, both for defined provision and to defined contribution, which are managed basically through pension plans. For the defined provision plans, the company registers the costs corresponding to these commitments based on the accrual criterion throughout the employees' working life; on the date of the Financial Statements there are actuarial studies calculated with the projected credit unit method; costs for past services corresponding to variations in benefits are recognized immediately and the commitments for defined provision plans represent the current value of obligations accrued. The company does not have assets affected by these plans.

#### (b) Other obligations subsequent to the working relationship

The Company grants to its employees retired with pension benefits as educational, electric energy and heath aid. The right to the aforementioned benefits depends usually on the employee having worked until the age for retirement. The costs expected for such benefits are accrued during employment, using a methodology similar to that of the defined benefit plans. Actuarial losses and gains arise from adjustments based on experience and changes in actuarial assumptions, and are charged or credited to other integral results during the period of occurrence. These obligations are valued annually or when required by the home office, by qualified independent actuarians.

The retroactivity of severance pay, considered post employment benefit, is calculated for those employees belonging to the labor regime previous to Law 50 of 1990 and who did not embrace the regime change, liquidating this social benefit for the whole time worked, based on the last earned salary. In the latter case, only a reduced number of employees and actuarial gains and losses derived from adjustments from experience and changes in actuarial assumptions, are charged or credited to another integral result.

The Company implemented a voluntary retirement plan that contemplates within its benefits a temporary income for employees who embrace it and who have less than 10 years left to obtain the right to Old Age pension. The benefit consists in monthly payment between 70% and 90% of salary of an economic benefit, from the moment of contract termination upon mutual consent and up to four (4) months after the worker meets the age requirement currently set out by the law to have access to old age pension (62 years for men, 57 years for women); these payments will be made using resources allocated by the Company in a fund established for each beneficiary. It has been treated as a post–employment benefit given that it is the responsibility of the Company to supply the additional resources required for the fund to meet this obligation or to receive reimbursement in case of excess payments. The obligation for the benefits defined is calculated by independent actuarians using the projected

#### Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

#### (c) Long Term Benefits

The Company recognizes its active employees benefits associated to their time of service, such as five-year periods. The costs expected for such benefits are accrued during employment, using a methodology similar to that used for the defined benefit plans.

The actuarial gains or losses arising from adjustments for experience and changes in actuarial assumptions are charged to or credited in the results for the period of occurrence. These obligations are valued annually or when required by the home office, by qualified independent actuarians.

#### (d) Benefits for employee loans

The Company grants its employees credits at rates below market rates, and therefore, there present value is calculated discounting future flows at market rates, recognizing it as paid benefit in advance the difference between the market rate and the rate granted, chargeable to accounts receivable. The benefit is amortized during the life of the loan as greater value of personnel expenses and the accounts receivable are updated to the amortized cost, reflecting its financial effect on the income statement.

#### 3.13 Estimation of reasonable value

The reasonable value of an asset or liability is defined as the price that would be received for selling and asset or paid for transferring a liability in a transaction arranged among market participants on the date of measurement.

The measurement at reasonable value supposes that the transaction for selling an asset or transferring a liability takes place in the major market, that is, the market with the greatest volume and level of activity for the asset or liability. In absence of a major market, it is supposed that the transaction takes place in the most beneficial market to which the entity has access to, that is, the market that optimizes the price that would be received for selling the asset or minimizes the price that would be paid for transferring the liability.

For determining the reasonable value, the Company uses the valuation techniques that are appropriate for the situation and on which there is sufficient data available to make the measurement, maximizing the use of relevant evident input data and minimizing the use of non-evident input data.

Considering the hierarchy of input data used in the valuation techniques, the assets and liabilities measured can be classified in the following levels:

Level 1: quoted prize (not adjusted) in an active market for identical assets and liabilities;

Level 2: input data different than the quoted prices that are included in level I and which are evident for assets or liabilities, whether directly (that is, as price) or indirectly (that is, derived from price). The methods and hypothesis used to determine level 2 of reasonable values, by class of financial assets or financial liabilities, take into account the estimated future cash flows, discounted with the zero coupon curves of the type of interest of each currency. All the described valuations are carried out through external tools such as "Bloomberg"; and

Level 3: input data for assets or liabilities that are not based on evident market information (inputs not evident).

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(in thousands of pesos)

When measuring the reasonable value, the Company takes into account the characteristics of the asset or liability, particularly:

- For non-financial assets, a measurement of the reasonable value takes into account the capacity of the
  market participant to generate economic benefits by using the asset at its optimal use, or through its sale to
  other market participants who want to use the asset at its optimal use;
- For liabilities and equity instruments, the reasonable value supposes that the liability will not be liquidated
  and that the equity instrument will not be canceled, nor extinguished otherwise on the date of
  measurement. The reasonable value of the liability reflects the effect of default risk, that is to say, the risk
  that an entity fails to meet an obligation, which includes, but without limitation, the risk of the Company's
  own credit;
- As regards financial assets and financial liabilities with offset positions as to market risk or credit risk of the
  counterpart, it is allowed to measure their reasonable value on a net base, in coherence with the way in
  which market participants could set the price of net risk exposure on the date of measurement.

#### 3.14 Conversion of foreign currency

#### (a) Operating currency and presentation currency

The line items included in the Financial Statements are valued using the currency of the main economic environment in which the Entity operates (Colombian pesos).

The Financial Statements are presented in "Colombian pesos", which, in turn, is the operational currency and the presentation currency of the Company. Its figures are expressed in thousands of Colombian pesos, except for the net profit per share at the market representative rate, which are expressed in Colombian pesos while the foreign currency (for example dollars, euros, sterling pounds, etc.) are expressed in units.

#### (b) Transactions and balances

Company operations in any currency other than its operational currency are registered at the type of exchange rates in force at the time of the transaction. Throughout the year, the differences arising between the type of exchange booked and that the influence on the date of collection of payment are registered as exchange differences in the consolidated income statement.

Similarly, at the close of each year, the conversion of balances receivable or payable in a currency other than the operational one for each company, is done at the type of exchange in force on the closing date. The valuation differences are registered as exchange differences in the consolidated income statement.

Balances denominated in foreign currency are expressed in Colombian pesos at the exchange representative rates on 1 January 2014, 31 December 2014, and 31 December 2015 of \$1,918.62, \$2,392.46 and \$3,149.47 for US\$1 and \$2,662.11, \$2,910.67 and \$3.437.64 for 1 Euro.

#### 3.15 Classification of balance as current and non-current

The Company presents in its Financial Statement the assets and liabilities as current and non-current, after excluding the assets and liabilities available for sale; cash and cash equivalents are classified as current, as the

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

Assets and liabilities for deferred taxes are classified as non-current assets and liabilities in all events.

#### 3.16 Revenues recognition

Revenues are booked according to the accrual criterion.

Regular revenues are recognized whenever there is gross inflow of economic benefits generated during the course of ordinary Company activities during the period, provided that such input generates an increment in the total equity that is not related to the contributions made by the owners of that patrimony and those benefits can be valued reliably. Ordinary revenues are valued at the reasonable value of the consideration received or to be received, derived therefrom and booked as per the accrual criterion.

The following criteria are followed for recognition thereof:

Distribution and commercialization of electric energy: revenues are registered in accordance with the amounts of electric energy supplied to the clients during the period, at prices established in the respective contracts or prices stipulated by the electric market under the current regulations, as the case may be. These revenues include an estimate of energy supplied but not yet read in the client's meter.

Ordinary revenues derived from the provision of services are recognized only when they can be estimated reliably and according to the degree of realization of service provision on the date of the financial statement.

The Company excludes from the ordinary revenues figure the gross inflows of economic benefits received when acting as agent or commissioner on account of third parties, registering as ordinary revenues only those that correspond to its own activity.

Exchanges of goods or services swaps for other goods or services of similar nature and price are not considered transactions that generate ordinary revenues.

The Company registers the net amount of purchase or sale contracts of non-financial items that are calculated by the net cash or other financial instrument. The contracts that have been entered into and maintained with the purpose of receiving or delivering said non-financial items are registered in accordance with the contractual terms of purchase, sale or utilization requirements expected by the Entity.

The gains or losses derived from changes in the financial assets at reasonable value with changes in results are presented in the profit and loss account under Others (losses)/gains- net in the period in which they arise.

Revenues for dividends of financial assets at reasonable value with changes in the results are recognized in the profit and loss account as part of other revenues upon establishing the right that the Company has to receive payments. Changes in the reasonable value of monetary and non-monetary securities classified as available for sale are recognized in the other consolidated results.

Revenues (expenses) for interests are booked considering the effective interest rate applicable to the principal pending amortization during the respective accrual period.

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#### 3.17 Costs and expenses recognition

The Company recognizes its costs and expenses to the extent of economic events occurrence so that they are registered systematically in the corresponding accounting period, regardless of the monetary or financial resource flow. Expenses are made up of payments not classified to be registered as cost or investment.

Costs include electric energy purchases, personnel costs or third party costs related directly to the sale or service provision, depreciation, amortization, etc.

Expenses include maintenance of assets, costs of the transmission system, taxes, public utilities, etc. all of the foregoing incurred bγ processes responsible for the sale or the service Investment includes costs directly related to the creation or acquisition of an asset that requires a substantial period to get it into condition for use or sale. Also, costs that are capitalized as construction underway are costs of personnel directly related to the construction of projects, interest costs on debt destined to finance projects, and major maintenance costs that extend the useful life of the existing assets, among others.

#### 3.18 Corporate equity

Ordinary shares, with or without preferential dividend, are classified under equity.

Incremental costs that are directly attributable to the emission of new shares or options are shown in the equity as a deduction of the amount received net of taxes.

#### 3.19 Reserves

Registered as reserves are the appropriations authorized by the General Shareholders Assembly, chargeable to other period's results to comply with legal provisions or two cover expansion plans or financing needs.

Legal provisions that contemplate the establishment of reserves applicable to the Company are the following:

Article 130 of the Tax Statute that contemplates the appropriation of net profits at 70% of the greatest value of
tax depreciation over accounting depreciation, calculated pursuant to local accounting norms. This reserve can
be released to the extent that the depreciations booked subsequently exceed those requested annually for tax
purposes, or the assets that generated the greater deducted value are sold.

The Commercial Code provides for the Company to appropriate 10% of its net annual profits determined pursuant to local accounting norms as legal reserve until the balance of such reserve is equivalent to 50% of the subscribed capital. The mandatory legal reserve cannot be distributed before liquidation of the Company, but it can be used to absorb or reduce net annual losses. The balance of the reserve exceeding 50% of the subscribed capital are freely available for shareholders.

### 3.20 Profit per share

The basic profit per share is calculated as the quotient between the net gain of the period attributable to Company shareholders and the average weighted number of ordinary outstanding shares in said period, after making the appropriation for preferent dividends corresponding to 20,010,799 shares as of 31 December 2015,

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

20.010.700 shares to 31 december 2015, 2014 and 1 January 2014 of Empresa de Energía de Bogotá S.A. E.S.P. Preferent dividends have a value of US\$0.10 per share.

#### 3.21 Dividend distribution

Mercantile laws in Colombia stipulate that, once making the appropriations for legal reserve, statutory reserve or other reserves and tax payments, the rest will be distributed among the shareholders, in accordance with the share distribution project presented by the Company Administration and approved by the Shareholders Assembly. The dividend payment will be made in cash on the dates set out by the Shareholders Assembly to those qualifying as shareholders at the time of payments being payable.

When it is necessary to absorb losses, these will be covered with reserves specially designated for such purpose and, otherwise, with the legal reserve. Reserves whose purpose is to abosorb specific losses cannot be used to cover Others, except if so decided by the Shareholders Assembly.

At the close of the period, the amount of the obligation with the shareholders is determined, net of the provisional dividends approved in the course of the exercise, and it is registered in the accounting under the line "comercial bonds and other accounts payable" and under "accounts payable to related entities", as the case may be, chargeable to total equity. The provisional and definitive dividends are registered as the lower "total equity" at the time of its approval by the competent body, which in first instance is the Company's Board of Directors, while in the second case, the responsibility is of the General Shareholders Assembly.

#### 3.22 Operational segments

An operational segment is a component of an Entity, which:

- (a) develops business activities from which it may derive revenues, ordinary activities, and incur in expenses (including revenues from ordinary activities and expense for transactions with other components of the same
- (b) whose operational results are reviewed regularly by the maximum operations decision making authority, to decide on resources that are to be allocated to the segment and to evaluate their performacne; and
- (c) for which there is differentiated financial information. T

The Company, for all purposes, in accordance with the guidelines of the NIIF 8, only has one operational segment associated with the electric energy business.

# 4. Cash and cash equivalent

		As of 31 december 20°	15 As of 31 december 2014	As of 1 January 2014
Bank Balance	\$	338,463,899	\$397,885,523	\$334,314,096
Term deposits (1)	'	60,000,000	114,500,000	78,951,977
Cash		21,569	9,690	17,672
Other cash and cash ed	quivalents	3,987,839	10,062,830	14,924,394
equivalentes al efectivo	•	402,473,307 \$	522,458,043 \$	428,208,139

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The equivalent detail in pesos by type of curreency of the previous balance is the following:

	As of 31 december 2	015 As of 31 dec	ember 2014	4 As of 1 January 2014
Colombian pesos	\$ 402,091,146		\$	428,155,558
U.S. Dollars	373,277		276,800	45,337
Euros	8,884		36	7,244
	\$ 402,473,307 \$	522,458,043	\$	428,208,139

(1) The term deposits correspond to a Term Deposit expiring in a term equal to or of less than three months from the date of acquisition and accrue market interest for this type of short term investment, which are listed below:

#### As of 31 December 2015:

Entity	Value	e Purchase Date		Term (Days) EA Rate
				_
GNB Sudameris \$	30,000,000	23/12/2015	23/03/2016	89 6.60%
Banco de Bogotá	30,000,000	23/12/2015	23/03/2016	90 6.50%
Total \$	60,000,000			

#### As of 31 December 2014:

Entity		Value	Purchase Date	Maturity Date	Term (Days)	EA Rate
Banco de Bogotá	\$	82.500.000	31/10/2014	28/01/2015	89	3.45%
Banco de Bogotá		12.000.000	18/12/2014	16/03/2015	88	4.2%
Banco GNB Sudam	neris	10.000.000	30/10/2014	28/01/2015	90	4.4%
Banco Avvillas		10.000.000	28/10/2014	28/01/2015	90	4.3%
Total	\$	114.500.000				

# As of 1 January 2014:

Entity	,	Value	Purchase Date	Matu	rity Date Term (D	ays)	EA Rate
Banco GNB Suc Banco GNB Suc Banco de Bogo <b>Total</b>	dameris	65,500,000 9,091,764 4,360,213 <b>78,951,977</b>	25/10/: 26/12/: 11/12/:	2013	23/01/2014 25/03/2014 11/03/2014	90 90 90	3.45% 4.2% 4.4%

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

	As of 31 dec	cember 2015	EA Rate	As of 3	31 december 2014	EA Rate	As	of 1 january 2015	EA Rate
		\$ 3.464.077				3,519	6		
Fondo Abierto Alianza	1	•	2,72%	)	\$304.104	2,85%	6	\$ -	
Fiduciaria Bogotá			4,22%	)	264.537	,		3.916	2,25%
Credicorp		172.296	4,69%		5.069.575	2,92%		-	
Corredores Asociados			4,91%		88.110	3,16%		7.924.328	3,49%
Valuees Bancolombia		36.803	5,07%		254.047	3,3%		106.168	3,18%
Fiduciaria Corficolom- biana		26.846	4,49%		3.815.358	2,76%		6.750.023	2,60%
BBVA Fiduciaria	ì	6.013	5,21%		267.099	2,65%		-	2,92%
Alianza Valores		-	-		-	-		104.373	2,9270
Correval		_	-		-	-		33.123	2,76%
Fiduameris		-	-		-	-		2.463	2,99%
Total	\$	3,987,839			\$ 10,062,830		\$	14,924,394	

(2) Trusts and collective portfolios correspond mostly to:

As of 31 December 2015, the Company had \$4,403,766 authorized credit lines not used, jointly with Emgesa and that can be reallocated between the two Companies, with respect to which, if required, the financial Entities will make an update of conditions for approval and disbursement.

Additionally, there in an intercompany approved credit line with Emgesa for USD\$100 million for general purposes of the Company. As of 31 December 2015, thre are neither restrictions, nor limitations on the cash shown in the Financial Statements.

# 5. Other financial assets

Financial investment - not listed corporations or with little liquidity (1) Investment maintained until maturity (2)

As of 31 december 2015			As of 31 december 2014				As of 1 January 2014			
Current	Non- curre		Cu	ırrent	Non	-current	Current	N	on current	
\$	- \$	16,192	\$	-	\$	26,231	\$	- \$	26,261	
	-	-		69,062,850		-	268,08	8,259	-	
\$	- \$	16,192	\$	69,062,850	\$	26,231	\$ 268,08	8,259 \$	26,261	

(1) Corresponds to financial investments in non listed corporations as follows:

Equity Securities	Economic Activity	Ordinary Shares	% Share	Dece	of 31 mber 015	De	s of 31 cember 2014	Asof 1 201	January 4
Flectrificadora del Caribe S.A.F.S.P.	Energía	654.735	0.0013%	\$	16.192	\$	26.231	\$	26.261

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# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

As of 31 December 2015, the losses derived from investment in Electricaribe S.A E.S.P resulting from the Valuation by the multiples method were registered in other consolidate results for (\$10,039). The Value of the losses are transferred directly to cummulative gains and will not be reclassified to the results of the equivalent period.

(2) Term deposits correspond mostly to TDCs expiring in a term of more than three months from their date of acquisition and accrue market interest for this type of short term investment listed below:

As of 31 December 2015, the Company does not have TDC's of more than 90 days.

As of 31 December 2014:

	Value		Purchase Date	Maturity Date	Term (Days)	EA Rate
Banco Caja Social		8,000,000	26/09/201	4 5/01/201	5 99	4.35%
Banco Caja Social		8,000,000	26/09/2014	29/01/2015	123	
Banco Colpatria		9,000,000	26/09/2014	8/01/2015	102	4.40%
Banco Colpatria		9,000,000	26/09/2014	12/01/2015	106	4.40%
Banco Colpatria		9,000,000	26/09/2014	15/01/2015	109	4.40%
Banco Colpatria		9,000,000	26/09/2014	19/01/2015	113	4.40%
Banco Colpatria		9,000,000	26/09/2014	22/01/2015	116	4.40%
Banco Colpatria		5,000,000	26/09/2014	26/01/2015	120	4.40%
Bancolombia		3,062,850	5/12/2014	22/03/2015	107	4.70%
Total	\$	69,062,850	_			

As of 1 January 2014, it corresponds mostly to:

	Value	Purchase Date	Maturity Date	Term (Days)	Rate EA
Banco de Bogotá	214,000,000	21/11/2013	11/03/2014	110	4.20%
Banco de Bogotá	37,000,000	26/12/2013	22/04/2014	117	4.05%
Banco Caja Social	9,084,309	12/12/2013	13/03/2014	91	4.00%
Banco de Bogotá	8,000,000	26/12/2013	27/03/2014	91	3.99%

# 6. Other non-financial assets

		Al 31 de De Corriente	 mber de 2019 No Corriente	 of 31 Decem	ber	<sup>-</sup> 2014 No	 1 de enero of rriente N	2014 lo Corriente
Expense advance payment (1)	\$	4,956,167	\$ -	\$ 3,522,649	\$	-	\$ 3,400,052	\$ -
Advance for purchases of godos and services (2)		3,954,102	-	3,767,259		-	1,272,390	-
Employee benefits for loans (3)		788,071	10,252,911	862,562		10,075,151	743,539	8,700,396
Travel advances		80,007	<u>-</u>	30,420		<u>-</u>	28,166	<u>-</u>
	\$ *	11,493,920	\$ 10,331,577	\$ 10,535,479	\$	10,153,817	\$ 7,180,071	\$ 8,779,062

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

- (1) As of 31 December 2015, 2014 and 1 January 2014, the composition of this line item corresponds mostly to civil liability insurance policies, all risk and compliance for \$4,956,167, \$3,496,875 and \$3,225,478, respectively.
- (2) As of 31 December 2015, 2014 and 1 January 2014, the composition of this line item corresponds to stock transactions and international transactions of XM energy for \$2,411,747, \$176,762 and \$250,866, for purchase of goods and services to local creditors for \$1,542,354, \$3,590,496 and \$1,021.525, respectively.
- (3) Corresponds to the recognition of the benefit paid in advance of employee credits agreed on at a rate of zero or below or below market rates, reason for which the Company discounts future flows at the market rate, recognizing as benefit paid in advance the difference between the market rate and the granted rate, and amortizing them over the life of the loan.
- (4) The fourth section of the administrative contentious court issued a last instance ruling in favor of the Company on the special contribution of 2009 of the Superintendence of Household Public Utilities ("SSPD"), compelling this Entity to the devolution of \$1,708,038. The aforementioned ruling was notified through edict dated 13 July 2015 and registered on 10 August 2015 in the Company.

As of 31 December 2014 and 1 January 2014, the composition of this line item corresponds mostly to accounts receivable for energy aids to employees for \$2,365,911 and \$1,747,088, respectively.

# 7. Commercial Accounts and Other Accounts Receivable, net

As of 31 December 2015 As of 31 December 2014 As of 31 January 2014 Non-Current Non-Current Current Non-Current Current Current Commercial accounts, gross, (1) 489,939,676 15,312,641 \$ 419,607,683 \$ 15,769,224 371,904,316 \$ 14,914,666 Other accounts receivable, gross (2) 12,884,418 11,857,228 11,051,723 22,053,761 22,663,401 21,113,474 Total comercial accounts and other 502,824,094 37,366,402 431,464,911 38,432,625 382,956,039 36.028.140 accounts receivable, gross (58,783,374)Provision impairment commercial accounts (63,453,953) (2,144,868)(63.846.862) (2,609,472)(1,399,269)Prov. impairment Other accounts receiv. (303,917)(306,590)(328,779)Total comercial accounts and Other \$ 439,041,362 \$ 35,221,534 \$ 367,314,132 \$ 35,823,153 \$ 323,866,075 \$ 34,628,871 accounts receivable, net

(1) As of 31 December 2015, the composition of comercial accounts is the following:

	Overdue	Portfolio					
	Current portfolio	1-180	181-360	>360	Total Current portfolio	Non-current portfolio (c)	
Energy portfolio (a) Not-agreed portfolio \$	304,333,591 \$	47,130,403 \$	6,027,518	\$ 71,131,256	\$ 428,622,768	\$ -	
Massive clients	139,177,033	4,808,882	177,053	5,537,482	149,700,450	-	
Large clients	132,076,701	8,980,525	1,050,276	10,277,760	152,385,262	-	
Institutional clients (b)	33,079,857	33,340,996	4,800,189	55,316,014	126,537,056	-	
Agreed portfolio (c)	6,643,641	645,896	-	-	7,289,537	4,892,580	
Massive clients	1,285,460	111,091	-	-	1,396,551	1,153,389	
Large clients	2,704,480	534,805	-	-	3,239,285	2,087,040	
Institutional clients	2,653,701	-	-	-	2,653,701	1,652,151	
ientitysjogaloss	310,977,232	47,776,299	6,027,518	71,131,256	435,912,305	4,892,580	
Energy portfolio impairment	(5,450,415)	(1,735,747)	(399,097)	(49,649,228)	(57,234,487)	(2,008,038)	
Energy portfolio, net \$	305,526,817 \$	46,040,552 \$	5,628,421	\$ 21,482,028	\$ 378,677,818	\$ 2,884,542	

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

Portfolio of Supplementary		Overdue portf	olio		-	
business and others (d)	Current portfolio	1-180	181-360 >	360		Non-current portfolio (c)
Massive Clients Large Clients						
Instiutional Clients	18,821,643	247,816	24,743	\$ 537,146	19,631,348	3,294,434
Business Portfolio	23,185,043	4,300,833	43,479	5,383,257	32,912,612	7,069,454
Supplementary, gross	1,481,004	20	75,779	2,387	1,483,411	56,173
Impairment business portfolio Supplementary	43,487,690	4,548,669	68,222	5,922,790	54,027,371	10,420,061
Business portfolioSuppplementary	(1,091,999)	(246,402)	-	(4,881,065)	(6,219,466)	(136,830)
, net Total commercial accounts, gross	42,395,691	4,302,267	68,222	1,041,725	47,807,905	10,283,231
Impairment commercial accounts	354,464,922	52,324,968	6,095,740	77,054,046	489,939,676	15,312,641
	(6,542,414)	(1,982,149)	(399,097)	(54,530,293)	(63,453,953)	(2,144,868)
	\$347,922,508	\$50,342,819	\$5,696,643	\$22,523,753	\$426,485,723	\$13,167,773

#### As of 31 December 2014, the composition of comercial accounts is the following:

Energy portfolio (a)
Non-agreed portfolio
Massive clients
Large clients
Institutional clients (b) (c)
Massive clients
Large clients
Institutional dients Energy
portfolio, gross Impairment
energy portfolio Energy
portfolio, net

	Overdue portf	<u>-</u>				
Current portfolio	Current portfolio 1-180		181-360 >360		Non-current portfolio (c)	
261,624,745	\$37,198,025	\$ 6,183,617	\$58,380,464	\$ 363,386,851	\$ -	
117,006,049	4,787,017	215,676	40,879,507	162,888,249	-	
108,509,535	7,525,849	726,957	9,207,146	125,969,487	-	
36,109,161	24,885,159	5,240,984	8,293,811	74,529,115	-	
1,775,770	5,215,073	-	-	6,990,843	5,621,647	
412,359	895,422	-	-	1,307,781	1,051,644	
895,505	2,363,997	-	-	3,259,502	2,621,111	
467,906	1,955,654	-	-	2,423,560	1,948,892	
263,400,515	42,413,098	6,183,617	58,380,464	370,377,694	5,621,647	
(6,943,379)	(2,204,977)	(512,052)	(47,255,034)	(56,915,442)	(2,475,969)	
\$256,457,136	\$40,208,121	\$5,671,565	\$11,125,430	\$ 313,462,252	\$3,145,678	

# Portfolio of supplementary business and other (d)

Massive clients
Large clients
Institutional clients
Portfolio of supplementary
business, gross
Impairment of supplementary
business portfolio
Portfolio of supplementary
business, net
Total comercial accounts, gross,
Impairment comercial accounts
Total comercial accounts, net

Cu	rrent portfolio	1-180		181	1-360	>360	Total portfo		on-current ortfolio (e)
\$	18,603,716 20,198,972 1,829,280	\$	25,707 2,812,759 -	\$	42,449 - -	\$ 371,905 5,344,156 1,045	28	,043,777 ,355,887 ,830,325	\$ 3,398,579 6,620,476 128,522
	40,631,968		2,838,466		42,449	5,717,106	49,	229,989	10,147,577
	(639,246)		(725,248)		-	(5,566,926)	(6,	931,420)	(133,503)
	39,992,722		2,113,218		42,449	150,180	42,	298,569	10,014,074
	304,032,483		45,251,564		6,226,066	64,097,570	419	,607,683	15,769,224
	(7,582,625)	(	(2,930,225)		(512,052)	(52,821,960)	(63,	846,862)	(2,609,472)
\$ 2	296,449,858	\$ 4	12,321,339	\$	5,714,014	\$ 11,275,610	\$ 355,	760,821	\$ 13,159,752

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

As of 1 January 2014, the composition of the commercial accounts is the following:

Energy portfolio (a)
Not agreed portfolio
Massive clients
Large clients
Institutional clients (b)
Agreed portfolio (c)
Massive clients
Large clients
Institutional clients
Energy portfolio, gross
Energy portfolio impairment
Energy portfolio, net

	Overdue portfolio								
Current portfolio	1-180	18 <sup>-</sup>	1-360	>:	360	Total	Curren	tNoı	n-current
\$243,159,097	\$19,193,362	\$	1,257,364	\$	50,682,397	\$ 314,2	92,222	\$	-
164,223,545	8,864,680		829,842		13,519,437	187,4	37,505		-
52,228,104	638,651	L	129,716		737,414	53,7	33,886		-
26,707,448	9,690,031		297,806		36,425,546	73,1	20,831		-
5,411,002	1,649,709		-		-	7,0	60,711		5,463,328
4,002,411	869,563	L	-		-	4,8	71,972		3,769,759
293,914	346,914	1	-		-	. 6	40,828		495,850
1,114,677	433,234	1	-		-	1,5	47,911		1,197,719
248,570,099	\$20,843,071		1,257,364		50,682,397	321,3	52,933		5,463,328
(5,090,468)	-		(8,513)		(48,097,780)	(53,19	96,761)		(1,246,707)
\$243,479,631	\$ 20,843,071	\$	1,248,851		\$2,584,617	\$ 268,1	56,172		\$4,216,621

Portfolio of supplementary business and others (d)
Massive clients Large clients
Institutional clients
Portfolio of supplementary
business, gross
Impairment of supplementary
business portfolio
Supplementary business portfolio, net,
Total commercial acc., gross
Commercial accounts impairment

Total commercial accounts, net

		Overdue portfolio					
С	urrent portfolio	1-180	181-360	>:	360	Total Curren	tNon-current portfolio (c)
4	22,592,503 19,570,348 1,421,179	\$ 112,570 1,970,85 39,9	2	531 \$ - -	489,480 4,315,891 38,053	\$ 23,195,084 25,857,091 1,499,208	\$ 3,834,956 5,548,288 68,094
	43,584,030	2,123,39	8	531	4,843,424	50,551,383	9,451,338
	(921,921)	(49,60	07)	(266)	(4,614,819)	(5,586,613)	(152,562)
	42,662,109	2,073,79	1	265	228,605	44,964,770	9,298,776
	292,154,129	22,966,469	9 1,25	57,895	55,525,821	371,904,316	14,914,666
	(6,012,389)	(49,60	07) (	8,779)	(52,712,599)	(58,783,374)	(1,399,269)
	\$	\$22,916,86	2 \$1,24	19,116	\$2,813,222	\$ 313,120,942	\$13,515,397

- (a) As of 31 December 2015, 2014 and 1 January 2014, corresponding mainly to portfolio of regulated market clients for \$374,449,469, \$238,109,852 and \$237,974,023,tolls portfolio \$18,731,301, \$18,947,898 and \$16,723,108 and public lighting portfolio for \$106,834,293, \$80,057,485 and \$47,944,522, respectively. Within the portolio listed above, as of 31 December 2015, and 2014 \$75,026,655 and \$57,024,026, respectively, are subject to claim process particularly by the Public Utility Services Special Administrative Unit (hereinfafter UAESP).
- (b) The Company's main institucional client is the UAESP. As of 31 December 2015, and 2014, the main concepts subject to claim by the UAESP without impairment are described below:

#### IVA (VAT) portfolio of public lighting infrastructure

On 14 November 2013, the Administration filed a query with the DIAN regarding the applicability of Article 19 of Decree 570 of 1984, to determine the special taxable base for movable property; the DIAN issued an answer without solving the request made by the Company. Subsequently, on 4 November 2014, the DIAN issued a new opinion whereas it did not define the query of the Company and, therefore, on 16 December 2014, a new request was submnitted requesting clarification of the opinion.

In parallel, in order to clarify if the rental of public lighting infrastructure gives rise to IVA (VAT), on 5 December,

#### Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

On 6 June 2015, the Company presented a reconciliation request with the UAESP before the Attorney General Office, which was rejected initially arguing it was not relevant; nonetheless, the pertinent appeal was filed, which was resolved favorably on 1 July 2015, scheduling the conciliation hearing for 5 August 2015. The conciliation hearing was held on such date, but the parties decided to not conciliate.

Simultaneously, on 17 June 2015, the claim against the UAESP was filed in order to prevent the Entity's arguing expiry of the term for filing the claim, were it submitted after the conciliation hearing. On 2 October 2015, the Company requested precautionary measure that was aimed at getting the UAESP to pay in advance the outstanding balance, which was rejected by the Third Section of the Cundinamarca Administrative Court, considering that this was resolved in the sentence. On the date of this report, the process is in the first instance stage at the Cundinamarca Administrative Court and is pending answer to the appeal filed on 12 January 2016 against the precautionary measure decision.

The DIAN, through opinion No. 100202208-0808 of 1 September 2015 decided with respect to the treatment of the IVA (VAT) on rental of the public lighting service infrastructure, making it clear that public lighting service is a household public utility and, hence, it gives rise to IVA (VAT); this opinion supports the charge that the Company has been applying to the UAESP.

In compliance with the aforementioned opinion and pursuant to the communications issued by the Company to the UAESP, on 5 November 2015, charging of current and arrear interest began, calculated on the outstanding balance of this Entity. As of 31 December 2015, current interest amounts to \$5,059,734 and interest in arrears amounts to \$543,252.

As of 31 December 2015, and 2014 and 1 January 2014, the account receivable in arrears for the UAESP on account of IVA (VAT) for rental of lighting infrastructure rental invoiced but not collected since July 2013, not including the aforementioned interests, amounts to \$26,741,306, \$17,527,246 and \$6,008,287, respectively.

The Administration, based on the interpretation of the tax norm, considers this ampount recoverable.

Portfolio for public lighting inftastructure maintenance

The UAESP, relying on the faculty granted by the agreement entered into with the Company relative to eventual situations whereby the customer has any observations concerning the invoiced values, requested clarification on the actual execution of the 2014-2015 preventive maintenance plan, accumulating a payable value as of 31 December 2015, and 2014 of \$6,315,415 and \$3,608,460. Nonetheless, the Company made the pertinent clarifications in the work table with the UAESP, and this Entity committee to make the payment on this account. On 2 September ¿2015, the UAESP paid the outstanding balance as of 31 July 2015.

Portfolio of public lighting electric energy service

Following the reconciliation on maintenance service, the UAESP has requested calrification in the calculation of the electric energy item on invoices for services provided between March and November 2015, accumulating a payable value of \$17,226,438. In view of the observations submitted by the UAESP, the Company has offered the respective clarification, and to the date of this report there has been no response; however, the Administration expects that the communications have clarified the concerns expressed and that disbursement of the outstanding values will be ordered, taking into account that on 17 July 2015, a payment was recevived from the UAESP for \$8,690,946 on this account.

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

The balance of the due debt as of 31 December 2015 on this account is \$8,535,492 and on account of interest in arrears, \$652,264.

The Administration, based on the interpretation and supports considers that the various items described and making up the institutional clients portfolio are recoverable.

(c) The agreed portfolio corresponds to agreements between the Company and the clients on payment of a given sum, with a deadline and a pre-established interest rate; these agreements are applicable to clients requesting financing on account of electric energy consumption that are in arrears or at risk of not being paid. The detail on maturity terms of non-current portfolio is the following:

Year	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Less than one year	\$1,766,623	\$2,036,04	\$1,921,255
Between one and two years	653,219	803,79	8 736,937
Between two and three year	rs 317,008	343,21	5 306,395
Over three years	2,155,730	2,438,59	3 2,498,741
	\$4,892,580	\$5,621,64	5,463,328

- (d) As of 31 December 2015, 2014 and 1 January 2014, corresponds mostly to works for private parties, \$22,390.564, \$18,912,837 and \$19,665,124, electrical works \$21,230,132, 19,723,931 and \$19,440,271, infrastructure \$8,986,261, \$8,097,623 and \$9,144,318, Codensa Services \$7,346,058, \$7,476,922 and \$5,742,114 and collection orders \$3,941,518, \$4,123,852 and \$3,669,943, respectively.
- (e) The supplementary business portfolio corresponds to agreements between the Company and the clients on payment of a given sum, with a deadline and a pre-established interest rate; these agreements are applicable to clients requesting financing on account of installations, adjustments, fines for losses and other services provided by the Company. The detail on maturity dates of non-current portfolio is the following:

Year	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Less than one year	\$7,343,088	\$7,221,4 <del>4</del> 9	\$6,792,869
Between one and two year		2,696,093	2,658,404
Between two and three years	384,047	230,035	65
	\$10,420,061	\$10,147,577	\$9,451,338

#### **Portfolio Impairment**

Movements of the provision for impairment of commercial current accounts are the following:

Debtors for expired sales, not paid, with impairment	Value
Balance as of 1 January 2014 Increases (reductions) of period (i) Written–off amounts (ii)	<b>\$60,182,643</b> 8,417,872 (2,144,181)
Balance as of 31 December 2014	66,456,334
Increases (reductions) of period Written_off amounts (ii)	313,898 (1 171 411)
Balance as of 31 December 2015	\$65,598,821

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

- i. The Company in 2014 carried out an analysis based on the nature, impairment and payment behavior of the type of portfolio and nature of the clients. As a result of such analysis, new provision percentages were determined, which were applied as of December 2014. As a result of such change, the provision for energy portfolio amounted to \$2,869,868; the infrastructure portfolio was provisioned 100% in portfolios of less than 360 days of Supercable Telecomunicaciones S.A. for \$1,786,309, as a result of default in presentation of the payment plan required by the Superintendence of Companies and the continuous default in payment of the client.
- ii. The write-offs correspond primarily to those of energy massive portfolio.

The write-off of debtors in arrears is done once having depleted all collection efforts, legal actions and demonstration of insolvency by the debtors.

(2) As of 31 December 2015, 2014 and 1 January 2014, corresponds primarily to accounts receivable of employees of a present value of \$27,847,245, \$30,024,329 and \$27,457,581, accounts receivable of retired personnel for a present value of \$3,380,453, \$2,180,317 and \$2,342,382 on account of housing loans, home appliances, education, respectively. The loans granted to employees have interest rates ranging between 0% and 4.75% and for retired personnel from 0% to 7%; therefore, the Company discounts future flows at market rates, recognizing as advance paid benefit the differential of the market rate and the rate granted, and amortizing them during the life of the loan.

The detail of maturity terms is the following:

Year	As of 31 December 2015	As of 31 December 2014	As of 1 January
Less than one year	\$9,173,938	\$9,540,035	\$9,156,221
Between one and two years	5,165,789	6,134,310	5,333,453
Between two and three years	4,135,623	4,480,578	4,139,276
Between three and four years	3,264,393	3,409,333	3,124,827
Over four years	9,487,955	8,640,390	8,046,186
	\$31,227,698	\$32,204,646	\$29,799,963

As of 31 December 2015, the balance includes an equivalent of USD\$757,875 receivable from Mapfre Seguros on account of casualty of the Usme Substation on 5 May 2014.

The movements for the provision for impairment of retired employees' portfolio are the following:

	 Value
Balance as of 1 January 2014	\$ 306,590
Increase (reductions) of period Written-off amounts	(2,673 <u>)</u>
Balance as of 31 December 2014	303,917
Increase (reductions) of period Written-off amounts	24,862 <u>-</u>
Balance as of 31 December 2015	\$ 328,779

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

#### **Guarantees established by debtors:**

For clients subscribing to payment agreements for financing of products other than electric energy, the Company supports these debts with blank promissory notes. Likewise, for debts of employees, personal guarantees are established (promissory notes and instruction letter) and real guarantees (mortgages and pledges).

# 8. Investment in Subsidiaries, Joint Ventures and Associates

The holdings that the Company has in Other associated Entities and subsidiaries are registered as per the cost method, in accordance with the defined policy (See Note 3.4 and 3.5).

Following is the detail of investments recognized under the cost method:

Participative securities in shares	Economic Ass Activity	ociation Ord	inaryShares % o	of ticipation	As of 31 Decem. 2015	As of 31 Dec 2014	As of 1 Jan 2014
Distribuidora de Energía	de Investment	Associate	104, 247, 499,548	48.99%	\$ 104, 247,	500 \$ 104,247,500	\$ 104,247,500 Cundinamarca
Inversora Codensa	Investment	Subsidiary	5,000	100%	5,000	5,000	5,000
					\$ 104,252,500	\$ 104,252,500	\$ 104,252 <u>,</u> 500

# 9. Balances and Transactions with Related Parties

#### **Accounts Receivable from Related Entities**

Company	Type of Association	Country of Origin	<b>7</b> 1	As of 2015	31 December	As of 31 Dec, 2014	As of 1 January 2014
Emacon (1)	Subsidiary	Colombia	Energy sales	\$	9,133,841 \$	8,191,465	\$ 8,204,704
Emgesa (1)	Subsidiary	Colombia	Other		93,249	233,674	161,838
EEC (Emp de Energía Cur	1)	Colombia	Energy sales		1,078,221	993,985	920,652
	Associate	Coloitibla	Other		969,123	511,653	322,780
Inversora Codensa	Subsidiary	Colombia	Other		-	321	-
Endesa Energia (3)	Subsidiary	Spain	Other		133,642	104,012	61,663
Endesa España (4)	Subsidiary	Spain	Expatriates		128,039	-	-
Enel Iberoamérica (4)	Subsidiary	Spain	Expatriates		14,652	-	-
EOSC (3)	Subsidiary	Spain	Other		513,260	306,651	383,766
Enel SpA (4)	Subsidiary	Italy	Expatriates		523,020	-	-
Energía Nueva (4)	Subsidiary	Mexico	Expatriates		68,459	-	-
		Colombia	Energy sales		62,437	-	146,265
EEB	(*)	Colombia	Christmas lighting		1,500,000	1,500,000	1,293,103
			· <del>-</del>	\$	14,217,943 \$	11,841,761	\$ 11,494,771

<sup>(\*)</sup> EEB is a shareholder of Codensa (See Note20)

(1) As of 31 December 2015, 2014 and 1 January 2014, the balance is made up of toll estimates, Regional Transmission System (STR), energy in meters for \$8,510,457, \$7,750,241 and \$7,523,189, use of lines and networks for \$266,971, \$322,997 and \$236,679 and electric energy billing for \$356,413, \$118,228 and \$444,836, respectively.

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#### Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

- (2) As of 31 December 2015, 2014 and 1 January 2014, corresponds to toll estimates, STR, for \$322,165, \$306,702 and \$266,311, use of lines and networks for \$714,327, \$648,980 and \$116,492, electric energy billing for \$41.729, \$38,303 and \$537,849, respectively. The notion of other services corresponds to mercantile offer for technical assistance services and rental of Christmas items.
- (3) Corresponds to services provided by the CAT (Call Center).
- (4) Provision for expatriate personnel costs in Spain, Italy and Mexico.

#### **Accounts payable to related Entities**

Company	Type of Association	of Country of Origi		As of 2015	31 December As 2014	of 31 December 4	As of 1 Januar 2014
Engage (1)	Subsidiary	Colombia	Energy purchase		\$26,663,641	\$29,537,819	\$46,219,269
Emgesa (1)	Subsidiary	Colombia	Other services		184,624	109,158	76,003
EEC (Empresa de Energía de Cundinamarca) (2)	Associate	Colombia	Energy purchase		4,393,281	3,539,817	3,618,237
Chilectra (3)	Subsidiary	Chile Chile	Dividends Expatriates		29,893,101 18,687	51,422,675 -	11,945,287 -
Enel Distribuzione	Subsidiary	Italy	Other services		, -	1,631,187	-
Enel Iberoamerica (4)	Subsidiary	Spaina	Other services		1,138,925	69,767	-
Enersis (3)(5)	Subsidiaria	Chile	Dividends Expatriates		7,142,599 58,052	215,213,428	49,993,238 -
Enel Spa (5)	Subsidiary	Italy	Expatriates		264,963	-	-
Fundacion Endesa	Subsidiary	Colombia	Other services		-	-	507,920
Enel Ingenieria e Ricerca Spa	Subsidiary	Italy	Other services		-	437,474	355,588
Enel Gren Power (5)	Subsidiary	Italt	Expatriates		288,678	-	-
Siei Ltda (6)	Subsidiary	Chile	Other Services		1,593,000	-	-
EEB (3)	(*)	Colombia	Dividends		41,040,018	286,044,276	65,901,016
		•			\$112,679,569	\$588,005,601	\$ 178,616,558

<sup>(\*)</sup> EEB is a shareholder of Codensa (See Note 20)

- (1) Corresponds to estimated energy purchases made.
- (2) As of 31 December 2015, and 2014, corresponds to billing for areas of distribution (ADD's) \$4,198,533 and \$3,355,642; estimated energy purchases \$194,046 and \$184,175 and other services \$702 and \$0 respectively.
- (3) Corresponds to decreed payable dividends.
- (4) Corresponds to provision for IT costs related to Support, maintenance, Oracle software licenses, SAP.
- (5) Corresponds to provision of expatriate personnel costs from Spain, Italy and Chile in Colombia.
- (6) Corresponds to the provision for sales force licenses.

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

Most significant transactions and the respective effect on results:

Company	Concept of the Transaction	As o	of 31 December 2015	As of 31 December 20
Revenues				
	Tolls and use of lines and networks	\$	106,635,352 \$	97,642,055
Emgesa S.A. E.S.P.	Energy and other services		1,070,807	694,751
	Other revenues		58,408	610,558
Empresa de Energía de Cundinamarca	Energy and other services		98,280	68,559
S.A. E.S.P.	Use of lines and networks		11,293,356	10,489,875
J.M. L.J.F.	Commission and equipment rental		1,099,388	523,543
Endesa Energía	Otherservices		204,719	196,167
_	Exchange difference		27,058	16,530
Endesa España	Other services		128,039	-
Endesaoperations and Services	Exhange difference		724,890	571,978
·			123,546	75,983
Enel Ingeniería E Ricerca S.P.A	Exchange difference		13,128	13,086
Enel Distribuzione Spa	Exchange difference		86,861	-
Enersis	Exchange difference		1,178	-
Enel Iberoamérica	Exchange difference		30,915	6,499
Life Deroamenca	Other services		14,652	-
Engl Cha	Exchange difference		8,597	-
Enel Spa	Other services		523,020	-
Energía Nueva Energía Limpia	Other Services		68,459	-
	Christmas lighting		1,500,000	1,500,000
Empresa de Energía de Bogotá	Substation operation, others		27,083	653,882
. 3	Rental		9,717	-
	Refredi	\$	123,747,453 \$	113,063,466
		-		· ·
Costs and expenses	_		204 474 242	272 652 555
Emgesa S.A. E.S.P.	Energy Other services	\$	291,454,219 \$ 456,357	373,620,996 1,817,571
Empresa de Energía de Cundinamarca S.A. E.S.P.	Use of lines and networks		2,730,636	2,369,378
	Exchange difference		29,364	8,795
Endesaoperations and Services	Exchange difference		90,737	8,795 21,135
Endesaoperations and Services	Exchange difference Exchange difference		90,737 25,952	21,135
Endesaoperations and Services Enel Distribuzione Spa	Exchange difference Exchange difference Informatics service		90,737 25,952 821,748	21,135 - 557,249
Endesaoperations and Services Enel Distribuzione Spa	Exchange difference Exchange difference Informatics service Other services		90,737 25,952 821,748 486,878	21,135
Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio		90,737 25,952 821,748 486,878 6,285	21,135 - 557,249
Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio Other services		90,737 25,952 821,748 486,878 6,285 264,962	21,135 - 557,249
Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica Enel Spa Chilectra	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio		90,737 25,952 821,748 486,878 6,285	21,135 - 557,249 228,124 -
Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica Enel Spa Chilectra	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio Other services Other services		90,737 25,952 821,748 486,878 6,285 264,962 58,052	21,135 - 557,249 228,124 -
Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica Enel Spa Chilectra Enersis SA	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio Other services Other services Other services Other services		90,737 25,952 821,748 486,878 6,285 264,962 58,052 19,779 87	21,135 - 557,249 228,124 - - -
Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica Enel Spa Chilectra Enersis SA	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio Other services Other services Other services Exchange difference		90,737 25,952 821,748 486,878 6,285 264,962 58,052 19,779 87 130,266	21,135 - 557,249 228,124 -
Endesa Energía Endesaoperations and Services Enel Distribuzione Spa Enel Iberoamérica Enel Spa Chilectra Enersis SA Enel Ingeniería E Ricerca S.P.A Enel Green Power Italia	Exchange difference Exchange difference Informatics service Other services Diferencia en cambio Other services Other services Other services Exchange difference Studies and projects		90,737 25,952 821,748 486,878 6,285 264,962 58,052 19,779 87	21,135 - 557,249 228,124 - - -

Sales and purchases among related parties are made in equivalent conditions to those in place for transactions among independent parties.

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

#### **Board of Directors and key mnagement personnel**

#### **Board of Directors**

The Company has a board of directors made up of seven (7) principal members, each of them with a personal alternate, elected by the General Shareholders Assembly by the electoral quotient system. While the company has the quality of Securities' issuer, 25% of the board members will be independent as provided for by law the appointment of board members will be for two (2) years, and they can be freely-elected indefinitely and without prejudice of the faculty of the Shareholders Assembly to remove them freely at any time.

The current Board of Directors as of 31 December 2015 was elected during the Regular Shareholders Meeting held on 26 March 2015.

In accordance with that provided for in Article 55 of their bylaws, it is the function of the General Shareholders Assembly tool set the remuneration of the Board of Directors members. The current remuneration as of 31 December amounts to USD\$1,000, after taxes, for attendance to each session of the Board of Directors, approved by the General Shareholders Assembly in its regular session held on 26 March 2015.

Following is the list of fees paid to members of the Board of Directors:

Name	As of 31 Dec 2015	As of 31 Dec 2014
Roa Barragán Ricardo	\$ 43,831	27,278
Rubio Díaz Lucio	40,472	29,696
Vargas Lleras José Antonio	40,836	29,730
Maldonado Copello María Mercedes	14,535	7,539
Cabrales Martínez Orlando	35,234	24,456
Acosta David Felipe	35,100	2,143
Gómez Cerón Gustavo Adolfo	8,513	29,702
Bonilla González Ricardo	32,055	20,191
Noero Arango Vicente Enrique	5,708	4,643
Herrera Lozano José Alejandro	18,720	4,544
González Borrero Jorge Iván	2,952	
Ardila Helga Maria	10,576	-
Pardo Juan Manuel	3,141	-
Lopez Vergara Leonardo	3,034	2,110
Fonseca Arenas Sandra	-	17,576
Moreno Restrepo Ernesto	-	4,699
Villareal Navarro Julio Ernesto	-	4,364
Fierro Montes Cristian	-	1,882
\$	294,707 \$	210,553

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

#### Management key personnel

Following is a list of Management key personnel:

David Felipe Acosta Codensa CEO

Aurelio Bustilho de Oliveira Administration and Finance Manager

The remuneration received by management key personnel includes salaries and short-term benefits, out of which the most representative want corresponds to the annual bonus for achievement of objectives. The detailed remunerations are listed below:

Name	Position				
		Year ende Decem	ed on 31 ber 2015	_	ear ended on 31 ecember 2014
Remuneration		\$	1.893.498	\$	1.786.314
Short-term benefits			420.207		385.207
		\$	2.313.70	\$	2.171.521

#### Incentives plan for Management key personnel

The Company has established for its executives and annual bonus for fulfillment of objectives and level of individual contribution to the Company. These bonuses corresponds to a specific number of gross monthly remunerations.

As of 31 December 2015, the Company does not have payment benefits based on actions of management key personnel, nor has it established warranties in favor thereof.

# 10. Inventories, net

	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Electric material, net (1)	\$55,089,099		\$17,090,579
Transformers Value added (2)	4,940,108 227,788	, ,	3,038,886
Non electric material	812,134 <b>\$61,069,129</b>		<sup>-</sup> 296,349 <b>\$20,146,678</b>

(1) In Annual Memory 2015

codensa

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

Following is the detailed movement of the provision for impairment associated with electrical material:

Initial Balance 1 January 2014	\$ (867,736)
Utilization of provision	767,144
Endowment of provision	 (507,491)
Balance as of 31 December 2014	(608,083)
Utilization of provision	592,903
Recovery	15,180
Endowment of provision	 (414,718)
Balance as of 31 December 2015	\$ (414,718)

(2) Corresponds primarily to the inventory of induction stoves that is available for sale since November 2014; to date there are no signs of impairment of said inventory.

There are no pledged inventories as guarantee of debt fulfillment.

# 11. Intangible assets other than Added Value, net

	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Development costs	\$2,168,003	\$1,656,178	\$2,511,391
Easements (1)	24,975,750	25,645,528	26,627,639
Licenses	6,240,569	2,715,059	1,398,847
Informatics software (2)	40,008,482	39,149,545	38,614,524
Intangible assets, net	73,392,804	69,166,310	69,152,401
Cost			
Development costs	29,476,288	28,811,906	28,155,680
Easement	32,100,437	31,643,824	32,405,272
Licenses	39,111,019	34,534,768	31,891,780
Informatics software	125,327,348	115,118,086	107,099,316
Intangible assets, gross	226,015,092	210.108.584	199,552,048
Amortization			100,002,010
	(27 200 205)	(27.155.720)	(25 (44 200)
Development costs	(27,308,285)	(27,155,728)	(25,644,289)
Easement	(7,124,687)	(5,998,296)	(5,777,633)
Development costs	(32,870,450)	(31,819,709)	(30,492,933)
Easement	(85,318,866)	(75,968,541)	(68,484,792)
Intangible assets cumulative amortization	\$(152,622,288)	\$(140,942,274)	\$(130,399,647)

(1) Corresponds to 28 easements, the main overweight are listed below:

	As of 31 December 2015	As of Decemb 2014	oer As of	1 Ja 201	anuary 4
Bacatá AT/AT and AT/MT Substation	\$14,91	•	\$15,376,749	\$	15,392,909
Noroeste AT/AT AT/MT Substation  I egalizing easements for AT/MT substation's	3,484 1 <i>.</i> 692	,	3,503,929 1.770.274		3,625,704 1.844.365

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

(2) Corresponds primarily to the following software:

	Net cost As of 31 R December 2015 lif	emaining e (vears)	Net cost As of 31 December 2014	Remaining life (vears)	Net cost As of 1 January 2014	<sup>f</sup> Remaining <u>life (vears)</u>
Administrative management systems	\$5,001,032		\$5,673,930		\$5,545,269	_
SAP Software	4,424,363	3	5,230,951	4	5,545,269	5
Oracle Licensing	256,674	2	442,979	3	-	-
Archibus System	148,298	3	-	-	-	
Latam Institutional Portal Project	171,697	3	-	-	-	-
Commercial management systems	25,480,450		14,410,361	<u></u>	833,268	_
Project Synergia 4J	11,337,651	5	11,114,224	5	-	-
E - Order management commercia	al 5,003,528	3	<del>-</del>	-	-	
Work large clients system IS-U	910,713	2	1,322,279	3	-	-
Sas Grid Manager Licensing	-	-	612,479	3	-	
Operational system partners of ICT	288,634	2	250,002	3	-	-
online service business Portal	4,305,276	3	413,817	3	-	-
Promotion and development Web	101,782	2	237,491		373,199	3
Business operation system	, -	1	460,069	2	460,069	3
Business intelligence software	1,954,076	3	, -	_	, -	-
Recharging automation system	1,110,903	3	-	-	-	-
	246,602	3	_	_	_	-
On-site bill	221,285	3	_	_	_	
Distribution management system	9,328,453		5,499,622		6,605,441	
DMS / EMS Software	3,556,116	2	1,531,437	3	1,019,662	4
Scada Software	1,269,494	2	1,297,170	3	2,152,322	4
Sir regulation information system	1,486,023	4	1,781,810	4	2,055,934	5
Scada Software - Fronten Comunica-	1.230.401	3	-	-	-	
Somec software license	es	3	575,292	4	-	
Real property digital map	-	-	242.2	2		3
Bogota Sabana Real property	-	-	-	-	812,407	1
Oracle licensing	512,445	3	-	-	-	-
2015 Cas Projects 2015	460,043	3	-	-	-	-
Scada STM Software	429,171	3	-	-	-	-
effective monitoring	251,867	3	-	-	-	-
Novel IDM Licenses	132,893	3	\$ -	-\$	-	-

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

The composition and movements of the intangible asset is the following:

	Development			Software	Intangible assets
	costs	Easement	Licences		
Initial Balance 01/01/2014 Movements	\$2,511,391	\$26,627,639	\$1,398,847	\$38,614,524	\$69,152,401
Additions Transfers	851,983 27,573	,	, ,	8,997,087 289,878	12,991,026
Withdrawal	, -	-	-	(1,268,194)	(1,268,194)
Amortization (See Note26) Other movements	(1,572,107) (162,665	(1,163,625) -	(1,326,776) -	(7,483,750) -	(11,546,258) (162,665)
	(855,213	(982,11	1) 1,316,212	535,02°	1 13,909
Final Balance 31/12/2014	1,656,178	25,645,528	2,715,059	39,149,545	69,166,310
Movements Additions	502,648	8 456,61	.3 4,173,984	10,773,263	15,906,508
Transfers	161,73	,	402,268	(564,001	, ,
Amortization (See Note26)	(152,556	) (1,126,391)	(1,050,742)	(9,3 <del>5</del> 0,325)	(11,680,014)
	511,82	5 (669,77	8) 3,525,510	858,93	7 4,226,494
Final Balance 31/12/2015	\$ 2,168,003	\$ 24,975,750	\$ 6,240,569	\$ 40,008,482	\$ 73,392,804

As of 31 December 2015, the Company does not have any intangible assets of an indefinite useful life.

# 12. Properties, plant and equipment, net

	As of 31 DecemberA 2015 2		As of 1 January 2014
Construction underway (1)	\$522,807,723	\$338,304,789	\$233,235,871
Lands	77,511,545	73,955,513	63,154,641
Buildings	87,889,727	74,872,954	73,435,927
Plant and equipment	2,756,019,497	2,761,619,424	2,759,227,553
Substations and high voltage lines	538,587,243	535,770,310	523,114,908
Installations and distribution networks	2,217,432,254	2,225,849,114	2,236,112,645
Fixed installations and others	61,127,638	54,706,410	50,763,404
Fixed installations and fittings	21,292,139	18,053,481	11,186,958
Other installations	39,835,499	36,652,929	39,576,446
Financial leasing	2,510,146	3,942,848	4,713,620
Properties, plant and equipment, net	3,507,866,276	3,307,401,938	3,184,531,016
Construction underway	522,807,723	338,304,789	233,235,871
Land	77,511,545	73,955,513	63,154,641
Buildings	133,700,682	115,593,081	245,076,904
Plant and equipment	6,271,042,019	6,081,111,636	5,862,178,891
Substations and high voltage lines	1,295,233,673	1,263,635,321	1,217,719,559
Installations and distribution networks	4,975,808,346	4,817,476,315	4,644,459,332
Fixed installations and others	170,666,035	164,526,044	151,746,891
Fixed installations and fittings	56,905,190	49,992,618	43,760,975
Other installations	113,760,845	114,533,426	107,985,916
Properties, plant and equipment,gross	7,182,515,280	6,780,278,339	6,561,597,498
Buildings	(45,810,955)	(40,720,127)	(171,640,977)
Dient and annimment	(2 646 022 622)	(2 240 402 242)	(2 402 054 220)

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Installations and distribution networks	(2,758,376,092)	(2,591,627,201)	(2,408,346,687)
Fixed installations and	(109,538,397)	(109,819,634)	(100,983,487)
Fixed installations and fittings	(35,613,051)	(31,939,137)	(32,574,017)
Other installations	(73,925,346)	(77,880,497)	(68,409,470)
Financial leasing	(4,277,130)	(2,844,428)	(1,490,680)
Cummulative depreciation of properties plant and equipment	\$ (3,674,649,004)	\$ (3,472,876,401)	\$ (3,377,066,482)

(1) The main assets undergoing construction correspond to the following projects:

Project	As of 31 December de 2015	As of 31 December 2014	As of 1 January 2014
Construction of Nueva Esperanza Substation 500		±00 000 00F	+27.224.272
113/04	\$56,792,496	\$33,266,935	\$37,231,273
Modernization of public lighting Bogotá	54,981,252	22,436,271	1,152,167
Connection of urban massive lines	54,799,892	20,068,399	19,948,414
Telecontrol Latam – Codensa Project	50,343,141	5,802,680	
Replacement of transformers and rural equipment	41,946,730	6,515,585	<sup>-</sup> 2,643,210
Conditioning of Loss control metering equipment	29,158,023	12,879,838	17,260,682
Replacement of rural infrastructure Level 2	24,591,033	9,046,126	4,273,083
Standardization / qualityservice medium voltage	18,566,297	8,911,320	3,040,747
IDU Territorial Organization plan – Municipalities	18,169,432	7,735,313	12,648,562
Standardization / qualityservice high voltage	16,775,924	8,522,333	781,898
Medium voltaje line concessions	14,325,467	9,780,460	179,304
Medium voltaje quality lines medium voltaje plan	12,444,400	14,779,492	25,338,826
Expansion of medium voltage capacity	11,487,975	6,743,021	4,720,319
Compensations 115kv Interconnnection high voltage Tibabuyes-Usme-Bacatá	11,327,206	13,823,392	229,890
Replacement of rural infrastructure Level 1	10,195,473	9,195,518	4,648,205
Channel infrastructure evolution	10,097,180	-	23,342,232
Expansion of output in Gorgonzola substation	8,021,736	5,367,123	32,316
Compensation Ubaté substation	2,059,234	-	5,177,102
Decommissioning of transformers with PCBS	1,901,061	-	11,467,158
Expansion of Bacatá second transformer	-	12,680,392	189,137
Other minor projects	74,823,771	130,750,591	58,931,346
	\$522,807,723	\$338,304,789	\$233,235,871

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

The composition and movements of the item Properties, plant and equipment are detailed below:

				Plants an	id Equipment	_	=		
	Ongoing construction	Terrains	Buildings	Substations and High tension lines	Facilities and Electric distribution	Other Facilites	Financial leases	Property plant and equipment	
Initial Balance 01/01/2014	\$ 233,235,871	\$ 63,154,641	\$73,435,927	\$523,114,908	\$ 2,236,112,645	\$	\$ 4,713,620	\$3,184,531,016	
Movements in Property, Plant and Equipment	d								
Additions	347,961,589	9,975,956	2,543,363	-	-	3,728,611	582,976	364,792,495	
Transfers	(243,030,951)	930,430	4,489,652	45,914,307	176,513,586	15,182,976	· -	-	
Withdrawals	(8,209)	(105,514)	(363)	-	-	(9,596)	-	(123,682)	
Depreciation expenses	• • •		(5,595,625)	(33,258,905)	(186,939,782)	(14,958,985	(1,353,748)	(242,107,045)	
Other increments (decrements)	146,489	-	-	-	162,665	-	-	309,154	
Period movements	105,068,918	10,800,872	1,437,027	12,655,402	(10,263,531)	3,943,006	(770,772)	122,870,922	
Final Balance 31/12/2014	338,304,789	73,955,513	74,872,954	535,770,310	2,225,849,114	54,706,410	3,942,848	3,307,401,938	
Movements in Property, Plant and Equment	d								
Additions	435,803,260	1,074,722	-	-	-	943,692	-	437,821,674	
Transfers	(251,874,773)	2,488,799	17,765,161	45,640,542	165,794,917	20,185,354	-		
Withdrawals	(2,052)	(7,489)	-	-	-	(3,337)	-	(12,878)	
Depreciation costs			(4,748,388)	(42,823,609)	(174,211,777)	(14,704,481	(1,432,702)	(237,920,957)	
Other increments (decrements)	576,499	-	-	-		-		576,499	
Period movements	184,502,934	3,556,032	13,016,773	2,816,933	(8,416,860)	6,421,228	(1,432,702)	200,464,338	
Final Balance 31/12/2015	\$ 522,807,723	\$ 77,511,545	\$ 87,889,727	\$ 538,587,243	\$ 2,217,432,254	\$	\$ 2,510,146	\$3,507,866,276	

### Additional information of properties, plant and equipment, net

#### **Main investments**

As of 31 December 2015, and 2014, additions to properties, plant and equipment correspond to investments made in conditioning, modernization, expansion and construction of substations, lines and networks in high, medium and low voltage and distribution transformers in order to enhance efficiency and quality of service level. The main additions to property, plant and equipment correspond to:

Additions by projects	Туре	As of 31 December 2015	As of 31 December
Expansion of lines and networks AT, MT and BT* Conditioning/modernization on lines and networks, AT, MT and LT	Lines and networks Lines and networks	\$148.601.808 109.532.594	\$91.023.304 81.785.802
Expansion substation Bacata second transformer 550/115 Kva	Substations	11.819.536	12.680.392
Conditioning, modernizaion and expansion AT/MT and MT/MT* substations	Substations	70.173.004	48.056.883
Expansion/conditionig distribution Transformers MT and BT*	Lines and networks	18.663.166	19.650.488
Procurements metering devices for loss control MT and BT*	Lines and networks	12.522.900	24.421.276
Expansion and modernization of rural and urban public lighting	Lines and networks	39.319.643	36.501.992

<sup>\*</sup> AT (High Voltage), MT (Medium Voltage Tensión) and BT (Low Voltage)

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

#### Main transfers to operation

As of 31 December 2015, the main ongoing constructions starting operations correspond to:

Project Project	Bogotá Urban	Cundinamarca	Full activation
Madamiatian and district and amounts of college lives (astronomy	4E0 310 0C3	±40.0E7.E61	\$107.277.F24
Modernization, conditioning and expansion of voltage lines/networks and Modernization, conditioning and compensation high and medium voltage*	\$58.319.963 44.034.221	\$48.957.561 19.980.385	\$107.277.524 64.014.606
Modernization, conditioning and compensation high and medium voltage.  Modernization, conditioning and expansion low voltage lines/networks	18.231.299	18.670.185	36.901.484
Modernization, conditioning and expansion low voltage lines/networks  Modernization, conditioning and expansion distirbution transformers		1.797.412	11.960.118
Modernization, conditioning and expansion of public lighting	3.193.828	752.659	3.946.487
Modernization, conditioning and expansion of public lighting	1.123.762	1.135.977	2.259.739
Modernization, conditioning and expansion high voltage lines/networks	550.001	1.258.428	1.808.429

<sup>\*</sup>Corresponds primarily to the installation of the second 500 mva transformer at the Bacatá substation for \$25,165,114, which doubles the transforming capacity of the substation, reaching 900MVA. The Bacata substation contributes to improve the levels of reliability and stability of the energy system in the central zone of the country, improve service quality for 2.8 million clients and expand the service capacity as per the new demand.

As of 31 December 2014, the main constructions starting operation correspond to:

Project	Bogotá Urban	Cundinamarca	Full activation
Modernization, conditioning and expansion ofm voltage lines/network		\$458.081	\$10.898.388
Modernization, conditioning and compensation high and medium	m 358.082	-	358.082
Modernization, conditioning and expansion low voltage lines/networks	18.644.107	6.301.119	24.945.226
Modernization, conditioning and expansion distribution transformer	rs 101.030.051	17.191.359	118.221.410
Modernization, conditioning and expansion of public lighting	935.014	-	935.014
Modernization, conditioning Loss Control metering devices	36.082.324	20.428.168	56.510.492
Modernization, conditioning and expansion high voltage lines/networks	12.354.172	3.197.162	15.551.334

#### Fully depreciated assets in use

As of 31 December 2015, 2014 and 1 January 2014, the fully depreciated assets in use correspond to civil works in susbtations for \$14,827,365, \$15,361,004 and 15,671,990, respectively.

#### **Financial leasing**

As of 31 December 2015, 2014 and 1 January 2014, properties, plant and equipment includes \$2,510,146, \$3,942,848 and \$4,713,620, corresponding to the accounting net present value of assets that are the object of financial leasing contracts.

The financial leasing contracts correspond to leasing contracts for vehicle established mostly with Unión Temporal Rentacol destined to support Company operation, Mareauto Colombia S.A.S. and Banco Corpbanca destined to the transport of company executives.

The contract's term, on average, ranges between 48 and 60 months, period in which the recognized assets are amortized.

74% of the vehicle fleet was contracted with Unión Temporal Rentacol, which will be finally amortized in a maximum period of 31 installments.

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

The present value of future payments derived from said contracts are the following:

Minimum Payments for leasing, As of 31 December 2015 obligations for financial leasing				As of 31 December 2014			As of 1 January 2014		
	Brute	Interest	Present Value	Brute	Interest	Present Value	Brute	Interest	Present Value
Less than one year	\$ 1,674,790	\$ 225,259	\$ 1,449,531	\$ 1,809,539	\$ 373,020	0 \$ 1,436,519	\$ 1,641,104	\$ 464,855	\$ 1,176,249
After one but less than fiveFive Years (See Note14)	1,516,137	79,109	1,437,028	3,190,927	305,618	3 2,885,309	4,404,009	605,812	3,798,197
Total	\$ 3,190,927	\$ 304,368	\$ 2,886,559	\$ 5,000,466	\$ 678,638	3 \$4,321,828	\$ 6,045,113	\$ 1,070,667	\$ 4,974,446

### **Operational leasing**

The income statement as of 31 December 2015, and 2014, includes \$7,053,193 and \$6,832,915, respectively, corresponding to all accrual of operational leasing contracts, mainly real estate, including:

	Initial date	Final date	Purchase option
Administrative headquarters He	•		
North Point	Jan-03	Jan-17	No
Calle 93	jun-14	may-19	No
User service offices			
Calle 80	Jan-09	Dec-22	No
Chapinero	Sep-11	Sep-21	Yes
Suba Rincón	Oct-14	Oct-24	No
San Diego	Oct-10	Sep-20	No
Kennedy	Aug-13	Jul-23	Yes
Soacha	Oct-11	Oct-21	Yes

As of 31 December 2015, related contracts are adjusted annually in accordance with the Consumer Price Index (CPI), and also on contracts that establish a purchase option, the Company has no expectations of exercising said option.

As of 31 December 2015, future payments derived from said contracts are the following:

Minimal future payments for not payable leases. Lesees,	As of 31 December 2015		
Not after one year After one year but less than five years		\$ 5,475,668 10,749,756	
Over five years		2,729,749 19,225,173	
The above information does not include IVA (VAT)			

With

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

#### **Insurance Policies**

Following are the policies for the protectoin of Company goods

Property Insured	Risks Cover	Insured Value (In thousands)	Maturity	Insurance Company
Company Equity (*)	Third Party Civil Liability	USD \$20.000	1/11/2016	Generalli Colombia
	Third Party Civil Liability (tier of USD 200 million in excess of USD 20 million)	USD \$200.000	1/11/2016	Mapfre Seguros Colombia
Civil Works, equipment , contents, stores and profit lo (*)	All risk material damage earthquake, seaquake oss HMACC – AMIT, Profit loss and machinery breakdown	,	1/11/2016	Mapfre Seguros Colombia
Vehides	Third Party Civil Llability Lime\$00000poveroub	31/12/2016 Seguros		Mundal

<sup>(\*)</sup> The Company's policy contracts are enteres into in dollars

As of 31 December 2015, the Company has claims underway with insurance companies for casualties; however, on the date of this report, Mapfre Seguros is pending to pay the equivalent balance on account of casualty at the Usme substation for USD\$757,875 from the recognition of the casualty occurred in the Usme Substation on 5 May 2014.

# 13. Deferred taxes

The recovery of asset balances for deferred taxes depends on obtaining sufficient tax profit in the future. The Administration considers that future tax profit are sufficient for asset recovery.

The following is the detail of the deferred tax asset net as all 31 December 2015:

	Initial Balance 31-12-2014	Increase (Decrease) for taxes deferred in Results	Increase (D Other Results Integra (See Num	Resultados	Final Balance 31-12-2
Asset deferred tax Depreciación and adjustments for inflation					
Properties, plant and equipment	\$98,951,759	\$(8,170,903)	\$	_	\$90,780,856
Provisions and others (1)	39,285,826	10,359,903		_	49,645,729
Defined contribution Obligations	1,155,664	906,174		86,727	2,148,565
Hedging instruments	-,,	-		35,635	35,635
Investment	567,148	(567,148)		-	=
Total Deferred tax	139,960,397	2,528,026		122,362	142,610,785
Deferred Tax Liabilities					
Excess tax depreciation on accounting value (2)	42,220,787	65,753,907		-	107,974,694
Others (3)	880,780	786,318		-	1,667,099
Total Deferred Tax Liabilities	43,101,567	\$ 6	•	-	109,641,793
Deferred tax assets Net	\$96,858,830				\$32,968,992

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# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

(1) As of 31 December 2015, the detail of Deferred tax asset on account of Other provisions corresponds to:

Provision for bad debt accounts
Preovision for labor obligations
Provision for industry and trade
Provisions for Works and services
Provision for quality compensation
Provision – Claims with third parties
Others

Initial Balance 31-12-2014	Increase (Decrease) for taxes deferred in Results	Final Balance 31-12-2015
\$9,354,9	\$3,602,331	\$12,957,315
8,065,073	2,074,741	10,139,814
4,389,716	837,275	5,226,991
7,404,629	5,140,141	12,544,770
2,613,210	(1,429,246)	1,183,964
5,850,000	150,000	6,000,000
1,608,214	(15,339)	1,592,875
\$39,285,826	\$10,359,903	\$49,645,729

- (2) As of 1 January 2015, corresponds to depreciation requested in excess for additional shifts in the year 1998 (\$42,220,787). On 26 March 2015, the General Shareholders Assembly, according to Minutes No. 60 approved, for tax purposes, the use of the depreciation method by reducing balances as of 2014. As of 31 December 2015, the effect on the deferred tax from implementation of the aforementioned method amounts to \$65,199,835.
- (3) As of 31 December 2015, corresponds mainly to the deferred tax for deduction from science and technology.

The deferred tax as of 31December 2015 by rate is the following:

	Income	2015 and Surcharge	2016 CREE CREE and	2017 CREE and	2018 CREE and	En adelante CREE and
Provisions and estimated liabilities	\$98,715,291	\$15,907,102	\$61,441,902	\$5,821,037	\$1,936,463	\$13,608,786
Properties, plant and equipment	(50,433,157)	-	19,327,983	(40,343,442)	17,400,360	(46,818,058)
Portfolio Science and Technology	32,393,286 (6,668,392)	-	32,393,286	-	-	-
Science and reciniology	74.007.028	15,907,102	113,163,171	(34,522,405)	19,336,823	(33,209,272)
Rate	25%	14%	15%	17%	18%	9%
	\$18,501,757	\$2,226,994	\$16,974,475	\$(5,868,809)	\$3,480,628	\$(2,988,834)
Ocassional gain	6,427,806					
Rate	10%					
Tax	642,781					
Total Deferred tax debit	\$ 32,968,992					

Following is the detail on assets for net deferred tax as of 31 December 2014:

	Initial Balance 01-01-2014		other Integraltaxes	se for deferre in Result ange Rate (*)	
Depreciation and adjustments for inflation of properties, Provisions and others (1) Contribution obligations Investment	\$ 100,552,676 28,170,553 1,304,935 550,467 130,578,631	\$(10,840,071) 6,108,869 (284,156) - (5,015,358)	\$ - 100,895 - 100,895	\$9,239,154 5,006,404 33,990 16,681 14,296,229	\$ 98,951,75 39,285,826 1,155,664 567,148 139,960,397
Deferred Tax Liabilities Excess tax depreciation on accounting value Others Total Deferred Tax Performed tox account not	36,431,562 - 36,431,562	- 880,780 <b>\$880,780</b>	\$ -	5,789,225 - \$5,789,225	42,220,787 880,780 43,101,567

# Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

(1) As of 31 December 2014, the dbreakdown of the deferred tax asset on account of Other provisions corresponding to:

	Initial Balance 31-12-2014	Increase for taxes deferred in Results Increase for taxes deferred in Exchange Rate				Final Balance 31-12-2015
Provision for bad debts	\$6,062,573	¢	2,093,054	\$1,199,357	\$	9,354,984
Provision for labor obligations	\$0,002,575 6,075,076	Þ	2,093,05 <del>4</del> 956.013	1,033,984	Þ	8,065,073
Provision for industry and trade	3,575,408		251,524	562,784		4,389,716
Provisions for Works and services	5,006,390		1,448,928	949,311		7,404,629
	, ,		, ,	/ -		, ,
Provision for quality compensation	1,341,814		936,369	335,027		2,613,210
Provision – Claims with third parties	5,100,000	-		750,000		5,850,000
Others	1,009,292		422,981	175,941		1,608,214
	\$28,170,553	\$	6,108,869	\$5,006,404	\$	39,285,826

El Deferred tax As of 31 December 2014 by rate is shown below:

		2015 CREE and surcharge and Surcharge	and surcharge	201 and surcharge CR urcharge	~	From now on CREE and surcharge
Provisions and other estimates	\$77,845,633	\$ -	\$ -	\$ - \$	-	\$3,901,982
Properties, plant and eequipment	192,896,597	26,963,914	26,509,092	(33,736,172)	23,381,975	149,777,788
Portfolio	23,987,138	23,987,138	-	-	-	-
Science and Technology	(3,523,268)	-	-	-	-	-
Rate	291,206,100 25%	50,951,052 14%	26,509,092 15%	(33,736,172) 17%	23,381,975 18%	153,679,770 9%
	\$72,801,525	\$7,133,147	\$3,976,364	\$(5,735,149)	\$4,208,756	\$13,831,179
Ocassional Gain Rate	6,430,081 10%					
Tax	643,008					
Total Deferred tax debit	\$96,858,830	•				

The deferred tax as of 1 January 2014 by rate is shown below:

	Income	Until 2016 CREE	Fronn now on CREE
Provisions and other estimates Properties, plant and equipment Portfolio	\$111,129,6 148,378,0 18,706,4	76 10,511,549	137,866,528
Rate	<b>278,214,2</b> 25 \$69,553,5	5% 9%	8%
Ocassional Gain Rate Tax Total Deferred Tax Debit	9,355,4	24 9% 42	ψ11/030/30 T

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## Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

## 14. Other financial liabilities

Issued Bonds (1) Leasing obligations (2) Forwards (3)

As of 3	31 december	2015	As o	f 31 December	2014	As of 1 January 2014				
Curre	nt	Non current	Current		Non-Current	Curre	Non-Current			
\$ 145,000,000	\$ 9.978,298	\$	\$ -	\$ 7,494,932	\$ 1,175,700,970	\$ 250,000,000	\$ 6.713.340	\$ 990.338.226		
1,449,531	-	1,437,028	1,436,519	-	2,885,309	1,176,249		3,798,197		
89,088	-	-	-	-	-	-	-	-		
\$ 146,538,619	\$ 9,978,298	\$ 1,032,500,742	\$ 1,436,519	\$ 7,494,932	\$ 1,178,586,279	\$ 251,176,249	\$ 6,713,340	\$ 994,136,423		

(1) The movement of bonds fom January 2014 to December 2015 is summarized as follows: payments for \$250,000,000 of Subseries B10 on 11 March 2014, bond emission of the Sub-series B7: \$185,000,000 a Coupon Rate IPC + 3.53% E.A. on 25 September 2014 and classification in February 2015 from long to short term of the Sub-series B6 bond for \$145,000,000 with maturity on 17 February 2016.

The total Company financial debt is represented in five (5) current bond emissions in the local market. Following below are the main debt financial features of bonds issued since 2004 and current as of 31 December 2015.

#### Second bond emission

On 14 February 2007, the Colombinn Finance Superintendence through Resolution No. 0208 of 2007 ordered the registration in the National Register of Securities and Issuers (RNVE) of the second emission of Codensa Ordinary Bonds for an amount of \$650,000,000 and and authorized its public offering.

This emission was placed in three lots, as described below:

Total Placed Value: \$650.000.000 as follows:

1<sub>st</sub> Lot: 14 March 2007 for \$225,800,000 2<sub>nd</sub> Lot: 20 June 2007 for \$305,500,000 3<sub>rd</sub> Lot: December 2007 for \$118,700,000

Total amount was placed in 4 sub-series, as follows:

Sub-series A3: \$139,800,000 Sub-series A10: \$391,500,000 Sub-series B3: \$84,980,000 Sub-series B5: \$33,720,000

Current balance at 31 December 2015 \$391,500.000 (Sub-series A10)

Nominal value per bond: \$10,000

Emission terms: Sub-series A3: 3 years Sub-series A10: 10 years

Sub-series B3: 3 years Sub-series B5: 5 years

Date of issue: 14 March 2007, for all sub-series Maturity date: Sub-series A3: 14 March 2010

Sub-series A10: 14 March 2017 Sub-series B3: 14 March 2010

## Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

Emission Administrator: Deceval S.A.

Coupon Rate: Sub-series A3: IPC + 4,60% E.A.

Sub-series A10: IPC + 5,30% E.A. Sub-series B3: DTF + 2,09% E.A. Sub-series B5: DTF + 2,40% E.A.

Rating: AAA (Triple A)

Granted by Duff& Phelps de Colombia S.A. S.C.V. (currently FitchRatings Colombia S.A. S.C.V.)

The \$391,500.000 balance is split in two lots of \$147,000,000 and \$244,500,000; the latter had a premium in bond placement that corresponds to the greater value received for the placement of ordinary bonds as a result of the rate differential existing between the Coupon Rate of the bonds and the yield rate for bond placement. Consequently, the Company received \$3,533,025 in 2007 of which as of 31 December 2015, a total of \$3,096,739 have been amortized; the pending balance to be amortized is \$436,286, which is being amortized over 118 months, equivalent to the validity term of the bonds from their placement to their maturity date.

#### **Third Bond Emission**

The Finance Superintence of Colombia, through Resolution No. 0332 of 10 March 2008, provided for the registration in the National Register of Securities and Issuers (RNVE in Spanish) of the third emission of ordinary bonds of Codensa amounting to \$350,000,000 and authorized its public offer.

This emission was placed in two lots as described below:

Total Placed Value \$350,000.000, as follows:

1st lot: 11 December 2008 for

\$270.000.000

2nd lot: 27 March 2009, for \$80,000.000

Total amount was placed in 4 sub-series, as follows:

Sub-series A5: \$75,500,000 Sub-series A10: \$80,000,000 Sub-series B2: \$109,000,000 Sub-series B5: \$85,500,000

Current balance at 31 December 2015 \$80,000,000 (Sub-series A10)

Nominal value per bond: \$10.000

Emission terms: Sub-series A5: 5 years

Sub-series A10: 10 years Sub-series B2: 2 years Sub-series B5: 5 years

Date of issue: 11 December 2008 for all sub-series

Maturity date Sub-series A5 and B5: 11 December 2013

Sub-series A10: 11 December 2018 Sub-

series B2: 11 December 2010

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## **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

Coupon Rate: Sub-series A5: IPC + 5.99 % E.A.

Sub-series A10: IPC + 5.55% E.A. Sub-series B2: DTF T.A. + 2.11% Sub-series B5: DTF T.A. + 2.58%

Rating: AAA (Triple A)

Granted by Duff& Phelps de Colombia S.A. S.C.V. (currently FitchRatings Colombia S.A. S.C.V.)

As of 31 December 2015, the current balance of the Third Emission of Bonds corresponds to sub-series A10 for \$80.000,000.

### Bond emission and placement program

Through Resolution No.194 of 29 January 2010, the Finance Superintendence of Colombia provided for the registration in the National Register of Securities and Issuers (RNVE in Spanish) of the Program for Emission and Placement of Ordinary Bonds of Codensa for an amount of up to \$600,000,000 and its public offer.

Through Resolution No. 0624 of 3 April 2013, the Finance Superintendence of Colombia authorized the renovation of the validity term of the authorization for the public offer of the program ordinary bonds for a three-year term counted as of the signing of the aforementioned Resolution, that is, until 30 April 2016. Subsequently, having fulfilled that required for such purpose, the Limit for the Emission and Placement Program was extended on 13 March 2014 through Resolution No. 0407 of 2014 of the Finance Superintendence of Colombia in \$185,000,000, increasing the Program's Global Limit to \$785,000,000. The Limit of the Emission and Placement Program was extended once again on 7 October 2014 through Resolution No. 1780 of 2014 of the Finance Superintendence to \$165,000,000, increasing the Program's Global Limit to \$950,000,000, with \$785,000,000 in bonds, with an available amount of \$165,000,000.

As of 31 December 2015, three (3) emissions have taken place under the Program. The first Tranche was issued on 17 February 2010, the second tranche on 15 November 2013 and the third tranche on 25 September 2014.

### **Second Tranche under the Program**

Total Placed Value \$225,000,000, as follows:

Sub-seriesB3: \$80,000,000 Sub-series B6: \$145,000,000

Current balance at 31 December 2015 \$145,000,000

Nominal value per bond \$1,000 Emission terms Sub-series

Sub-series B3: 3 years Sub-series B6: 6 years

Date of issue 17 February 2010 for all series
Maturity date Sub-series B3: 17 February 2013
Sub-series B6: 17 February 2016

Emission Administrator Deceval S.A.

Coupon Rate: Sub-series B3: IPC + 2.98% E.A. Sub-series B6: IPC + 3.92% E.A.

Rating AAA (Triple A)

Granted by Duff& Phelps de Colombia S.A. S.C.V. (currently FitchRatings Colombia S.A. S.C.V.).

## **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

The balance of current bonds under the First Tranche of the Bonds Program as of 31 December 2015 is \$145.000.000.

## **Second Tranche under the Program**

Total Placed Value \$375.000.000, as follows:

Sub-series B5: \$181.660.000 Sub-series B12: \$193.340.000

Current balance at 31 December 2015 \$375.000.000

Nominal value per bond \$10.000

Emission terms Sub-series B5: 5 years

Sub-series B12: 12 years

Date of issue 15 November 2013 for all series
Maturity date Sub-series B5: 15 November 2018

Sub-series B12: 15 November 2025

Emission Administrator Deceval S.A.

Coupon Rate: Sub-series B5: IPC + 3.92% E.A.

Sub-series B12: IPC + 4.80% E.A.

Rating AAA (Triple A)

Granted by DUff& Phelps de Colombia S.A. S.C.V. (currently FitchRatings Colombia S.A. S.C.V.).

The balance of current bonds under the Second Tranche of the Bonds Program as of 31 December 2015 is \$375,000,000.

#### Third tranche under the program

Total Placed Value \$185.000.000, as follows

Sub-series B7: \$185.000.000

Current balance at 31 December 2015 \$185.000.000

Nominal value per bond \$10.000

Emission terms

Sub-series B7: 7 years

Date of issue

25 September 2014

Maturity date Sub-series B7: 25 September 2021

Emission Administrator Deceval S.A.

Coupon Rate: Sub-series B7: IPC + 3,53% E.A.

Rating AAA (Triple A)

Granted by DUff& Phelps de Colombia S.A. S.C.V. (currently FitchRatings Colombia S.A. S.C.V.).

The balance of current bonds under the Third Tranche of the Bonds Program as of 31 December 2015 is \$185,000,000.

On 11 March 2014, payment was made for maturity of the B10 sub-series of the First Emission of Codesa Bonds in 2004, amounting to \$250,000,000. This payment completed all of the sub-series issued under the First Emission and, therefore, there is no current balance thereof.

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## Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

The detail of Obligations for debt bonds as of 31December, 2015 is the following:

	_		Current		Non-Current				
Series	EA Rate *	Less than 90 days	Total current	1-2 years	2–3 years	5 to 10 years	Total Non-Current		
Bonds B102 Tranche	12.03°h	\$835,118	\$835,118	\$147,000,000	\$ -	\$ -	\$147,000,000		
Bonds B102 Tranche	12.03°h	1,311,855	1,311,855	244,063,714	-	-	244,063,714		
Bonds B103	12.29°h	541,274	541,274	-	80,000,000	-	80,000,000		
Bonds B604	10.56°h	146,818,064	146,818,064	-	-	-	-		
Bonds B5-13	10.56°h	2,378,952	2,378,952	-	181,660,000	-	181,660,000		
Bonds B12-13	11.50°h	2,746,046	2,746,046	-	-	193,340,000	193,340,000		
Bonds B7-14	10.15°h	346,989	346,989	-	-	185,000,000	185,000,000		
		\$154,978,298	\$ 154,978,298	\$ 391,063,714	\$ 261,660,000	\$ 378,340,000	\$ 1,031,063,714		

<sup>(\*)</sup> Type of Rate: variable

The payment of interests is quarterly and the amortization of the principal is done on the date of maturity of hte emission.

The detail of Obligations for debt bonds as of 31December, 2014 is the following:

		Curre	nt			No	n-Current			
Series	EA Rate	Less Than 30 days	Over 30 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	5 to 10 years	Over 10 years	Total Non- Current
301103	LA Nate	uuys	Over 50 days	Current	1 to 2 years	2 to 5 years	5 to 1 years	3 to 10 years	Over 10 years	Current
Bonds B102	8.31°h	\$ 1,647,490	\$ -	\$1,647,490	\$ -	\$390,700,970	\$	- \$ -	• \$ -	\$ 390,700,970
Bonds B103	8.57°h	418,394	-	418,394	-	-	80,000,000	-	-	80,000,000
Bonds B604	6.89°h	1,340,746	-	1,340,746	145,000,000	-	-	-	-	145,000,000
Bonds B5-13	6.89°h	1,754,378	-	1,754,378	-	-	181,660,000	-	-	181,660,000
Bonds B12-13	7.80°h	2,081,314	-	2,081,314	-	-	-	-	193,340,000	193,340,000
Bonds B7-14	6.49°h	252,610	-	252,611	-	-	-	185,000,000	-	185,000,000
		\$ 7,494,932	\$ -	\$7,494,933	\$145,000,000	\$390,700,970	\$261,660,000	\$185,000,000	\$193,340,000	\$ 1,175,700,970

<sup>(\*)</sup> Type of Rate: variable

The frequency for payment of interest is quarterly and capital amortixation is done upon maturity of hte issue.

The detail of the Obligations for comercial leasing as of 31December, 2015 is the following:

					Current			Non- current			
				nan	90				_	Total	Non
			days		Over 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	Current	
Entity R	Rate	Rate									
Mareauto Colombia SAS	10.08°h	Fixed	11	1,621	36,665	48,286	53,384	28,770	82,154		
Banco Corpbanca	7.27°h	Fixed	88	8,697	139,184	227,881	102,213	60,433	162,646		
		:	\$38	81,940	\$1,067,591	\$1,449,531	\$1,347,825	89,203	\$1,437,028	= =	

The detail of the Obligations for comercial leasing as of 31December 2014 is the following:

Entity	Rate		Less than 90 days	Current 1 Over 90 days	Total Current	1 to 2 years	Non-current 2 to 3 years	3 to 4 years	Total Non Current
Rentacol Temporary Union Mareauto Colombia SAS	10.80°h 10.08°h	Fixed Fixed	\$252,914 10,511	\$800,839 33,163	\$1,053,753 43,674	\$1,173,364 48,286	\$ 1,192,228 53,425	\$ - 28,729	\$ 2,365,592 130,440
			\$345,901	\$1,090,617	\$1,436,518	\$1,449,387	\$ 1,348,056	\$87,866	\$ 2,885,309

## Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

# 15. Commercial and Other Accounts Payable

As	of 31 De	cember 2015	As o	f 31 December 2014	As of 1 January 2014		
Commercial accounts payable	\$	195,492,992	\$	128,197,412 \$	114,710,863		
Other accounts payable	4	85,112,635		504,765,492	415,924,541		
	\$ 68	30,605,627	\$	632,962,904 \$	530,635,404		

The detail of comercial accounts payable and Other accounts payable as of 31 December 2015, is the following:

	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Supplies for energy purchases (1	) \$195,492,992	\$128,197,412	\$ 114,710,863
Taxes other tan Income (2)	35,814,500	35,549,357	61,565,854
Accounts payable godos and services	348,940,310	371,099,220	273,363,408
Collection in favor of third parties (4)	52,724,183	36,945,530	29,143,786
Balances in favor of clients (5)	8,905,336	20,665,583	9,119,470
Fees	3,101,272	6,296,340	7,390,163
Other accounts payable (6)	35,627,034	34,209,463	35,041,860
	\$ 680,605,627	\$ 632,962,904	\$ 530,635,404

(1) The main suppliers for purchase of electric energy correspond to:

	As of 31 December 2015	As of 31 de December 2014	As of 1 January 2014
5/11/11/11/11/11/11	+64.250.456	+27 205 470	+24 040 405
Empresas Públicas de Medellín S,A, E,S,P,	\$64,358,156	\$27,205,170	\$21,918,495
XM SA E,S,P, (Compras bolsa de energía)	54,607,973	41,631,220	37,200,399
Isagen SA E,S,P,	30,980,005	16,307,570	10,807,364
Celsia S,A E,S,P,	-	-	3,482,784
AES Chivor and Cia, SCA E,S,P,	17,679,551	12,906,411	4,115,596
Generarco S,A E,S,P,	6,034,665	1,441,719	17,111,696
EBSA S,A,	5,923,702	5,036,816	
EPSA S,A E,S,P,		10,848,106	7,526,148

As of 31 December 2015, there are bank guarantees for \$164,000,000 established in favor of XM Compañía de Expertos en Mercado S.A.E.S.P., to ensure compliance with transactions in the Spot Market according to CREG Resolution 019 of 2006.

(2) As of 31 December 2015, 2014 and 1 January 2014, taxes other tan income tax correspond to:

	As of 31 de December 2015	As of 31 de December 2014	As of 1 January 2014
Provision for payment of taxes (a) Equity Tax (b)	\$18,372,735 -	\$18,847,015 -	\$16,499,534 30,311,244
Territorial taxes, municipal contributions and similar (c)	17,441,765	16,702,342	14,755,076
•	\$35,814,500	\$35,549,357	\$61,565,854

## **Notes to the Financial Statements - Unconsolidated (continuation)**

(in thousands of pesos)

- (b) Law 1370 of December 2009 established a new equity tax for taxable year 2011, at a rate of 2.4% for tax payers with fiscal equity above \$3,000,000 and below \$5,000,000, and of 4.8% for equity equal to or greater than \$5,000,000.
  - Subsequently, Decree 4825 of December 2010 established a 25% surcharge on equity tax for tax payers with an equity equal to or greater than \$3,000,000 million.
- (c) This tax was imposed on equity held as of 1 January 2011, and its payment was distributed in eight equal installments over the years 2011 to 2014.
- (d) As of 31 December 2015, 2014 and 1 January 2014, corresponds mostly to industry and trade taxes for \$11,467,594, \$10,242,938 and \$9,450,469, respectively. The Company is subject to the industry and trade tax in Bogotá at the rates of 0.966% on operational revenues, 1.104% over on other nonoperational revenues and at a 15% rate for signs and boards. In other municipalities in which the Company pays the industry and trade tax, it is paid in accordance with rates set out for each municipality.
- (3) As of 31 December 2015, and 2014, corresponds mostly to the account payable to Banco Colpatria Red Multibanca Colpatria S.A. on account of collection of receivables of the business "Crédito Fácil Codensa" reconciliated and pending to pay for \$107,777,336 and \$117.315.14, respectively.

This balance is paid in January every year.

- (4) As of 31 December 2015, 2014 and 1 January 2014, corresponds mostly to liabilities for mandate contracts of subscription to periodicals, magazines and insurance policies for \$16,936,689, \$15,549,834 and \$12,516,321; Banco Colpatria Red Multibanca Colpatria S.A. \$22,240,748, \$13,381,977 and \$12,423,386 for the collection made by the Company of the credit portfolio of the business "Crédito Fácil Codensa" sold to the Bank, in accordance with the business collaboration contract, respectively. The collection made by the Company is reconciled periodically by the parties and transferred subsequently.
- (5) As of 31 December 2015, 2014 and 1 January 2014, balances in favor of clients are recognized, generated mostly by the greater value paid by the clients on account of billing and adjustments thereon.
  - In 2014, the Company opted for applying the regulatory mechanism of rate option pursuant to CREG Resolution 057 of 2014, which was intended to reduce the impact from rate increases applied to the final user through a financing scheme defined in CREG Resolution 168 of 2008 "Whereby the Rate Option is established to define maximum costs of service provision that can be transferred to regulated users of the electric energy public utility service under the National Interconnected System". Because of the application of the rate option in 2014, the Company collected a greater value vs. the value financed through the application of rates in the rate option scheme, which as of 31 December2014 amounted to \$11,143,721. During the first half of the year, the Company made the final liquidation of the rate option, leaving \$9,844,149, and, therefore, the clients were reimbursed, by means of their bill, during the second quarter of 2015. On the date of issue of this report, there are no balances pending payment for the application of the rate option.

## Notes to the Financial Statements - Unconsolidated (continuation)

(in thousands of pesos)

(6) As of 31 December 2015, 2014 and 1 January 2014, corresponds mostly to liabilities on account of energy distribution areas (ADDs) for \$23,861,328, \$23,970,132 and \$24,542,045, respectively. The ADDs correspond to the distribution charge of other Network operators that, by regulatory mandate, must be invoiced and collected by the Company from its final users under the distribution areas scheme. The area distribution is a regulatory mechanism implemented in Colombia as per CREG Resolution 058-068 and 070 of 2008, which is intended for distribution of the costs that are to be assumed by final users, in an equitable manner, in the different regions among all users over the country.

## 16. Provisions

	As of 31 December 2015			As	of 31Dec	eml	ber2014	As of 1 January 2014		
	Cu	rrent	N	on-Current	Cur		No Cu	n- rrent	Current	Non- Current
Provision for legal claims (1)	\$	-	\$	4,627,055	\$	-	\$ 4	4,660,055	\$ -	\$ 6,229,023
Labor		-		1,717,000		-		1,382,000	-	1,616,000
Civil and other		-		2,910,055		-	:	3,278,055	-	4,613,023
Decommissioning, costs of restoriation and rehabilitation (2)		3,355,971		7,587,001	2	2,229,968	:	8,522,198	-	10,958,525
Other provisions		20,017,299		1,883,600	26	6,711,978		1,078,466	21,774,546	12,614,044
Public lighting (3)		15,000,000		-	15	5,000,000		-	15,000,000	-
Archaeological rescue Nueva Esperanza substation substation Nueva Esperanza (4)		297,976		-	2	2,485,066		-	6,774,546	2,221,455
Nueva Esperanza Environmental Compensation (5)		4,719,323		1,334,159	g	9,226,912		670,854	-	9,985,000
Other provisions		-		549,441		-		407,612	-	407,589
Total Provisions	\$	23,373,270	\$	14,097,656	\$ 28	3,941,946	\$ 14	4,260,719	\$ 21,774,546	\$ 29,801,592

(1) As of 31 December 2015, the Value of pretensions in claims to the Company for administrative, civil labor and constitutional action claims add up to \$1,135,618,385; based on the assessment of success probability in the defense of these cases, \$4,627,055 have been provisioned to cover probable losses for these contingencies. The Administration estimates that the result of the lawsuits corresponding to the non-provisioned portion will be favorable to the interests of the Company, and will not result in material liabilities that are to be accounted for, if any, these would not affect significantly the Company's financial position.

Given the characteristics of the risks covered by these provisions, it is not possible to determine a reasonable calendar with payment dates.

The Value of claims for administrative, civil, labor and contractor processes is detailed as follows:

Processes	Number of Processes	Number of Processe (undetermined amount)	s Rating	Value of the ccontingency	Provision value
Civil	20 128	5 44	Probable Eventual	\$ 2,910,055 431,022,688	\$ 2,910,055 -
	31	19	Remote	2,401,707	
Civil	179 14	68 -	Total Probable	<b>436,334,450</b> 1,717,000	<b>2,910,055</b> 1,717,000
Labor	76 17	20 1	Eventual Remoto	6,178,000 1,170,000	- -
Total labor	107	21		9,065,000	1,717,000
Total Processe	s 286	89		\$ 445,399,450	\$ 4,627,055

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## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

Following are the details of the main legal proceedings that the Company has as of 31 December 2015, which are considered probable:

#### a. Claim of Adriana Pereira Carrillo and others

Claimant: Adriana Pereira Carrillo and Other

Date of commencement: 2010

<u>Pretension:</u> \$1,000,000 Provisioned: \$650,000

<u>Object of Trial:</u> the claim is intended to request that there was a work contract between the claimants and the Company CBR Construcciones Ltda., which ended by virtue of the death of workers in work related accidents, and requests making the defendant company liable and the Company in a solidary manner. In view of the foregoing, they demand recognition and payment of indemnity for damage and resulting patrimonial and extrapatrimonial damage generated by the death of the workers.

<u>Current status and proceeding situation:</u> in the first period between 4 September to 24 September 2014, the court requested the defendant CBR Construcciones Ltda. to present the respective response, which was term approved did not present such response. In the year 2015, the proceeding file was held in the Judge office waiting for the final decision.

### b. Rita Saboya Cabrera Trial

Claimant: Rita Saboya Cabrera

Date of commencement: 2010

<u>Pretension:</u> \$ 2,156,963 Provisioned sum: \$500,000

Object of Claim: electrocutions. Extra-contractual civil liability for electrocution lesions.

Payment of patrimonial and extra-patrimonial damage suffered because of the death of her spouse and father of her children, Mr. José Del Carmen Umbarila upon contact with the distribution network.

<u>Current status and trial situation:</u> on 7 April 2015 notice was posted by the Court admitting our cassation appeal, filed on 9 June 2014 against sentence dated 13 November 2013, issued by the Superior Court of the Bogota Judiciary Dictrict - Civil Room. The Court notifies the defendant party and the guarantee call to respond. Following the respective transfer, the claim was sent to Court for a decision on 27 May 2015.

#### c. Luz Angela ÁlvarezBerrioTrial

Claimant: Luz ÁngelaÁlvarezBerrio

<u>Pretension:</u> \$356,786

Provisioned: \$356,786

Object of Claim: indemnity for the death of Humberto Robles Hernández upon contact with the distribution network.

## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

<u>Current status and trial situation:</u> in first instance, ruling was issued in favor of the Company. The decision was appealed by the claimants and is currently undergoing the appeal process.

#### d. Honorio Vargas Alvarado Trial

Claimant: Honorio Vargas Alvarado

Date of commencement: 2010

<u>Pretension:</u> \$800,000

Provisioned: \$350,000

Object of Trial: indemnity for damage caused by the death of Mrs. Ofelia Cañon upon contact with the distribution network.

<u>Current status and trial situation:</u> The Company filed an appeal before the Bogota Superior Court, Reporting Judge Jorge Eduardo Ferreira Vargas. Appeal admitted on 1 October 2015

#### e. Gloria Amparo BetancourthTrial

Claimant: Gloria Amparo Betancourth

Date of commencement: 2010

Pretension: \$925,000

Provisioned sum: \$300,000

Object of Trial: electrocutions. Extra-contractual civil liability for electrocution lesions.

Payment for patrimonial the patrimonial and extra-patrimonial harm suffered in relation with the death of her spouse and father of her children, Mr. Sebastián Cárdenas Solórzano, upon contact with the distribution network.

<u>Current status and trial situation:</u> on 21 November 2014 notice was posted by the Court admitting our cassation appeal. The Court notifies the opposing party to respond. Following the respective transfer, the claim was sent to Court for a decision on 15 May 2015.

#### f. José SerratoMalaverTrial

Claimant: José Serrato Malaver

Date of commencement: 2013

<u>Pretension:</u> \$300,000

Provisioned: \$300,000

<u>Object of Trial</u>: indemnity sought for physical, material, moral, psychiatric and life damage, derived from the disability suffered by a minor after receiving an electric shock generated by a lightning strike, all of them calculated from the age the girl had at the time of the occurrence (13 years old) until the date calculated by the DANE as life expectation.

<u>Current status and trial situation:</u> currently the trial is in the evidentiary phase, waiting for an expert opinion to estimate the value of the emerging damage allegedly suffered by the claimants as a result of this occurrence.

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## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

#### g. Proceso Sandra Liliana Lancheros

Claimant: Sandra Liliana Lancheros

Date of commencement: 2003

<u>Pretension:</u> \$400,000

Provisioned:\$240,000

Object of Claim: payment of subjective indemnity derived from liability in the work accident of her spouse.

Current status and trial situation: currently filing extraordinary cassation appeal before the Labor Cassation Room.

### h. ProcesoMaría Jeaneth PasivesRincón

Claimant: María Janeth Pasives Rincón

Date of commencement: 2012

<u>Pretension:</u> \$238.745

Provisioned: \$238.745

Object of Trial: indemnity for the death of minor upon making contact with distribution network.

Current status and trial situation 6th Civil Court of the Circuit. Objection did not prosper and costs of trial were paid. .

#### i. Gabriel AlirioGarzónTrial

Claimant: Gabriel AlirioGarzón

Date of commencement: 2007

<u>Pretension:</u> \$225,524

Provisioned: \$225,524

<u>Object of Trial:</u> indemnity for the death of minor Laddy Johana Garzon upon making contact with distribution network.

<u>Current status and proceeding situation:</u> in first instance, it continues in the evidentiary stage. 30th Civil Court. Origin Court. On 19 September 2013, it was sent to 10<sup>th</sup> Civil Court of the Circuit for Backlog Clearance. Currently it is at the 46<sup>th</sup> Civil Court of the Permanent Circuit.

#### j. Hernando Rivera Espinosa Trial

Claimant: Hernando Rivera Espinosa

Date of commencement: 2013

Pretension: \$192,000

Provisioned:\$192,000

Object of Trial: indemnity for dismissal without just cause.

<u>Current status and proceeding situation:</u> trial commenced before the 18<sup>th</sup> Labor Court of the Bogota Circuit. The case is currently at the Supreme Court, having filed the cassation appeal since 7 December 2015. Second Instance.

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

(2) Taking into account that Colombia, through Law 1196 of 2008, embraced the Stockholm convention, inasmuch as this event is regulated through Ministry of the Environment Resolution No. 222 of 15 December2011, though provision for PCB (polychlorinated biphenyls) contaminated transformers was recognized) as of 31 December 2015. The Company updated the provision discounting future flows from the net present value, at an EA rate of 8.82% generating a reduction for the financial effect of (\$355,161); the most adequate discount rates are considered to be the government bond interest rates (TES), with maturities similar to those of the obligation. As a result of the periodical revision of estimated flows, the provision registered with cutting date at 31 December 2015, underwent a net increase of \$576.469 for (i) updating of provision at current prices \$859,526 (ii) adjustment in the process cost for exports, in accordance with that estimated in the contract (\$642,739),(iii) adjustment in the schedule of medium voltage equipment from 5 to 3 years, for \$135,747 and (iv) adjustment in the schedule for limitations on final disposal of PCB contaminated transformers, \$223,967. Furthermore, the provision for \$30,533 was used.

On 11 November 2014, a contract was entered into with Lito S.A.S, which is intended to carry out the disposal process of PCB contaminated transformers, with prior authorization of the border transit permit issued by the ANLA (National Authority of Environmental Licenses). The ANLA, through Resolution 0323 of 17 March 2015, granted the cross-bordering transit permit for hazardous substances to perform the final disposal process of contaminated transformers to be managed by Lito S.A.S, leaving from the port of Barranquilla (Colombia) with the shipping company MAERSK, passing through Panama, with Spain as final destination. However, the shipping company MAERSK was limited during the authorization period to carry out the transport agreed, considering the existence of a restriction period exclusively for food destined to Europe during the year 2015. The final disposal date that had been authorized expired on 13 November 2015, taking into account the date of issue of the transport permit by the destination country in November 2014.

Currently, the company is evaluating the transport required for three shipping companies on different routes, in order to apply for the additional permits for the transit authorization and the completion of the process. In this same token, the Company adjusted the projected flows and the activities associated to fulfill the targets initially stated.

As of 31 December 2015, the value of the projected flows, not discounted, are the following:

Year	As of 31 Dec	cember 2015	As of	31 December 2014
2015	\$	-	\$	2,229,968
2016		3,355,971		2,229,968
2017		3,039,269		2,233,975
2018		2,325,731		2,129,542
2019 and subse	equent	4,143,559		3,877,223
	\$	12,864,530	\$	12,700,676

(3) As of 31 December 2015, corresponds to the provision for the public lighting lawsuit for \$15,000,000. Following is a brief description of the main facts on which the litigation is based.

On 20 April 1997, an inter-administrative agreement was entered into bythe District and the EEB (Bogota Electric Energy of Bogota), which guarantees the supply of electric energy to the city for public lighting purpose. The agreement was assigned to the Company on 23 October 1997; the same year, the CREG, through Resolution No. 99/97, modified the household electric energy service, expressly excluding public lighting, and the Company

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## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

On 25 January 2002, the parties established a methodology that would be applicable in the future and decided to prepare a georeferenced inventory, for its results to be compared with the existing census so that, in the event of differences, the costs and remunerations would be recalculated with respect to given periods as applicable. The georeferenced inventory (prepared between the years 2000 and 2003) resulted in a difference of 8,661 luminaries less than those invoiced by the Company to the District, so that the Company is requested to recalculate, and to include interest in arrears for the excess values paid between 1998 and 2004

A first instance ruling was issued on 09/11/2009 compelling the UAESP and the Company to take all necessary actions, within two months as of the issuance of the ruling, to finally settle the balance, in favor or against, duly updated with the DTF (values updating formula), plus interest. Should no agreement be reached, the UAESP must prepare within two months a liquidation for consideration of the company, which can resort to pertinent government channels and in case of no payment, it can proceed to execute the sentence. The second instance sentence confirms what was declared and currently is firm, without other recourses being applicable.

To comply with the above, the Company and the UAESP met and reached an agreement under which the former committed to pay to the Bogota District an amount close to 5.4 million euros. This agreement, in addition, had to be authorized by the director of the UAESP and ratified by Administrative Judge N°10 of Bogotá (who was aware of the process in first instance).

Subsequently, the Comptroller's office issued an opinion favorable to the Company and recommended to the UAESP to send it to the Judge in order to settle the controversy with the Company. We are waiting for the judge to decide about the conciliation process carried out between the District and the Company.

- (4) Corresponds to the estimated value payable because of the archaeological rescue of remains found in the lands where the Nueva Esperanza substation is built. As of 31 December 2015 and 2014, this provision was executed for \$1,923,478 and \$6,774,545, using the discount rates of 6.9% and 8.46%, respectively, which contemplates the archaeological rescue activities, archaeological monitoring, execution of the public archaeology program and the tenancy program of public archaeology, plus the tenancy plan in the area were the Nueva Esperanza 500/115 Kv. project is located.
- (5) Corresponds to compensations included in Resolution 1061 and Agreement 017 of 2013 between the Ministry of the Environment and the Cundinamarca Regional Autonomous Corporation, respectively, which approves the substitution of the protecting and producing forest reserve on the high watershed of the Bogota River, committing the company to implement a compensation and reforestation plan in the construction area of the Nueva Esperanza substation.

Environmental License: on 31 July 2014, through Resolution No.1679, Cundinamarca Regional Autonomous Corporation – CAR, granted the Environmental License for development of the project "Construction of the Nueva Esperanza 500/115 kV substation, its 115 kV lines and the connection modules". Nevertheless, on 8 August 2014, the company filed an appeal for reconsideration against said ruling, based on article 55 of the aforementioned Resolution, which requests including and clarifying issues associated with the geographical zone, the compensations, the census, etc.

On 30 December 2014, the Company was notified about Resolution 3788 of 24 December 2014, whereby the appeal for reconsideration is resolved, granting the Environmental License for the construction and operation of the "Nueva Esperanza" project. The appeal corrects the essential aspects and compensates favorably all of the issues presented by the Company in the appeal for reconsideration. This is a fundamental factor for the project

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

On 20 February 2015, the partial purchase sale promise was executed between the Company and Álvaro Eduardo Convers for \$1,350,000 for acquisition of property No 5 El Pireo, which is intended for compliance with the environmental compensation obligation associated with the construction of the Nueva Esperanza Substation.

In accordance with clause 5 of the purchase sale promise, the company paid \$675,000 equivalent to 50% of the property price.

On 30 June, 14 August and 10 November 2015, the parties executed to Amendments aimed at extending the term for fulfilling processing before the competent authorities to obtain the license for segregation and the canceling of marginal notes 2 and 3 on the registration page 2 and 3 dealing with the property that is the subject of the sale. The time granted for fulfilling these obligations expires two months after the execution of the last amendment.

Ban Release: Resolution No. 1702 of 17 July 2015 "Whereby a partial release of the ban is ordered and other decisions are made", issued by the Ministry of the Environment and Sustainable Development. The ban is partially released through the aforementioned resolution for taxonomic groups of Bromelias, Orchids, Moss, Lichen and Hepactics and for five (5) individual of the species Cyatheacarasacana, reported in the area of intervention of the Nueva Esperanza project, according to the pertinent coordinates.

The Company was notified of Resolution 2128 of 30 September 2015, whereby the appeal for reconsideration, associated with the Ban Release of the "Nueva Esperanza" project is resolved. The recourse corrects essential aspects and replaces favorably all of the points presented by the company in its appeal for reconsideration. This fact is fundamental for the project and enables continuing with the construction of the 115kV transmission lines.

On 1 December 2015, the environmental compensation contract was executed between the Company and the Geosintesis Consortium, which is intended for forest use of 3,600 tree individuals, establishment, isolation and maintenance of protecting forest plants, ecological reclaiming of 0.5 hectares, forest management plan of El Pireo property, design, establishment and maintenance of a life barrier for the Nueva Esperanza substation, among other direct influence activities of the project. The term for contract performance is 36 months.

As part of the commitments set out in the Environmental License, there is an obligation for protecting the species, Choloepus Hoffmanni (Sloth) during the construction activity of the high-voltage lines. On 18 December 2015, the contract was executed for implementation of the protection plan for this species between the Company and ANTEA Colombia S.A.S, for a 12-month term.

Additionally, in 2015 payments have been made for \$1,140,141, mainly for epiphyte surveys with the firm Ambiental Consultores for \$983,510.

As of 31 December 2015 and 2014, the Nueva Esperanza provision was updated to net present value at a rate of 7.84% EA (IBR + 2,25%) and 6.53 % EA (DTF + 2,05%) generating a financial effect for \$222,057 and (\$83,562). The discount rate applied by the Company or the interest rates with due dates similar to those of the obligation; in this case, the local banking rate for 4-year credits was applied, expressed in IBR for the Company.

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## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

Value of projected cash flows without discount is presented below:

	\$	6,219,685	\$	9,981,327
2018 and So on		747,427		188,604
2017		752,936		282,906
2016		4,719,322		282,906
2015	\$	-	\$	9,226,911
Year	A	s of 31 December	2015	As of 31 December 20:

The movement of provisions between 1 January 2014 and 31 December 2015 is the following:

	Provision legal claim		Decommissioning, reclaiming and rehabilitation costs	Archaeological rescue	Nueva Esperanza	Public lighting and Other	Total
Initial balance as of 1 January 2014	\$ 6,229	,023 \$	10,958,525	8,996,000	\$ 9,985,000	\$ 15,407,590 \$	51,576,138
Increment (Decrement) in existing provisions	1,79	5,192	146,491	-	-	-	1,942,683
Used provision	(98	3,026)	-	(6,774,545)	-	-	(7,757,571)
Financial effect updating		-	(352,850)	-	(83,562)	-	(436,412)
Recoveries	(2,382	,134)	-	-		-	(2,382,134)
Other increment (Decrement) (b)		-	-	263,611	(3,673)	23	259,961
Total movement of provisions	(1,568	968)	(206,359)	(6,510,934)	(87,235)	23	(8,373,473)
Final balance as o in existing provisions	4,660	,055	10,752,166	2,485,066	9,897,765	15,407,613	43,202,665
Increment (Decrement) in existing provisions	7	50,000	576,500	-	-	100,068	1,436,568
Used provision	(27	0,062)	(30,533)	(1,923,479)	(1,815,141)	-	(4,039,215)
Updating of financial effect		-	(355,161)	-	222,058	-	(133,103)
Recoveries	(52	2,938)	-	-		-	(522,938)
Other increment (Decrement) (b)		-	-	(263,611)	(2,251,200)	41,760	(2,473,051)
Total movement of provisions	(3:	3,000)	190,806	(2,187,090)	(3,844,283)	141,828	(5,731,739)
Final balance as of 31 December	\$ 4,62	7,055 \$	10,942,972	297,976	\$ 6,053,482	\$ 15,549,441 \$	37,470,926

### (a) The movement of provisions for legal claims corresponds primarily to:

Type of proce	eding Claimant	Object of the claim	Value
2014 Mveme Ordinary civil	Jose SerratoMalaver and Othe Maria Jeaneth PasivesRincón	and	\$ 300.000
Ordinary civil Ordinary civil	Other	Lesions for electrocution  Death for electrocution	240.000 (550.000)
Nullity and reestablishm	nent EdificioCalle 100	Contribution for solidarity	(360.000)
Ordinary civi	Luis Guillermo Perilla and Othe	er Lesions for electrocution	(270.000)
<b>2015 Moven</b> Civil Laboral	Honorio Vargas Alvarado Hernando Rivera Espinosa	Death electrocution Indemnity for dismissal without just cause	350.000 192.000
Civil	Edificio Santa Catalina	Easement	(200.000)

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

## 17. Provisions for Employee Benefits

	As of 3 Current	1 December 2015 Non-Current	As of 31 Current	December 2014 Non-Current Curre		1 January 2014 Non-Current
Obligations for post – employment and long term defined benefits. (1)	\$ 33,240,820	\$ 177,690,982	\$ 28,076,180	\$ 189,748,285 \$ 2	27,618,495	\$ 177,618,803
Social benefits and contributions to Social Security (2)	36,358,658	-	32,365,134	- 2	28,186,065	-
Retirement plan benefits (3)	764,012	3,468,646	-	-	-	-
	\$ 70,363,490	\$ 181,159,628	\$ 60,441,314	\$ 189,748,285 \$ 55	5,804,560	\$ 177,618,803

(1) The Company grants different defined benefits plans; post-employment obligations and long-term benefits to its active or pensioned employees; all these in accordance with fulfillment of previously defined requisites, which refer to:

#### Retirement Pensions

The Company has a defined benefit pension plan on which it does not percent specific assets, except for all resources derived from the performance of its operational activity. The pension benefit plans establish a pension benefit amount that an employee will receive upon retirement, which usually depends on one or more factors such as age of employee, years of service and compensation.

The recognized liability in the financial situation statement, with respect to defined benefit pension plans, is that present value of the obligation of defined benefit on the date of the financial situation statement, together with adjustments for unrecognized actuarial gains or losses. The obligation for the defined benefit is calculated by independent actuaries using the projected credit unit method. The present value is the defined benefit obligation and is determined discounting the estimated cash outflows, using interest rates based on the yield curve of the Public Debt Bonds of the Government of Colombia (TES), expressed in real value units (UVR), whose terms are close to those of that pension obligation until maturity.

Actuarial losses and gains derived from adjustments based on experience and changes in actuarial hypothesis are charged or credited to the net equity in other consolidated results, in the period of occurrence.

The retirement pension obligation includes the effects of the respective application to the new mortality rates authorized by the Finance Superintendence, through Resolution 1555 of 30 July 2010.

The pensioner base for recognition of this benefit corresponds to:

Concept	As of 31 December 2015	As of 31 December 2014	As of 1 January 2015
Pensioners	850	848	848
Average Age	62.45	61.47	60.45

Other neet ampleyment benefits

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(In thousands of pesos)

The company provides the following aids to employees retired for pension: (i) Education aid, (ii) Electric energy aid, and (iii) health aid in accordance with that provided for in the labor collective pact.

The right to the aforementioned benefits is generally granted to employees, regardless of having worked until the retirement age or not. The costs expected from these benefits are acquired during the time of employment. Missing a methodology similar to that of the defined benefit plans. The actuarial gains and losses derived from the adjustments for experience and changes in the actuarial assumptions are charged or credited to other consolidated results in the period of occurrence. These obligations are valued annually by qualified independent actuaries.

The pensioner base used for recognition of this benefit corresponds to:

	As of 31 December 2015	As of 31 December 2014	As of 1 January 2015
Educational aid			
Pensioners	274	334	378
Average Age	17,96	18,21	17,55
Electric energy			
Pensioners	796	801	803
Average Age	62,38	61,43	60,43
Health aid			
Pensioners	1.027	1.104	1.247
Average Age	52,25	50,16	46,71

#### Retroactive severance pay

Retroactive severance pay, which is considered a post–employment benefit, is liquidated for employees belonging to the labor regime that was in force prior to Law 50 of 1990 and who embraced this regime change. The social benefit is liquidated for the whole time worked based on the last salary earned and is paid regardless or the employee being dismissed or if retiring voluntarily. The actuarial gains and losses of the adjustments for experience and changes in actuarial assumptions, are charged or credited to another consolidated result.

The employee base used for recognition of this benefit corresponds to:

Concept	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014	
Employees	51	53	53	
Average Age	50,83	50,32	49,32	
Seniority	24,17	23,04	22,04	

## Long-term benefits

The Company recognizes to its active employees benefits associated to seniority, such as five-year periods, consisting in making an additional payment for every 5 years of uninterrupted service to employees whose date of contracting was September 2005 and which accrues as of the second year in accordance with that defined in the

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

The costs expected from these benefits are accrued during the employment period, using a methodology similar to that used for the defined benefits plan. The actuarial gains and losses derived from adjustments for experience and changes in the actuarial assumptions are charged or credited to the results of the period of occurrence. These obligations are valued by qualified independent actuaries.

The employee base used for recognition of this benefit corresponds to:

Concept	As of 31 December 2015	As of 31 December 2014	As of 1 anuary 2014	
Employees	141	146	146	
Average Age	48,46	47,57	46,63	
Seniority	20,95	19,88	18,88	

As of 31 December 2015, the actuarial calculation of post–employment benefits performed by the firm Aon Hewitt México, which used the following set of hypotheses:

#### Financial Hypothesis:

Type of Rate	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Discount Rate	7.44%	7.04%	7.25%
Salary increase rate (active personnel)	4.20%	4.00%	4.00%
Pension increment rate	3.20%	3.00%	3.00%
Estimated inflation	3.20%	3.00%	3.00%
Health service inflation	8.00%	8.00%	4.00%

## Demographic Hypothesis:

Biometric base
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Mortality rate 2008 Colombian Mortality Rate (Valid Rentier)

Disabled ortality rate Enel Internal Table

Total, permanent disability EISS

Turnover Enel Internal Table
Retirement Men: 62 Women: 57

	Retired Pensions	personnel Benefits	Active pers Retroactive Severance Pay	sonnel Five-year	Defined Benefits Plan
Initial balance as of 31 December 2014 Cost of current service Cost for interest Contributions paid	\$157,258,439 - 10,557,412 (13,826,287)	\$ 55,268,503 - 3,751,669 (6,306,941)	\$ 1,572,721 75,886 107,639 (290,366)	\$ 3,724,802 200,675 247,864 (665,682)	\$ 217,824,465 276,561 14,664,584 (21,089,276)
Actuarial (Gains) losses from changes in adjustments for experience	963,060	2,382,463	268,727	354,334	3,968,584

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(In thousands of pesos)

The movement of obligations for benefits defined as of 31 December 2014 is the following:

Initial balance as of 1 January 2014
Cost of current service
Cost for interest
Contributions paid
Actuarial (Gains) losses from changes in
financial assumptions
Actuarial (Gains) losses from changes in
adjustments for experience
Final balance as of 31 December 2014

	Retired Personnel				Active Pe			
Pensions Bene		Benefits Retroactive Severance			Fi	ve-year term	Defined Benefit Plan	
10	<b>2,055,597</b> - 0,875,177 ,348,539)	\$	<b>37,525,955</b> - 2,609,348 (3,534,080)	\$	<b>1,339,371</b> 72,335 93,772 (229,506)	\$	<b>4,316,375</b> 265,146 298,093 (414,711)	\$ 205,237,298 337,481 13,876,390 (23,526,836)
	,352,887)		16,161,341		333,118		(398,616)	14,742,956
į	5,029,091		2,505,939		(36,369)		(341,485)	7,157,176
\$ 15	7,258,439	\$	55,268,503	\$	1,572,721	\$	3,724,802	\$ 217,824,465

The following chart shows that behavior in the present value of the obligation for each of the defined benefits, related to that percent variation in 100 basic points above or below the Discount Rate used for the current calculation.

#### Changes in Discount Rate

	Retired Per	sonnel	Active Pers	onnel	Defined Benefits
- 100 basic points	\$ 168,113,832	\$ 58,747,899	\$ 1,890,956	\$ 4,009,759	\$ 232,762,446
+ 100 basic points	\$ 138,833,897	\$ 48,459,499	\$ 1,569,969	\$ 3,661,277	\$ 192,524,643

(2) As of 31 December 2015, 31 December 2014 and 1 January 2014, corresponds primarily to bonuses \$24,367,937, \$20.591.996 and \$17.791.223, vacation and vacation bonus \$7,276,206, \$7,225,928 and \$6,221,395. Likewise, the Company makes periodical contributions established by Law for severance pay and integral social security: health, professional risks and pension, to the respective private funds and Colpensiones, which managed these obligations entirely. As of 31 December 2015, 31 December 2014 and 1 January 2014, the Social Security and extra-legal contributions amount to\$2,725,047, \$2,688,873 and \$2,560,375, and severance pay and interests thereon to \$1,875,572, \$1,740,658 and \$1,536,428, respectively.

On 24 July 2015, the direct settlement stage between the Company and Sintraelecol union finished after full agreement of the parties. The Labor Collective Agreement was signed on 5 August 2015 and deposited with the Labor Ministry on the same date when it came into force. The main aspects agreed include a three-year term for the Collective Bargaining (2015 - 2018), keeping the same application fields for the current bargaining (beneficiary employees), the increased value of current pact benefits and recognition of prerogatives related to savings, free investment and health.

(3) On nine November 2015, the Company commenced the communication and implementation of the voluntary retirement plan "San José Plan", intended for 122 employees hired through standard contracts who meet the characteristics described in the following Groups:

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

*Group 1:* unionized employees who: (i) joined the Company before 1 January 1992. (ii) did not meet the conventional pension requirements as of 31 July 2010 (Legislative Act 01 of 2015) (iii) as at the date of the Sann Jose San Jose have 0 and 10 years to reach the retirement age pursuant to the Law.

Group 2: integral and unionized employees who currently have 0 to 2 years to reach the retirement age pursuant to the Law.

Group 3: integral and unionized employees selected in accordance with the new Company structure.

The Company extended the acceptance period until 31 March 2016 in order to give employees prudential time to analyze and consult their decision individually and with their social environment.

As of 31 December 2015, 58 employees accepted the offer presented under the San Jose Plan, who commenced their retirement between 11 November 2015 and 31 January 2016, with prior conciliation before the Labor Judge.

The benefits granted through the San Jose Plan are described herein below:

Temporary Income: consists in monthly payment ranging between 70% and 90% of economic provision salary from the time of work contract termination by mutual consent and up to four (4) months after the employee meets the age requirement provided for in the Law for having ages to old age pension (62 years for men, 57 years for women). The full payment of this benefit will be paid through the pension fund, Protection S.A., without it being considered a Company asset.

This benefit was offered to employees meeting the characteristics described in Group 1 and Group 2. As of 31 December 2015, the proposal was accepted by 13 employees out of the 28 offers made.

For employees who accepted the liabilities recognized in the Financial Statement, with respect to temporary income, it is the present value of the defined benefit obligation on the date of the financial situation statement, less payments made to the pension fund. The obligation for the defined benefit is calculated by independent actuaries using the projected credit unit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflow, using interest rate calculated as of the yield curve of the Public Debt Bonds of the Colombian Government (TES) denominated in real value units (UVR), which have terms close to the terms of the obligation.

As of 31 December 2015, the actuarial calculation of temporary income was prepared by the firm Aon Hewitt Mexico, which used the hypothesis described in the post–employment benefit plans.

Additionally, the Company established a provision in accordance with the probability of acceptance of employees pending acceptance in accordance with the extension period.

Retirement bonus: consists in a one-time payment to the employee at the time of signing the respective settlement minutes, whereby work contract is terminated upon mutual consent and it will be liquidated based on the salary of the employees and their seniority. This benefit was offered to employees meeting the characteristics of Group 3. As of 31 December 2015, the proposal was accepted by 45 employees out of 94 offers made.

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(In thousands of pesos)

For employees who accepted, the Company recognized effects on the income statement in accordance with the liquidation and payment of the retirement bond.

Additionally, the Company established a provision in accordance with the probability of acceptance of the employees pending acceptance in accordance with the extension period.

Other Benefits: in addition to the above described benefits, the Company offered, and benefits to unionized and integral employees following the termination of the work contract by mutual consent and until 31 December 2016, including prepaid health and insurance benefits, among others.

The movement for purposes of the San José Plan as of 31 December 2015 is the following:

	Ter	Temporary Annuity Retirement Bonus			Other Benefits		Total vol retireme	luntary nt plan benefits
Period cost for accepted offers Employer contributions Provision cost for expected acceptance	\$	3,973,297 (2,273,437) 1,768,786	Ċ	6,108,187 (6,108,187) 691,685	\$	72,327 - -	\$	10,153,811 (8,381,624) 2,460,471
Final balance as of 31 December 2015	\$	3,468,646	\$	691,685	\$	72,327	\$	4,232,658

# 18. Payable Taxes

#### **Income Tax**

Tax returns for taxable year 2013 and 2014 are open for review by tax authorities, as well as the CREE income tax on equity for 2013 and 2014. However, as per Management opinion, in the event of occurrence, no significant differences are expected.

Included below is the income tax:

	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
Current income tax (1) Income advance	\$ 334,318,553 (76,286,232)	\$ 284,190,959 \$ (98,615,649)	282,017,885 (103,775,130)
Withholdings and Tax discount (2)	(99,336,283) (3,089,137)	(93,135,691) -(55,505,470) (59,764,471)	(87,271,634)
CREE self withholding	\$ 95,842,430	\$ 36,934,149 \$	(32,989,095) <b>57,982,026</b>

(1) Liabilities for current income	tax payable is comprised by:								
		As of 31 December 2015		As of 31 December 2014		As of 1 January 2014			
Tay on earnings related to the results	\$	333,803,798	\$	291,789,087	\$	283,509,326			

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

(2) Corresponds to the tax discount on sales tax for the import or acquisition of fixed assets and heavy equipment for the basic industry, pursuant to Articles 258-1 and 258-2 of the Tax Statute.

The main reconciliation items between profit before taxes and the taxable net income that explain the difference between the 25% rate for companies corresponding to income tax and the 14% tax on income for equity – CREE, and the CREE Surcharge are:

		ecember 2015	As of 31 December 2014		
Accounting profit before income tax	\$	873,294,956	\$	825,639,601	
Line items increasing net income		22 100 606			
Tax on wealth - Equity tax		22,100,606		1,429,413	
Non-deductible costs (1)		2,280,722		17,401,031	
Non-deductible provisions		41,878,549		33,032,860	
Contribution to financial transactions		8,585,799		8,708,116	
Other line items that increasenet income		317,728		-	
Non-deductible taxes		54,345		61,186	
Deferred amortization		2,867,961		848,870	
Presumed interest		12,871		17,959	
Total line items that increase net income		78,098,581		61,499,435	
Line items that decreasenet income					
Tax depreciation and amortization		(78,560,971)		(25,510,300)	
Losses for new measurement of defined benefit plans	S	(16,544,045)		(22,640,232)	
Fixed assets disposal		-		(89,326)	
Difference of parafiscal contributions and pensions		-		151,453	
Tax profit in sale of fixed assets		(62,825)		(505,041)	
Deductions for contracting with the disabled		(46,077)		(46,612)	
Other line items that reduce net income		-		(2,791,033)	
Non-taxed revenues		(402,308)		(95,976)	
Total line items that reduce net income		(95,616,226)		(51,527,067)	
Net taxable income		855,777,311		835,611,969	
Income tax rate		25%		25%	
Income tax		213,944,328		208,902,992	
Occasional gains		62,825		505,041	
Tax rate on occasional gains		10%		10%	
Occasional gains tax		6,283		50,504	
Total income tax and supplementary taxes		\$ 213,950,611	\$	208,953,496	

<sup>(1)</sup> As of 31 December 2015 corresponds to expenses without causal relationship such as invitations to employees, sports, recreation, well-being amounting to \$1,249,122, low condemnation \$308,598, disposal of obsolete material \$212,993, subscriptions and affiliations \$72,133, and Others \$437,876.

As of 31 December 2014, corresponds mainly to amortization of Almaviva in previous years \$13,884,894, and accounting adjustments for disposal of intangibles not meeting the requisites \$1,264,012.

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# **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

## **Equity Income Tax - CREE**

Concept		1 December 2015	As of 31 December 2014		
Taxable ordinary net income	\$	855.777.311	\$	835.611.969	
Plus special deductions					
Donations		632.000		1.162.091	
Contracting of disabled		46.077		46.612	
Special deductions for investment in science and technology		6.482.175			
Non-taxed revenues and deductible expenses					
Amortization science and technology investment		(2.867.961)		(848.870)	
Presumed interest		(12.871)		-	
CREE taxable Net income		860.056.731		835.971.802	
CREE tax rate		9%		9%	
CREE income tax		77.405.106		75.237.463	
Taxable income tax CREE		860.056.731		-	
Exemption CREE surcharge		800.000		-	
CREE surcharge on taxable net income		859.256.731		-	
CREE tax rate		5%		-	
CREE surcharge income tax		42.962.836		-	
Income tax CREE and surcharge		120.367.942		75.237.463	
Total payable income tax and CREE	\$	334.318.553	\$	284.190.959	

## **Equity reconciliation**

	 As of 31 December 2015	As of 31 December 2014
Accounting equity Estimated liabilities	\$ <b>2,323,268,707 \$</b> 111,706,126	<b>1,883,849,244</b> 73,223,280
Tax adjustment on assets	260,234,421	279,269,681
Debtors provision	32,602,209	24,331,984
Assets provision	1,459,234	1,652,599
Expenses capitalized on investment		
	1,721,472	
Other	183,357	<sup>-</sup> 562,000
Monetary correction	(1,578,777)	(1,653,956)
Investment on science and technology	(6,668,392)	(3,523,120)
Debit deferred tax	(32,968,991)	(96,858,830)
Deferred depreciation	 (297,630,571)	(110,398,439)
Tax equity	\$ 2,392,328,795 \$	2,050,454,443

## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

#### **Transfer Prices**

Taxpayers of income tax who enter into operations with economic associates or related parties abroad are bound to determine, for income tax purposes, their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, considering for these operations the prices and profit margins that would have been used in comparable operations with independent entities. For 2014, the external advisors perform the update of the transfer price and support documentation study, as required by tax provisions, intended for proving that operations with economic associates abroad were carried out at market prices in 2014 and, therefore, it is not necessary to include adjustments in the tax returns for the same year. The information statement and support documentation were presented on 16 July 2015. For 2015, the external advisors value dated the operations to be performed with each economic associate. The study and support documentation will commence on 2016, which expire in July of the same year.

## 19. Other Non-Financial Liabilities

	As of December 31 2015	As of December 31 2014	As of 1 January 2014
Deferred income (1)	\$ 1,937,500	\$ 2,687,500	\$ 3,885,184

(1) Corresponds primarily to the contract entered into in August 2010 with Mapfre Colombia Vida Seguros, a contract for access to the market channel for electric energy clients of the Company, aimed at enabling Mapfre to commercialize insurance contracts among Company clients. This contract is for a term of eight (8) years, having agreed a one-time payment of \$6,000,000, which are amortized over the term of the contract.

# 20. Equity

#### **Capital**

The authorized capital is represented in 28,378,952,140 shares with a par value of \$100 each; subscribed and paid 132,093.274 shares.

Equity share as of 31 December 2015 is shown below:

	Ordinary Shares with the right to vote		Preferential sha	ares without the right to vote	Shareholder Structure	
Shareholders	%of Participation	Number of Shares	%of Participation	Number of Shares	%of Participation	Number of Shares
Empresa de Energía de Bogotá S. A.						
E.S.P.	42,85%	48.025.920	100%	20.010.799	51,5%	68.036.719
Enersis S.A.	46.11%	51,685,039			39.13%	51,685,039
Chilectra S.A.	11.02%	12,349,522			9.35%	12,349,522
Other minority shareholders	0.02%	21,994			0.02%	21,994
	100%	112,082,47	100%	20,010,799	100%	132,093,274

Out of the total shares of Empresa de Energía de Bogotá S.A. ESP, 20,010,799 correspond to shares without voting right, with a preferential dividend of US\$0.10 per share.

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#### **Dividend distribution**

The General Shareholders Assembly, for the period ended on 31 December 2014, ordered the distribution of profits chargeable to net profit generated according to previous generally accepted accounting principles (Decree 2649 of 1993), in force under mentioned closing date.

The General Shareholders Assembly held on 26 March 2015, as per Minutes No. 60, ordered the distribution of dividends for \$78,088,439 chargeable to net profit as of 31 December 2014.

The Board of Directors, as per Minutes No. 216 of 13 August 2014, asked the Administration to make a Financial Statement with cut off date on 31 August 2014, in order to present it for consideration of the General Shareholders Assembly for approval thereof and of dividend distribution. The General Shareholders Assembly held on 29 October 2014, as per Minutes No. 59, ordered dividend distribution for \$352,236,817 chargeable to the net profit of August 2014.

The General Shareholders Assembly held on 27 March 2014, as per Minutes No. 56, ordered dividend distribution for \$535,910,519 chargeable to the net profit as of December 2013.

The dividends on profit for the period between 1 September and 31 December 2014 for \$78,088,439 (578.37 (\*) per ordinary share) will be paid as follows: 100% of the dividends will be paid on 26 March 2016.

Dividends on profit for the period between 1 January to 31 August 2014 for \$352,236,817 (2,647.20 (\*) per ordinary share) paid as follows: 100% of preferred dividend and 56.02% of ordinary dividend on 23 June 2015, and 43.98% on 27 October 2015.

Dividends on profit of 2013 for \$535,910,519 (4,027.87 (\*) per ordinary share) paid as follows: 100 % of preferential dividend and 37.42% of ordinary dividend on 25 June 2014, 24.88% of the ordinary dividend on 26 November 2014 and 37.70% of the ordinary dividend on 28 January 2015.

Dividends on 2012 profit for \$510,992,818 (3,841.64 (\*) per ordinary share) paid as follows: 100 % of preferential dividend and 9.14% of ordinary dividend on 5 June, and subsequent payments of 10.14%, 18.13%, 19.27% and 18.13% of the ordinary dividend on days 20 June, 23 October, 28 November and 3 December2013 respectively; and 25.18% of the ordinary dividend on 23 January 2014 2014.

#### (\*) Figures in Colombian pesos

## Other reserves

Reserve for Differed Deppreciation
( Art. 130 ET)
Legal Reserve

As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
\$ 127.958.144	\$ 50.962.398	\$ 50.962.398
6.604.664	6.604.664	6.604.664
\$ 134.562.808	<u>\$ 57.567.062</u>	<u>\$ 57.567.062</u>

## Legal reserve

In accordance with Colombian law, the Company must transfer at least 10% of the year profit to a legal reserve, until it is equal to 50% of the subscribed capital. This reserve is not available for distribution; however, it may be used to absorb losses.

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

## Reserve for deferred depreciation (Article 130 of the Tax Statute)

The General Shareholders Assembly held on 26 March 2015, as per Minutes No. 60, ordered the establishment of the reserve on account of accelerated depreciation provided for in Article 130 of the Tax Statute for \$76,995,746 chargeable to the net profit of the period between 1 September and 31 December 2014. It should be noted that for tax purposes the method of depreciation method of reducing balances will be used as of 2014 and for accounting purposes, the straight-line system will continue being used.

Additionally, in previous periods, 70% excess reserve was established as requested since 1998 for tax purposes, amounting to \$50,962,398.

# 21. Revenues from Regular Activities

	Year end 2015	ded on 31 December	Year end 2014	ded on 31 December
Regulated market (1) Public lighting (2) Sport Market (3)	\$	2,950,622,856 81,395,834 2,603,497	\$	2,756,214,996 75,907,751 872,412
Electric energy sales Tolls and transmission		<b>3,034,622,187</b> 377,598,001		<b>2,832,995,159</b> 359,353,734
Rental of public lighting infrastructure Mutual support(4) Provision of goods and services to private parties		79,733,197 65,513,056 66,244,080		74,553,174 55,316,859 55,433,384
Commissions (6) Maintenance of public lighting infrastructure		28,759,418 9,604,722		25,143,032 9,157,128
Sale of metering equipment Reconnections Connection service		9,413,746 7,671,537 5,961,857		8,620,664 7,421,085 5,173,529
Equipment rental Other		1,158,937 1,789,853		1,167,051 852,574
Other service provisions	\$	653,448,404 3,688,070,591	\$	602,192,214 3,435,187,373

- (1) As of 31 December 2015 and 2014, electric energy sales in the regulated market amount to 8,202 and 7,966 Gwh, with residential clients accounting for 4,664 and 4,575 Gwh, commercial clients 2,280 and 2,213 Gwh, industrial clients 1.011 and 931 Gwh and official clients 247 and 247 Gwh, respectively.
- (2) As of 31 December 2015 and 2014, electric energy sales on account of public lighting amount to 260.7 and 259.4 Gwh, mostly from consumption in the Capital District 212.8 and 212,3 Gwh and Other municipalities for 47.9 and 47,1 Gwh, respectively.
- (3) As of 31 December 2015 and 2014, electric energy sales in the spot market amount to 12.2 and 4.7 Gwh, respectively.
- (4) Corresponds to revenues for rental of electricity infrastructure such as goals and inspection cameras mainly from the telecommunications company in order to allow for laying the network for service provision. The variation found is caused by an increase in the number of rented posts and in the rental rate mainly because of the raise in the Producer Price Index (PPI).

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## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

(5) The provision of goods and services to private parties corresponds mostly to:

	Year end 2015	ed on 31 December	Year ended on 31 December 2014		
Contract for collaboration and financing of					
goods and services (a)	\$	37,561,872	\$	33,625,078	
Works on electrical works		8,483,954		6,404,691	
Christmas lighting (b)		7,204,898		5,464,390	
Technical inspections		5,178,133		4,305,114	
Equipment installation		1,747,449		1,527,960	
Calibration and installation of seals		2,071,838		1,764,955	
Induction stoves		913,015		41,568	
Electrical mobility services		332,982		234,549	
Other value added services (c)		2,749,939		2,065,079	
	\$	66,244,080	\$	55,433,384	

- (a) As of 31 December 2015 and 2014, corresponds primarily to a revenues generated by the billing and collection of the business called "Crédito Fácil Codensa" according to the business collaboration contract entered into with Banco Colpatria Red Multibanca Colpatria S.A for \$33,267,180 and \$28,795,627, respectively. Likewise, it includes revenues from financing services and electrical work provided by the Company to third parties for \$4,294,692 and \$4,829,451, respectively.
- (b) On 9 November 2015, the Company and Villa Hernandez and Cía. S.A.S. established a Temporary Union for a four-month term intended for providing rental, installing, commissioning and maintenance of Christmas lighting for 2015 in the municipality of Chía. As of 31 December 2015, because of service provided, the Company recognized revenues for \$859,915.
- (c) As of 31 December 2015 and 2014, corresponds primarily to charges for advertising of products offered to clients of the company, distributed with billing (Product in your hands) for \$1,856,533 and \$1,404,713 respectively.
- (6) Corresponds primarily to commissions recognized within the framework of the mandate contracts that the Company has entered into with business partners for subscriptions, insurance, etc.

# 22. Other Exploitation Revenues

Following is the detail of Other Revenues:

Year ended on 31 Year ended on 31 December 2015 December 2014 Casualty indemnities (1) 13,092,467 \$ 303,614 Fines and sanctions (2) 2,960,787 1,205,619 Recovery of energy losses 2,968,536 3,209,311 Sale of obsolete material 1,967,387 1,558,007 Other 2,806,318 2,371,472 23,795,495 \$ 8,648,023

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

(1) As of 31 December 2015, corresponds to recognition by the insurance companies of the following casualties:

Claim Accident	Date	Insurance Company	Type of Accident	Amount in Pesos
Usme Substation Concordia Substation	mayo/2014 November/2013	Mapfre Mapfre	Fire Fire	\$ 4,036,123 6,668,097
Concordia Substation (a)	November/2013	Seguros Bolivar	Fire	1,144,561
Chíchala Substation	September/2013	Generalli	Fire	1,243,686 <b>\$ 13,092,467</b>

- (a) On 12 March 2015, Seguros Bolívar indemnified for the reimbursement of payments made to third parties affected by the casualty.
- (2) As of 31 December 2015 and 2014, corresponds primarily to the collection of fines and sanctions to contractors for default or delays in contract performance for \$2,434,164 and \$86,195, and fines to service users for \$526,623 and \$1.117.255, respectively.

# 23. Provisioning and Services

	Year ended on 31 December 2015	Year ended on 31 December 2014
Electric energy purchases (1) Transport costs ( <i>Tolls and transmission</i> ) Other variable provisions and services (2)	\$ 1,577,746,003 347,640,222 175,371,509 \$ 2,100,757,734	\$1,459,730,026 308,848,550 159,611,497 <b>\$1,928,190,073</b>

- (1) As of 31 December 2015 and 2014, electric energy purchases amount to 9,536 and 9,262 Gwh; purchases testing to the regulated market are attributed a 97.5% share derived in contracts with 8,178 and 7,931 Gwh and spot market purchases of 1,121 and 1,092 Gwh, with the remaining 2.5% corresponding to purchases testing to the unregulated market for 238 and 239 Gwh, respectively.
- (2) Following is the detail of Other variable provisioning and services:

		ember 2015	December 2014
Industry and Trade tax Maintenance public lighting and Other (a) Costs associated to metering equipment Costs of goods and service provision to private parties Service quality compensation Cutting and reconnecting services Contributions among regulators Other local taxes associated with sales	\$	44,278,195 36,550,864 24,790,077 37,433,331 16,374,124 10,151,398 4,023,237 1,770,283	\$ 41,849,873 31,035,026 21,774,685 32,143,680 18,297,351 9,306,278 4,118,298 1,086,306
	Þ	175,371,509	\$ 159,611,497

(a) The variation corresponds to an increase in preventive activities, as required by the UAESP and the implementation of the maintenance plan aimed at improving service quality and maintenance performed on critical circuits remunerated under the distribution charge differential.

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## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

# 24. Personnel Expenses

	Year ended on 31 December 2015		 er ended on 31 cember 2014
Wages and salaries (1) Social security service and other social charges Expense (Revenues) for post-employment benefit obligation	\$	112.600.638 26.586.932 630.894	\$ 100.220.841 24.276.285 (4.003)
Expense for retirement plans obligation (3) Other personnel expenses		12.614.282 1.756.461	572.664
	\$	154.189.207	\$ 125.065.787

- (1) As of 31 December 2015 and 2014, corresponds to wages and salaries for \$82,542,052 and \$78,323,503, bonuses \$8,021,840 and \$11,220,724, vacation and vacation bonus \$6,734,271 and \$6,630,743, service bonus \$2,484,421 and \$2,185,937, severance pay and interests thereon \$2,105,057 and \$1.859.934 and amortization of employee benefits for \$2,233,507 and 3,198,884, respectively.
- (2) As of 31 December 2015 and 2014, corresponds to parent service cost for active personnel associated to the benefit of retroactive severance pay for \$75,886 and \$72,336, five-year periods \$200,675 and \$ 265,146, respectively. As of 31 December 2015, because of the actuarial calculation made by the firm AON, it includes the effect of actuarial losses in five-year terms derived from changes due to modification of variables for \$354,334 and (\$341.485), respectively.
- (3) Corresponds to expenses associated with their voluntary retirement plan "San José Plan" (See Note 17).

# 25. Other Fixed Costs of Exploitation

		ar ended on 31 December 2015	Year ended or December 201	
Independent professional services, outsourced and Other (1)	\$	116,611,505	\$ 115.1	10,034
Repairs and conservation	Τ	59,446,288	'	96,435
Taxes and charges (2)		23,961,105	1,4	85,172
Other supplies and services (3)		18,829,746	21,6	00,678
Rental and monthly payments		7,053,193	6,8	32,915
Insurance premiums		4,846,627	3,8	90,906
Advertising, propaganda and public relations		4,097,212	6,4	88,767
Transport and traveling expenses		2,105,275	1,3	06,996
	\$	236,950,951	\$ 225,7	11,903

## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

(1) Following is the detail of professional independent, outsourced and other services:

		ended on 31 mber 2015	Year ended on 31 December 2014
Market recovery contracts Ratings General administration expenses Collection contracts Other administration and operation contracts Customer service contracts Computation equipment maintenance Diagnosis, inspection and maintenance of substations, networks and electrical Fees Bill delivery Logistics operator contract for materials /inventories Transport services administration Safety Telecommunications services	\$	15,399,784 14,724,030 13,538,325 12,672,631 11,087,494 9,367,262 6,940,198 5,243,039 4,886,097 4,637,145 3,614,545 3,526,563 2,104,271 1,909,598	\$ 17,693,411 13,827,132 13,731,799 12,204,143 12,880,628 9,511,422 5,345,315 4,747,065 3,494,627 4,344,190 2,722,554 3,724,584 1,928,485 1,717,708
Services for development of software and applications Temporary personnel services Casualty losses Non-payment management contracts Casino and cafeteria Office material and supply	•	1,767,418 1,581,861 1,358,244 1,162,418 618,943 471,639	1,629,685 1,372,895 1,749,275 1,141,208 711,156 632,752
	\$	116,611,505	\$ 115,110,034

- (2) As of 31 December 2015, corresponds primarily to recognition of the tax on wealth in 2015 for \$22,100,606 in accordance with Law 1739 of December 2014, which created the tax on wealth for the years 2015 to 2017 for companies.
- (3) As of 31 December 2015 and 2014, corresponds primarily to electrical material for \$3,324,811 and \$5,949,653, security and surveillance services \$6,529,136 and \$6,072,004, studies and projects \$1,085,306 and \$833.098 respectively.

# 26. Expense for Depreciation, Amortization and Impairment Losses

	Year ended on 31 December 2015	Year ended on 31 December 2014
Depreciations (Note 12) Amortizations (Note 11)	\$ 237,920,957 11,680,014	\$ 242,107,045 11,546,258
<b>Depreciations and Amortizations</b>	249,600,971	253,653,303
Reversion (Losses) for impairment of financial assets (1)	338,759	8,415,199
	\$ 249,939,730	\$ 262,068,502

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

## 27. Financial Results

	Year ended	on 31 December 2015	Year e	nded on 31 December 2014
Cash revenues and other equivalent means(1)	\$	11,455,680	\$	11,833,962
Other financial revenues	'	599,176	•	1,447,152
Interest on financing to clients (2)		6,813,291		3,040,601
Interest in arrears		6,409,193		5,890,577
Interest on employee loans (3)		3,033,006		4,040,993
Financial revenues		28,310,346		26,253,285
Financial obligations (4)		(112,432,765)		(84,834,655)
Obligation for post-employment benefits		(14,630,523)		(13,477,775)
Levy on financial movements		(17,171,650)		(17,416,231)
Financial leasing (Leasing)		(374,271)		(482,707)
Other financial costs (5)		(946,344)		(3,107,015)
Financial costs		(145,555,553)		(119,318,383)
Revenues for exchange difference		6,540,036		1,218,487
Expense for exchange difference		(4,156,837)		(1,057,121)
Net exchange difference (6)		2,383,199		161,366
Total financial result, net	\$	(114,862,008)	\$	(92,903,732)

- (1) Corresponds primarily to financial yield in local currency from deposits and investment in various entities such as AlianzaFiduciaria, Avvillas, BBVA, Banco Bogotá, Caja Social, Citibank, Colpatria, Corficolombiana, Corpbanca, Corredores, Pichincha and ValoresBancolombia.
- (2) As of 31 December 2015, the Company recognized current interests corresponding to the balance owed by the UAESP of IVA public lighting for \$5,059,734 (See Note 7).
- (3) As of 31 December 2015, and 2014, corresponds to the financial interest of housing credits \$799,499 and \$842,109, and the financial effect of loans to employees agreed at the differential market rate \$2,203,507 and \$3,198,884, respectively.
- (4) Value corresponding to interest on bonds issued and generated under the Company's Bond Emission and Placement program, as follows:

	Issue	Year ended on 31 December 2015	Year ended on 31 December 2014
Bonds Interest B102		\$48,637,893	\$
Bonds Interest B604	!	12,842,918	9,933,699
Bonds Interest B5-13		16,116,540	12,463,825
Bonds Interest B12-13	i	18,825,157	14,923,187
Bonds Interest B7-14 (a)	!	15,647,513	3,505,096
Bonds Interest B10 (b)	<u> </u>	, , -	4.106.668
Others	•	112,070,02	<u>1 319.800 <b>84,471,91</b></u>
Other commercial loans	Amortization premium for emission		

## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

- (a) Corresponds primarily to the interest of bonds issued on 25 September 2014 for the third tranche under the Company's Bond Emission and Placement for \$185,000.000 of an only Sub-series B7 at 7-year term.
- (b) Corresponds primarily to interest on Bonds of sub-series B10 of the firs emission for \$250,000,000, which were paid on 11 March 2014.
- (5) As of 31 December 2014, corresponds primarily to the updating of present value of the equity tax for \$1,429,912.
- (6) The origin of effects on results for Exchange differences correspond to:

	Year ended on 31 December 2015					
	Revenues for Ex	xchange Difference	Costs for Exchange Difference			
Cash	\$	259,718	(3,905)			
Bank balance		33,795	(1,649,717)			
Cash and cash equivalents		293,513	(1,653,622)			
Current accounts receivable		104,212	(60,632)			
Total assets		397,725	(1,714,254)			
Accounts payable goods and services		6,026,374	(2,415,386)			
Advance payment to clients		115,937	(27,197)			
Total liabilities		6,142,311	(2,442,583)			
Total exchange difference	\$	6,540,036	(4,156,837)			

	Year ended on 31 December 2014								
	Revenues for	Exchange Difference	Costs for Exchange Difference						
Cash	\$	3,344 \$							
Bank balance Cash and cash equivalents		5,996 9,340	(114,079) (118,363)						
Current accounts receivable  Total assets		72,310 <b>81,650</b>	(27,104) (145,467)						
Accounts payable goods and services Advance payment to clients		935,068 201,769	(905,357) (6,297)						
Total liabilities		1,136,837	(911,654)						
Net results	\$	1,218,487	(1,057,121)						

## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

# 28. Expenses for Tax on Gains

The provision booked to the results of the period, for income taxes and CREE (income tax for equity) is broken down as follows:

	Year ended on 31 December 2015	Year ended on 31 December 2014
Current Income Tax 2015 Current CREE 2015 Tax	\$ 213,620,639 120,183,159	\$ 216,551,625 75,237,462
	333,803,798	291,789,087
Income tax previous years (1) Deferred tax movement	(41,455,656) 19,060,018	(4,138,528) (3,659,660)
Movements deferred tax previous years	44,952,180	1,063,449
	\$ 356,360,340	\$ 285,054,348

(1) The General Shareholders Assembly of 26 March 2015, as per Minutes No. 60, ordered the establishment of a reserve on account of the accelerated depreciation set forth in accordance with Article 130 of the Tax Statute for \$78,088,439 chargeable to net profit as of 31 December 2014, taking into account that for tax purposes the depreciation method of reducing balances as of 2014 is used and for accounting purposes, the straight line system is used.

Because of the implementation of depreciation for balance reduction, (\$39.021.233) were registered in the current tax, and \$40,016,135 in the deferred tax as of 31December 2014.

Included below is the reconciliation of the income tax that would result from applying a current general tax type to the "results before taxes" and the expense-registered equivalent to an effective rate on profits as of 31 December 2015 and 2014 of 40.81% and 34.53%, respectively:

	Year ended on 31 December		Rate Year	ended on 31 December	Rate
Reconciliation effective tax rate		2015		2014	
Year profit	\$	516,934,616	\$	540,585,253	
Cost of gain tax		356,360,340		285,054,348	
Gain before taxes		873,294,956		825,639,601	
Legal tax rate in forcé impuestovigente		39%		34%	
Tax as per current legal rate		(340,585,034)	(39%)	(280,717,464)	(34%)
Permanent differences:					
Non-deductible taxes (1)		(3,369,656)	(0.39%)	(2,981,563)	(0.36%)
Non-deductible tax on wealth		(8,619,236)	(0.99%)	-	-
Non-deductible tax on equity		-	-	(486,170)	(0.6%)
Expenses without causality relation with other deductibles (2)	non-	(794,394)	(0.09%)	(518,998)	(0.06%)
Expenses from previous exercises		(95,088)	(0.01%)	(5,283,345)	(0.65%)
Net effect of estimated liability movement and permanent provisions	S	(280,866)	(0.03%)	34,189	(0.0%)
Presumed interest		(3,218)	0%	(6,106)	0%
Disabled additional deduction		11,519	0%	15,848	0%
Revenues from previous years		10,801	. 0%	290,737	(0.04%)
Profit for sale of fixed assets taxed for occasion	onal	9,424	0%	121,210	(0.01%)

## **Notes to the Financial Statements - Unconsolidated (continuation)**

Reconciliation effective tax rate	Year ended on 31 December 2015	Rate Year er	nded on 31 Decemb 2014	er Rate
n thousands of pesos)				
Adjustment for exchange difference—defe adjust previous years	erred 875,027	(0,10%)	3,928,647	(0.48%)
2014 income adjustment in tax returns (3)	(3,496,523)	0.40%	31,847	0%
Effect adjustment CREE Surcharge	40,000	0%	(32,395)	0%
Total Permanent differences	(15,775,306)	(1.81%)	(4,336,884)	(0.53%)
Expense for Tax on Gains	\$ (356,360,340)	(40.81%)\$	(285,054,348)	(34.53%)

- (1) As of 31 December 2015 and 2014, corresponds to the effect on income tax and CREE of the levy on financial movements for \$3,348,462 and \$2,960,759 and taxes on vehicles for \$21,194 and \$20,803, respectively.
- (2) As of 31 December 2015, corresponds mainly to the effect on income tax and CREE, for expenses without causality relation such as invitations to employees, sports, recreation, well-being, loan condonations.
- (3) As of 31 December 2015, corresponds to the adjustment of 2014 income tax returns for the amortization of Almaviva in previous years \$2,119,694, depreciation for balance reduction \$994,902, estimated liabilities and provisions \$558,816, deduction for investment in science and technology (\$432.961) and Others for \$256,073.

# 29. Profit per Share

The profit per basic share is calculated dividing profit attributable to the Company shareholders adjusted to preferential dividends after taxes, between the weighted averages of common outstanding shares over the year. As of 31 December 2015 and 2014, there are no common shares acquired by the Company.

	Year ended on 31 December 2015	Year ended on 31 December 2014		
Year profit attributable to owners Preferential dividends (1)	\$ 516,934,616 6,302,341	\$ 540,585,253 4,787,504		
Year profit attributable to owners adjusted to preferential dividends weighted average of outstanding shares	510,632,275	535,797,749		
average of odustarioning strates	132,093,274	132,093,274		
Profit per basic share (*)	\$ 3,865.69	\$ 4,056.21		

- (\*) Figures in Colombian pesos
- (1) Out of total shares of Empresa de Energía de Bogotá S.A. ESP, 20,010,799 shares correspond to shares without voting rights, and an annual preferential dividend of US\$0.10 per share.

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## **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

# 30. Other Consolidated Results

The breakdown of other consolidated results is shown herein below:

	Year ended on 31 December 2015		ar ended on 31 ecember 2014
Component of other consolidated results that will not be reclassified to period results			
Losses for new measurements of defined benefit plans (1)	\$	1,064,806	\$ (22,640,232)
Losses in new measurement of financial tools at reasonable value Losses in new measurements of financial tools measured at reasonable		(10,039)	
Gains (losses) for cash flow hedging		(89,088)	-
Other consolidated result that will not be reclassified to period results Components of other consolidated period results, before taxes		965,679	(22,640,232)
Gains (losses) for cash flow hedging		-	(3,951)
Consolidated results that will be reclassified to the period results, before taxes			_(3,951)
Tax on gains relative to components of other consolidated results that will be reclassified to the period results			
Tax effect for losses of new measurements of defined benefit plans (1)		(428,028)	7,697,679
Tax effects for cash flow hedging		35,635	-
Total taxes on gains relative to components of other consolidated results that will not be reclassified to the period result		(392,393)	7,697,679
Taxes on gains relative to components of other consolidated results that will be reclassified to the period result			
Tax effect for cash flow hedging		-	1,343
Total taxes on gains relative to components of other consolidated results will be reclassified to the period result		-	1,343
Total other consolidated results	\$	573,286	\$ (14,945,161)

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## Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

(1) Corresponds to the effect of actuarial losses valued by the firm Aon Hewitt México. As of 31 2015 and 2014, actuarial losses with effect on equityare shown below:

		ded on 31 per 2015	Year ended on 31 December 2014				
	Pens Bene	ions and fits			Pensions and Benefits		
Initial Balance	\$	(28,723,014)	\$	(789,115)	\$	\$	(593,261)
Gains (loss) actuarial		1,319,884		(255,079)	(22,343,483)		(296,749)
Tax effect		(514,755)		86,727	7,596,784		100,895
Final Balance	\$	(27,917,885)	\$	(957,467)	\$	\$	(789,115)

Loss value is transferred directly to cumulative gains and will not be reclassified to the results of the equivalent period.

(2) As of 31 December 2015, corresponds to losses derived from investment in Electricaribe S.A E.S.P because of applying valuation by multiples, registered in Other consolidated results by (\$10,039). The loss value is transferred directly to cumulative gains and will not be reclassified to the results of the equivalent period.

# 31. Assets and Liabilities in Foreign Currency

The norms existing in Colombia for free negotiation of foreign currency through banks and financial institutions at free exchange rates. Nonetheless, most of the transactions in foreign currency require compliance with certain legal requisites.

Summary of assets and liabilities expressed in foreign currency:

		As of 31 December 2015								
		(in EUR)	(in US Dollars) (in thousands of pesos							
						1				
Cash and cash equivalent	€	2,584	US\$	118,521	\$	382,161				
Debtors		257,917		736,495		3,138,876				
Accounts payable		(4,134,065)		(2,231,093)		(22,309,712)				
Position (liability), net	€	(3,873,564)	US\$	(1,376,077)	\$	(18,788,675)				

	As of 31 December 2014									
	(en E	UR)	(en L	JS Dólares)	(en miles de pesos )					
Cash and cash equivalent	€	13	US\$	115,697	\$	276,836				
Debtors		143,416		391,950		1,190,283				
Accounts payable	(	(1,068,876)		(2,543,077)		(8,910,799)				
Position (liability), net	€	(925,447)	US\$	(2,035,430)	\$	(7,443,680)				

# Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

		As of 1 January					
		2014					
	(	in EUR)	(	(in US Dollars)	(in thou	sands of pesos)	
Cash and cash equivalent	€	2,721	US\$	23,529	\$	52,581	
Debtors		177,838		264		458,015	
Accounts payable		(313,830)		(1,416,044)		(3,569,043)	
Position (liability), net	€	(133,271)	US\$	(1,392,251)	\$	(3,058,447)	

# 32. Sanctions

As of 31 December 2015, the Company was notified of the Resolution with the following sanctions:

• On 17 November 2015, through Resolution No. SSPD-20152400051515 issued by the Household Public Utilities Superintendence decided to impose a \$20,619 fine on an issue of recognizing the property of assets by the gym called "Hard Body". Status: appeal for reconsideration was filed.

Following are the sanctions presented in 2014:

- In March 2014, the Household Public UtilitySuperintendence imposed sanction to the Company of \$77,814, for breaching the operations regulations regarding timing of TAPS maneuvering. Through Resolution 2014240005655 of 7 March 2014, the SSPD confirmedthe sanction indicating that the Company breached the operations regulations, insofar as it exceeded the times allowed for in the regulations. Current Status: concluded and paid.
- In March 2014, the Household Public Utility Superintendence (SSPD), imposed sanction to the Company of \$127,332, fore failure in service provision failure of DES indicator. Through Resolution 2014240005125 of 5 March 2014, the aforementioned sanction was imposed insofar as the Company did not provide the electric energy utility service continuously, by exceeding the maximum admissible levels of the DES marker, pursuant to that set forth in Article 136 of Law 142 of 1994 and section 6.3.4 of CREG Resolution 070 of 1998. Current Status: concluded and paid.
- On 16 July 2014 through Resolution N° 20142400025295, the Household Public Utility Superintendence (SSPD) confirmed sanction to the Company for \$13,558, for failure to comply with Resolution CREG 097 of 2008, insofar as it did not accredit within the deadline set out (6 April 2010) compliance with the requisites to commence the application of the service quality scheme. Current Status: concluded and paid.

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

# 33. Other Isurance

The Company, in addition to insurance listed in Note on Property, Plant and Equipment (see Note 12), has the following: (See Note 12):

Property/person insured	Risks covered	Insured amount (figure in thousands)	Expiration	Insurance Company
Transported Merchancy	Loss or damage to the transported goods	\$2.500 Limit	30/12/2016	Mapfre
Employees having a direct contract with Codensa	Death, Total and Permanent incapacity	Maximum individual insured sum : \$1.800	01/01/2016	Generalli Colombia
Counsellors or directors	Civil Responsibility of Directors and administrators	USD \$ 5.000	10/11/2016	AIG

# 34. Commitments and Contingencies

### I. Purchase commitments:

The Company as of 31 December 2015 has commitments to purchase electric energy as follows:

Year	 nmitments with Third Parties	Commitments with Emgesa S.A. E.S.P.	Total
2016	668,325	\$ 613,219	\$ 1,281,544
2017	548,914	647,724	1,196,638
2018	455,871	476,354	932,225
2019	302,550	800,822	1,103,372
2020	20,377	538,059	558,436
	\$ 1,996,037	\$ 3,076,178	\$ 5,072,215

Commitments for purchases of materials supply as of 31 December 2015 are the following:

Period	Value
	14.40

# **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

Following is the summary of commitment of service procurement:

	Com	mitments with Third Parties	ı	Commitments with associates		
Year						Total
2016	\$	228,435,973	\$	601,142	9	\$ 229,037,115
De 2017 a 2018		168,583,924		801,523		169,385,447
De 2019 a 2020		3,763,092		-		3,763,092
De 2021 a 2025		1,236,322		-		1,236,322
	\$	402,019,311	\$	1,402,665	,	\$ 403,421,976

# II. Litigation and arbitration:

a. The main lawsuits that the Company has as of 31 December 2015 qualified as eventual are:

Group action due to El Niño phenomenon.

Claimant: Gerardo ForeroTriana and Other.

Date of commencement: 23.02.2015

Amount in local currency: \$163.000.000

<u>Object of Trial:</u> to counteract impact from potential El Niño phenomenon that influences the rate, the Commission for the Regulation of Energy and Gas, CREG, established the Rate Option, through CREG Resolution 168 of 2008, which allows for deferring the electric energy rate for up to two years, instead of doing it immediately, thus smoothing the impact of the raise for the final users.

The Company voluntarily terminated the Rate Option it had applied and, by virtue thereof, it must carry out a balance of the actual rate values and those invoiced resulting from the Rate Option based on the balances and the historical record of values transferred to the final user's rate, in compliance with CREG Resolution 168 of 2008.

The resulting value after comparing rates must be reimbursed to final users as the values of the Rate Option, as cumulative balances, are always above the values that should have been invoices if not having opted for such alternative.

The pretension is for individual monetary indemnity derived from the non-devolution of values that were paid on time by the users in excess of the real unit cost (CU) per kilowatt, pursuant to CREG Resolution 168 of 2008, since the Company embraced this Resolution.

<u>Current status and trial situation:</u> pending notification and answer to the claim.

# Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

### ConvenciónColectiva

Claimant: Javier Cabrera Garzón and Other

Date of commencement: 09.07.2012

Amount in local currency: \$136,000

<u>Object of Trial:</u> A Collective Bargain Agreement was entered into between the Company and Sintraelecol for the period 2004-2007, in accordance with the Colombian Labor Law, which was automatically extended.

In July 2011, Bargain Agreement Minutes was signed whereby it amended, deleted or added some articles of the 2004-2007 Collective Bargain Agreement between the Company and Sintraelecol. Some employees who are affiliated to Sintraelecol pretend that the Collective Bargain Agreement Minutes signed in July 2011 to be declared illegal and, thus, apply fully all the prerogatives enshrined in the 2004-2007 Collective Bargain Agreement. Company's Defense relies on the illegitimacy of the claimants to claim on this cause, inasmuch as it refers to collective rights rather than individual rights and, therefore, the claim should be filed by the organization to which they are affiliated, Sintraelecol in this case.

It is pertinent to note that the Company paid a given amount of money for the subscription to the Collective Bargaining Agreement and, should the claimants' pretension prosper, there is a risk of losing said sum.

<u>Current status and trial situation;</u> first instance ruling issued in favor of the Company. Pending second instance decision.

# Case for electric energy recovery

Claimant: Emilce Amparo Suba Cucaita.

Date of commencement: 2013

Amount in local currency: \$645,000

<u>Object of Trial:</u> order reimbursement by the Company of the values charged for Energy Recovery to users since the year 2011, due to violation of due process for the users, understanding that the procedures carried out by the Company for energy recovery do not match that set out in the Uniform Conditions Contract, thus generating gains without just cause.

<u>Current status and trial situation:</u> the appeal for reconsiderationwas decided by the Court, which partially revoked the evidentiary order and ordered taking the testimonies requested by the Company and some processing requested by the claimant. Pending evidence taking.

### Collective action by usersbeloning to voltaje one level

Claimant: Centro Médico de la Sabana PH and Other.

<u>Date of commencement:</u> 29.09.2014 <u>Amount in local currency:</u> \$337,000,000

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# Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

<u>Object of Trial:</u> claimants pretend the Company to reimburse what it has allegedly charge in excess for not applying the rate benefit to said users' group belonging to Voltage Level One, who are, in addition, owners of the distribution assets.

The pretension and main fact of the claim argue that the Company is obtaining illegal gains, as it is not applying any rate benefit to users who belong to this voltage level and who are owners of the infrastructure, pursuant to that provided for Resolution 082 de 2002, amended by Resolution 097 of 2008. The claimant determines the value of this claim arguing that this situation is replicated with approximately 550,000 users and that each of them has the right to an indemnity of 235 Euros (\$600).

<u>Current status and trial situation:</u> a conciliation hearing took place, but no agreement was reached. To this date, the Company is following up and judicially overseeing the case while waiting for the evidentiary decree.

### b. Main litigations as Claimant:

As of 31 December 2015, the Company acts as claimant in four lawsuits that, in the event of being decided favorably, could generate an asset. These lawsuits correspond to nullity actions and re-establishment of rights filed against resolutions whereby the Household Public Utility Superintendence liquidated the special contribution set forth in article 85 of Law 142 of 1994 for taxable years 2012, 2013, 2014 and 2015 on a taxable base in excess of that provide for by the law. The amounts subject of discussion are \$1,578,128, \$2,956,882, \$2,717,202, \$3,339,604 and \$5,102,330 for the aforementioned years.

# 35. Risk Management

The Companyes exposed to certain risks it manages through application of identification, measurement, concentration limitation, and supervision systems.

The basic principles defined by the Company to implement its risk management policy include the following:

- Comply with good corporate governance norms.
- Comply strictly with all corporate regulatory system.
- Each management and corporate area defines:
  - a. Markets in which it can operate based on sufficient knowledge and capacity to ensure efficient risk management.
  - b. Criteria about counterparties.
  - c. Authorized parties.
- Management and corporate areas establish for each market where they operate their risk exposure in coherence with the defined strategy.
- All management and business operations are performed within the limits approved in each case.
- Managements, corporate areas and business lines establish risk management controls as necessary to
  ensure that market transactions are carried out in accordance with the policies, norms and procedures of
  the Company.

# Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

### **Interest Rate Risk**

The variations of interest rates change the reasonable value of such assets and liabilities earning a fixed interest rate, as well as the flow of assets and liabilities referenced at variable interest rate.

The purpose of risk management relative to interest rates is to reduce the volatility of the financial cost reflected on the income statement.

Depending on the estimates by the Company and the objectives of debt structure, hedging operations were undertaken through the contracting of derivatives that mitigate such risks. Instruments that can be used correspond to rate swaps, setting from variable to fixed rates. Currently the Company has not contracted interest rate hedging.

The following chart shows the sensitivity analysis of the financial cost associated with issued debt, relative to the per cent variation of interest rates as follows:

Changes in the Interest Rate	As of 31 Dece	ember 2015	As of 31 D	December 2014
IPC +/- 267 basic points (a)	(+/-)\$	32.849.154	(+/-)\$	30.208.049

(a) Movements of interest rates were taken based on the historical volatility of the CPI over a three-year period (2012-2015 and 2011-2014; for calculations of 2015 and 2014, respectively) taking twice the standard variation of the series.

### Type of exchange risk

The type of exchange risks can be presented, fundamentally, with the following transactions:

- Debt contracted by the Company in a currency other than that at which its flows are indexed to.
- Payments to be made for acquisition of materials associated with projects in a currency other than that at which its flows are indexed to.
- Revenues directty related to the evolution of currencies other than that of its flows.

Taking into account that the functional currency of the Company is the Colombian peso, it is necessary to mitigate the type of exchange minimizing the exposure of flows to the risk of type of exchange variations.

The instruments that can be used correspond to derivatives (forwards and/or options) of type of exchange.

### Risk of the "commodities"

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The Company is exposed to the risk of Price variation of "commodities", essentially through electric energy purchasesale operations in local markets.

The Company performs most of its electric energy purchase transactions through contracts for which it has previously agreed on a prize, thus mitigating this risk.

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# Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

# **Liquidity Risk**

The Company has in place a consistent liquidity policy for contracting long-term credit facilities, cash and temporary financial investment, for amounts that are sufficient to support the needs projected for a period depending on the situation and expectations of debt and capital markets.

The resources available must cover the needs of financial debt service (principal plus interest) net, that is, after financial derivatives.

Included below are the contractual cash flows of financial liabilities with third parties, undiscounted:

		Current				Non-Current	
Concept	Less than 90 days	More than 90 days	Total Current	1 to 3 years	3 to 5 years	5 to 10 years	Total Non-Current
Issued Bonds (principal + interest)	\$ 173,967,032	\$ 73,948,861	\$ 247,915,893 \$	762,042,020	\$ 55,344,670	\$ 434,958,410	\$ 1,252,345,100
Obligitations for financial Leasing ( principal + interest)	452,385	1,222,549	1,674,934	1,517,243	-	-	1,517,243
Commercial accounts payable and other accounts payable	428,251,464	-	428,251,464	-	-	-	-
	\$ 602,670,881	\$ 75,171,410	\$ 677,842,291 \$	763,559,263	\$ 55,344,670	\$ 434,958,410	\$ 1,253,862,343

### **Credit Risk**

The Company performs detailed follow-up of credit risk.

# Commercial Accounts Payable

As regards credit risk corresponding to accounts receivable from the commercial activity, this risk is historically limited, given that the short-term collection from clients prevents individual accumulation of significant amounts.

As regards default in payment, the supply is suspended and in almost every contract, payment default is considered cause for termination of contract. Hence, the credit risk is monitored, measuring the maximum amounts exposed to payment risk, which, as already mentioned, are limited.

# Financial nature assets

The investment of company available resources (treasury investments), originated in the operation and in other nonoperational revenues and the operation of financial derivatives will be carried out with national and foreign first line entities that meet the minimum risk rating required by the Company.

The minimum risk rating of their financial counterparties must be long-term international investment level, or its equivalent at local scale, taking into account the minimum international rating in foreign currency for the Republic of Colombia. The investment can be made only in counterparties with lower ratings, within the limits established

# Notes to the Financial Statements - Unconsolidated (continuation)

(In thousands of pesos)

The liquidity surplus operations must meet the following general criteria:

- Security: in order to preserve the value of the investment portfolio, the available resources for placement must meet the credit rating requirements set forth herein.
- · Liquidity: the instruments that are part of the investments must have high liquidity in the market.
- Profitability: within the risk limits allowed for, the highest possible return on investment must be sought.
- Diversification: risk concentration must be avoided in a given type of issuer or counterparty.
- Transparency: All operations and commitments undertaken for management of available resources must be explicitly registered and supported, and shall be governed by the norms and procedures in force.

### **Risk Measurement**

As to the exchange rate risk, the Company calculates the effectiveness of currency forwards that replicate on 100% of underlying flows, contracted to cover risk of variation of the Colombian peso with respect to the dollar for hedging of payments.

Therefore, the effectiveness calculation is made through the retrospective and prospective tests. The prospective test is defined as the quotient between the quarterly difference of the fair value (MTM) of the real forward and the quarterly difference of the fair value of the hypothetic forward.

The hypothetic derivative is defined as the forward that on the date of contracting reduces the whole type of exchange risk and replicates on 100% of the underlying flows for the period covered. On each evaluation date, which will be quarterly, the quotient must be in the range of 80-125% for the forward to be considered effective and, hence, rated as accounting hedging.

The prospective effectiveness test shall be made by comparing changes in fair value between the actual derivative that has been contracted and a hypothetical derivative for various Exchange type cases. This simulation analysis consists in setting the type of forward exchange type on two hypothetical scenarios: +20% and -20%. The results of variations in fair value of both instruments will be compared having to find a range between 80% - 125% to be able to apply hedging accounting. Thus, it is proved that changes in type of exchange affect also the fair value of the hypothetical derivative and the actual derivative.

# 36. Information on Reasonable Values

The reasonable value of financial assets and liabilities is presented for the value at which the instrument could be swapped in a current transaction between the parties, by mutual consent rather than in a forced transaction or liquidation, in accordance with the defined policy (See Note 3.1.8 and 3.13).

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# **Notes to the Financial Statements - Unconsolidated (continuation)**

(In thousands of pesos)

Shown below are the financial assets and liabilities with variations between the book value and the reasonable value as of 31 December 2015:

Financial assets	Value in the Books		Reasonable Value	
Commercial accounts and other accounts receivable	\$	439,041,362 \$	435,530,724	
Financial Liabilities				
Issued Bonds (1)	\$	1,186,042,012 \$	1,181,653,809	
Financial leasing obligations (1)		2,886,559	3,087,542	
	\$	1,188,928,571 \$	1,184,741,351	

- (1) The Company evaluates accounts receivable and other long-term receivables based on parameters such as interest rates, risk factors in each country, customer solvency and risk characteristics of the financed portfolio. Based on this evaluation, provisions are registered to account for expected losses on these accounts receivable.
- (2) The financial obligations and financial leasing are estimated by discounting future cash flows using available rates for debts with conditions, credit risk and similar maturities. The Company uses discount rates of the zero coupon curve in accordance with maturities of each emission.
- (3) The reasonable value of cash and cash equivalents and commercial accounts payable are rounded up to their book value, due to the short-term maturities of these instruments.
- (4) As of 31 December 2015, The Company keeps in its Financial Statement the following financial assets and liabilities, measured at their reasonable value, classified by levels, in accordance with the defined policy (See Note 3.13):

Financial assets	l	_evel 2
Financial Investment–not listed corporations or which have limited liquidity (See note 5)	\$	16.192
Financial Liabilities Forwards (See Note 14)	\$	89.088

# 37. FinancialStatements Approval

The general purpose Financial Statements of the Company as of 31 December 2015 were approved by the Board of Directors as per Minutes No. 238 of 16 February 2016 for submittal to the General Shareholders Assembly, pursuant to the Commercial Code.



Bogotá, 11 February 2016 GG-007

Messrs Shareholders Codensa S.A. E.S.P. Bogota

# Dear Sirs:

In accordance with that provided for in section 3 of Article 446 of the Commercial Code, following is the economic and financial information, expressed in thousands of pesos.

a) Detailed expenses on account of salaries, fees, per diem, representation expenses, bonuses, benefits in cash and in kind, costs on account of transport and any other type of remuneration received by each of the company's executives.

# **Board of Directors fees**

Tercero	Período de doce meses del 1 de enero al 31 de diciembre de 2015
ACOSTA DAVID FELIPE	35.100
BONILLA GONZALEZ RICARDO	32.055
CABRALES MARTINEZ ORLANDO	35.110
GOMEZ CERON GUSTAVO ADOLFO	8.513
GONZALEZ BORRERO JORGE IVAN	2.952
HERRERA LOZANO JOSE ALEJANDRO	18.596
LOPEZ VERGARA LEONARDO	3.034
MALDONADO COPELLO MARIA MERCEDES	14.535
NOERO ARANGO VICENTE ENRIQUE	5.662
PARDO GOMEZ JUAN MANUEL	3.141
RIVAS ARDILA HELGA MARIA	10.576
ROA BARRAGÁN RICARDO	43.613
RUBIO DIAZ LUCIO	40.472
VARGAS LLERAS JOSE ANTONIO	40.579
PRORRATEO DE IVA	767
TOTAL	294.705

# Audit Committee fees

Tercero	Período de doce meses del 1 de enero al 31 de diciembre de 2015
CABRALES MARTINEZ ORLANDO	7.243
HERRERA LOZANO JOSE ALEJANDRO	7.243
MALDONADO COPELLO MARIA MERCEDES	4.163
NOERO ARANGO VICENTE ENRIQUE	2.033
ROA BARRAGÁN RICARDO	11.407
VARGAS LLERAS JOSE ANTONIO	11.407
TOTAL	43.496

b) Payments on same accounts sated in the previous section, paid to advisers or managers associated or not with the Company through work contracts, when their main functions is to manage issues with public or private entities, or to advise or prepare studies to undertake such processing:

# Legal Advisory Fees:

Tercero	Concepto	Período de doce meses del 1 de enero al 31 de diciembre de 2015
AESCASA	Asesoria Laboral	92.073
ALFONSO CANON ANGELICA JOHANNA	Asesoria Legal	15.000
BAKER & MCKENZIE SAS	Asesoria Tributaria	78.425
CANDIA GOMEZ YANETH	Asesoria Legal	9.203
CORTES Y COTE LTDA.	Asesoria Legal	60.814
CUELLAR TRUJILLO PEDRO ANDRES	Asesoria Legal	87.385
D&G ASESORES LTDA	Asesoria Legal	28.466
DIAZ ANTOLINEZ KAREN LIZETH	Asesoria Legal	88.388
GAMA GESTION LEGAL S.A.S.	Asesoria Legal	549.949
HERNANDEZ CONTRERAS LUIS FRANCISCO	Asesoria Legal	105.037
JAVIER TAMAYO JARAMILLO	Asesoria Legal	17.685
KPMG IMPUESTOS Y SERVICIOS LEGALES	Asesoria Legal	126.446
LEAL ALMARIO JAIRO ALBERTO	Asesoria Legal	33.000
LEON VEGA CARLOS AUGUSTO	Asesoria Legal	1.800
LEWIN & WILLS ABOGADOS LTDA	Asesoria Legal	17.916
LLOREDA Y COMPANIA S.A.	Asesoria Legal	100.313
LOBOGUERRERO GUTIERREZ LTDA	Asesoria Legal	28.518
LUPA JURIDICA S.A.S.	Asesoria Legal	4.341
PRICEWATERHOUSECOOPERS	Asesoria Legal	38.514
SUAREZ MERCHAN JOSE IGNACIO	Asesoria Legal	18.750
PRORRATEO DE IVA	Prorrateo IVA	144.691
TOTAL		1.646.714

# <u>AdviserFees</u>

Tercero	Concepto	Período de doce meses del 1 de enero al 31 de diciembre de 2015
AON MEXICO BUSINESS SUPPORT SA	Actuario	51.457
AZ REGION ANDINA SAS	Asesoría	43.103
BVQI COLOMBIA LTDA	Asesoría	11.200
CONINGLES LTDA	Exámenes Ingles	7.760
CONSULTORES UNIDOS SA	Inventario de Activos Fijos	155.172
CORPORACION CREO	Asesoría	41.705
DELOITTE ASESORES Y CONSULTORES LTDA	Asesoría	44.480
ERNST & YOUNG AUDIT S A S	Revisoria fiscal	308.864
ERNST & YOUNG AUDIT S A S	Otros Servicios	550.503
ETEK INTERNATIONAL CORP	Asesoría	25.680
EXIMIUM INTERNATIONAL EU	Asesoría	27.994
INSIGHT M&C SAS	Pruebas Psicotecnicas Selección	37.487
MARGARITA PAEZ Y CONSULTORES S A	Asesoria Selección y Formación	24.210
MCKINSEY & COMPANY	Asesoría	565.000
NATALIA GODOY CONSULTORES ORGANIZACIONALES	Asesoría Laboral	51.374
PRICEWATERHOUSECOOPERS ASESORES	Mappatura	622.453
PRICEWATERHOUSECOOPERS ASESORES	Precios de Transferencia	22.701
VEGA LLAMAS RODOLFO	Conferencias	6.000
WORLD TALENT ADVERTISING AND COMMUN	Asesoria Selección y Formación	81.789
PRORRATEO IVA		175.097
TOTAL		2.854.029

# c) Breakdown of propaganda and public relations expenses:

# Radio, TV advertising, mail, printed material and public relations

Tercero	Concepto	Periodo de doce meses del 1 de enero al 31 de Diciembre de 2015
360 MEDIA LTDA	Servicio de publicidad	313.200
AD ORANGE S.A.S.	Impresiones y Publicaciones	53.876
ASOCIACION BANCARIA Y DE ENTIDADES	Renovación de suscripciones	6.268
ASOCIACION DE GESTION HUMANA ACRIP	Renovación de suscripciones	1.611
ASOCIACION PARA EL PROGRESO	Cuota de afiliación	2.100
BLOOM MOTION S.A.S	Servicio de publicidad	27.885
CAMARA COLOMBIANA	Cuota de afiliación	1.570
CAMARA DE COMERCIO E INDUSTRIA	Cuota de afiliación	9.758
CAMARA DE COMERCIO ITALIANA	Renovación de suscripciones	3.000
CAMARA REGIONAL DE LA CONSTRUCCION	Cuota de afiliación	25.212
CARACOL TELEVISION S A	Servicio de publicidad	46.232
CARAT COLOMBIA S.A.S	Servicio de publicidad	394.302

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rercero	Concept <sup>o</sup>	Periodo de dace meses del 1 de enero al 31 de Didembre de 2015
CARVAJAL SOLUTIONS DE COMUNICACION	Impresiones y Publicaciones	9.186
CASA EDITORIAL EL 71EMPO S A	Renovacion de suscripciones	<b>222</b> 4
COWIE COLOMBIAN" DEL WEC	Renovacion de suscripciones	6.999
COMUNICANSA	Renovacion de suscripciones	328
CORPORACION CENTRO DE INVES71GACION	Seivicio de publicidad	13.781
CORPORACION CONNECT BOGOTA REGION	Seivicio de publicidad	6.960
EDITORIAL EL GLOBO SA	Renovacion de suscripciones	510
EDITORIAL LA UNIDAD S A	Renovacion de suscripciones	295
EL CONTADOR DEL SIGLO 100	Publicaciones	1.520
ENERGIA LABSTORE SAS.	Seivicio de publicidad	160.457
ENLACE DOBLE SAS	Renovacion de suscripciones	2320
FOCUSECONOMICS S.L.	Material Publicitario	826
FORMAS Y PAPELES LIDA	Impresiones yPublicaciones	372
GRUPO EMPRESARIAL ELEVEN GROUP EU	Servicio de publicidad	3.668
HIGH LOGISTICS GROUP SAS.	Renovacion de suscripciones	120
MAGEPRIN11NG LTDA	Impresiones yPublicaciones	335
NSIGHT M&C SAS	Servicios de publicidad	50.732
NSTRUTO COLOMBIANº DE NORMAS 7ECNICAS	Cuota de afiliacion	3.704
NSTRUTO DE AUDITORES INFERNOS	Cuota de atiliacion	1.108
N1ERNA710NAL ELECTROTECHNICAL	Cuota de afiliacion	96.238
NIKALJNKS	Servicio de publicidad	1.459
LETRARTE EDITORES LTDA	Seivicio de publicidad	36.250
MINDSHARE DE COLOMBIA L'I DA	Seivicio de publicidad	ሪነሪነ
MOLJNO DE PAPEL SAS	Servicio de publicidad	520
MUSICARSA	Cuota de afiliacion	1.670
OOKRE IMPRESORES LTDA	Material Publicitario	83.353
PRIMERAPAGINA COLOMBIA SAS	Renovacion de suscripciones	11.366
PUBLJCACIONES SEMANAS A	Publicaciones	810
PUBLJCIS GROUPE MEDIA SA	Servicio de publicidad	893.686
ROMERO BARLJZA HERNANDO	Servicio de publicidad	5.616
T C IMPRESORES LTDA	Impresiones yPublicaciones	24.072
UNIVERSIDAD DE LA SABANA	Renovacion de suscripciones	7W
YOUNG & RUBICAM BRANDS SAS	Seivicio de publicidad	214.007
PRORRA7E0 WA		202.972
TOTAL		2.730.996

# Participation in events and congresses, and sponsorships

Tercero	Concepto	Periodo de 12 meses del 1 de enero al 31 de diciembre de 2015
ASOCIACION COLOMBIANA DE INGENIEROS	Patrocinio	1.934
ASOCIACION DE DIARIOS COLOMBIA	Patrocinio	232.000
ASOCIACION NACIONAL DE EMPRESARIOS	Patrocinio	39.397
ASOCODIS	Patrocinio	8.000
FUNDACION PARA LA EDUCACION Y DESARROLLO		46.400
FUNDACION SOLIDARIDAD POR COLOMBIA	Patrocinio	60.000
NEARDENTAL SAS	Patrocinio	5.738
UNIVERSIDAD EXTERNADO DE COLOMBIA	Patrocinio	6.500
TOTAL GENERAL		399.969

d) Transfers of cash and other goods, for no consideration or similar, in favor of individuals or companies;

Tercero	Concepto	Periodo doce meses del 1 de enero al 31 de diciembre de 2015
FUNDACION ENDESA	Aporte	632.000
FUNDACION ENDESA	Аропе	0

e) As of 31 December 2015, cash or Other goods held by the Company abroad, and obligations in foreign currency are:

		As of 31 December 2015				
		(in EUR)	(in US	Dollars)		(in thousands of pesos )
Cash and cash equivalents Debtors Accounts payable	€	2,584 257,917 (4,134,065)	US\$	118,521 736,495 (2,199,949)	\$	382,161 3,138,876 (22,309,712)
Position (liability), net	€	(3,873,564)	US\$	(1,344,933)	\$	(18,788,675)

**f)** As of 31 December 2015, the Company investments in other corporations, whether national or foreign, Following is the breakdown of investments registered as per the cost method:

Equity shares	Economi Activity	Relationship	Ordinary Shares	<sup>%</sup> Share	As of 31 December 2015	As of 31 December 2014	Als of 1 January 2014
Distribuidora de Energía de	Investment	Partenership104	1,247,499,548	48,99%	\$ 104,247,500	\$ 104,247,500	\$ 104,247,500
Cundinamarca Inversora Codensa	Investment	Subsidiariy	5,000	100,00% _	5,000 \$ 104 252 50	5,000 00\$ 104,252,500\$	5,000 104 252 500
					¥ 104,252,50	υφ 10 <del>1</del> ,252,500 φ	107,252,500

# Financia linvestments in not listed corporations

Equity shares	Economic Activity	Ordinary Activity	%Share	As of 31 December 2015
Electrificadora del Caribe S.A E.S.P	Energy	654,735	0.0013%	\$ 16,192

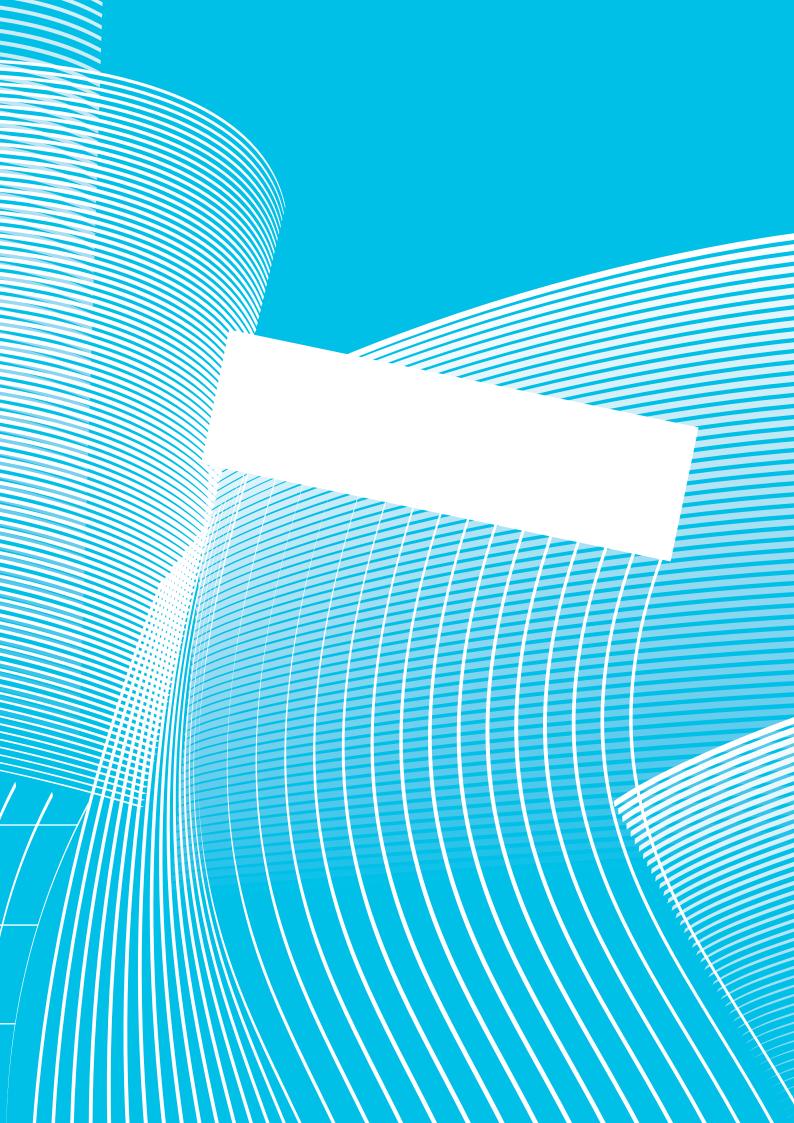
Sincerely,

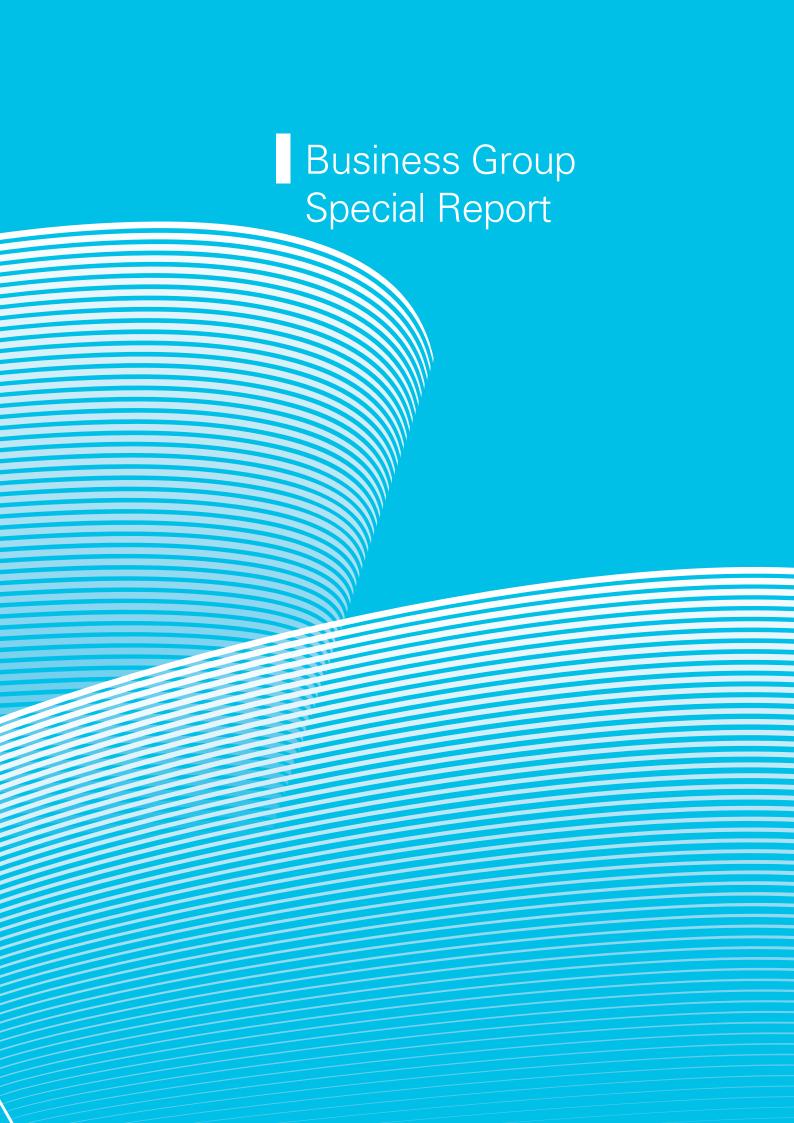
JOSE ANTONIO VARGAS LLERAS

Board of Directors President

DAVID FELIPE ACOSTA CORREA

Legal Representative





Messrs

### **GENERAL SHAREHOLDERS ASSEMBLY**

Codensa S,A, ESP

Ref: Business Group Special Report

In my capacity as CEO of Codende S.A, ESP, (hereinafter Codensa), in compliance with Article 29 of Law 222 of 1995, following is the list of the most relevant operations performed by Codensa with economically associated companies duiring the period 1° January to 31 December 2015:

# i) <u>Emgesa S.A, ESP (EnelGroup)</u>

- Codensa carried out operations with Emgesa S.A, ESP related to electric energy valued at COP\$291,944,079,589, IVA included.
- Codensa S.A. carried out operations with Emgesa S.A, ESP related to various aspects other than electric energy management valued at COP\$289,696,999 IVA included.
- Codensa S,A, ESP performed on behalf of Emgesa electric energy service provision contracts to the municipality of Mámbita and Other services valued at COP\$1,561,318,836 IVA included.

# ii) Fundación Endesa Colombia - (Enel Group)

 Codensa contributed to Fundación Endesa Colombia for its operation the amount of COP\$632,000,000 IVA included,

# iii) Enel Iberoamerica SRL - (Group Enel) (formerly Enel Energy Europe SL)

- Codensa entered into a contract with Enel Iberoamerica SRL (formerlyEnel Energy Europe SRL) for informatics services, software licensing and Other systems valued at COP\$2,734,249,611 IVA included.
- Codensa entered into a contract with Enel Iberoamerica SRL (formerly Enel Energy Europe SRL) for management of innovation valued at € 246,000 IVA included.

# iv) Enel Distribuzione SPA - (Enel Group)

• Codensa entered into a contract with Enel Distribuzione SPA for acquisition of a Telecontrol peripheral unit, valued at USD 1,677 IVA included.

Sincerely,



Grupo Enel