

**NONCONSOLIDATED FINANCIAL STATEMENTS**

**Emgesa S.A. E.S.P.**

Years ending on December 31 of 2013 and 2012

With the Statutory Auditor's report

## TABLE OF CONTENTS

Nonconsolidated General Balance Sheets	6
EMGESA S.A. E.S.P.	8
Nonconsolidated Financial Statements	8
EMGESA S.A. E.S.P.	9
Nonconsolidated Statement of Equity Changes	9
EMGESA S.A. E.S.P.	10
Nonconsolidated Statement of Changes in the Financial Situation	10
EMGESA S.A. E.S.P.	12
Nonconsolidated Cash Flow Statements	12
EMGESA S.A. E.S.P.	14
Notes to the Nonconsolidated Financial Statements	14
1. Main Accounting Policies and Practices	14
2. Assets and Liabilities in Foreign Currency	22
3. Cash and Cash Equivalents	22
4. Debtors, Net	23
5. Participating Companies	25
6. Permanent Investments, Net	27
7. Inventories, Net	28
8. Properties, Plant, and Equipment, Net	29
9. Deferred Charges, Net	29
10. Intangible Assets, Net	30
11. Other Assets	30
12. Revaluations	31
13. Financial Obligations	32
14. Accounts Payable	38
15. Labor Obligations	38
16. Retirement Pensions	39
17. Estimated Liabilities and Reserves	40
18. Taxes, Liens, and Rates	40
19. Other Liabilities	44

20. Equity	44
21. Memorandum Accounts	46
22. Operational Revenues	46
23. Cost of Sales	46
24. Administration Expenses	47
25. Financial Expenditures, Net	47
26. Miscellaneous Revenues (Expenditures), Net	48
27. Forward Operations	49
28. Contingencies	50
29. Subsequent Events	52
30. Commitments	53
31. Financial Metrics	53

## Statutory Auditor's Report

To the Emgesa S.A. E.S.P. Shareholders:

I have audited the attached Emgesa S.A. E.S.P. nonconsolidated financial statements, which include the nonconsolidated General Balance Sheets as of December 31 of 2013 and 2012 and the respective nonconsolidated income, equity changes, financial changes, and cash flow statements for the years ending on the above dates, and the summary of significant accounting policies and other explanations.

The Administration is responsible for preparation and proper presentation of the 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 fraud or error, and for selecting and applying adequate accounting policies and establishing reasonable accounting estimates according to the circumstances.

My responsibility is expressing an opinion regarding such financial statements, based on my audits. I obtained the necessary information for this and examined the documents according to auditing norms generally accepted in Colombia, which require that audits be planned and carried out so as to provide reasonable certainty on whether the financial statements are free of material errors.

An audit includes developing procedures in order to obtain information supporting figures and disclosures contained in the financial statements. The selected procedures depend on the auditor, including the evaluation of the risk of material errors contained in the financial statements. Upon evaluating them, the auditor takes into account relevant internal controls for preparation and submittal of such financial statements so that he will be able to design audit procedures according to the circumstances. It also includes an evaluation of accounting principles used and of significant estimates made by the Administration, including their presentation as a whole. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the attached nonconsolidated financial statements reasonably present, in all their important aspects, the Emgesa S.A. E.S.P. nonconsolidated financial situation as of December 31 of 2013 and 2012, the nonconsolidated results of its operations, the changes in its financial situation, and cash flows for the years ending on the above dates, according to accounting principles generally accepted in Colombia as issued by the National Government and applied uniformly.

Based on the audit scope, I am not aware of any default situation regarding the following Company obligations: 1) keeping minutes, shareholders records, and accounting records according to legal norms and the accounting technique; 2) carrying out its activities according to the bylaws and decisions of the Shareholders Assembly and of the Board of Directors and according to norms regarding integral social security; 3) keeping correspondence and the accounts' vouchers, and 4) taking internal control and protection measures and keeping Company goods or of those in its possession under custody. Additionally, the attached financial statements and the accounting information included in the management report prepared by the Company Administration are in agreement.

Gladys Patricia Peñaloza

Statutory Auditor

Professional card 120738-T

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

Bogotá D.C., Colombia

February 14, 2014

## Emgesa S.A. E.S.P.

### NONCONSOLIDATED GENERAL BALANCE SHEETS

	As of December 31 of	
	2013	2012
	<i>(Thousand pesos)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents <i>(Note 3)</i>	\$ 837,263,866	\$ 785,375,306
Debtors, net <i>(Note 4)</i>	351,183,071	255,233,635
Participating companies <i>(Note 5)</i>	50,543,305	56,287,610
Inventories, net <i>(Note 7)</i>	46,094,985	42,141,010
Expenses paid in advance	13,149,913	10,952,098
Total current assets	<u>1,298,235,140</u>	<u>1,149,989,659</u>
Permanent investments, net <i>(Note 6)</i>	8,532,456	8,500,196
Debtors, net <i>(Note 4)</i>	12,902,293	13,470,164
Participating companies <i>(Note 5)</i>	1,116,574	1,039,834
Inventories, net <i>(Note 7)</i>	12,141,647	21,012,249
Properties, plant, and equipment, net <i>(Note 8)</i>	6,018,850,952	5,527,899,542
Deferred charges, net <i>(Note 9)</i>	130,429,812	119,031,617
Deferred tax <i>(Note 18)</i>	74,856,655	69,608,238
Intangible assets, net <i>(Note 10)</i>	56,596,236	56,886,108
Other assets <i>(Note 11)</i>	6,585,995	5,671,288
Revaluations <i>(Note 12)</i>	2,165,225,458	2,166,971,014
Total assets	<u>\$ 9,785,473,218</u>	<u>\$ 9,140,079,909</u>
<b>Liabilities and equity</b>		
Current liabilities:		
Financial obligations <i>(Note 13)</i>	\$ 240,668,813	\$ 105,826,910
Accounts payable <i>(Note 14)</i>	82,976,302	146,909,873
Participating companies <i>(Note 5)</i>	205,613,814	173,790,423
Labor obligations <i>(Note 15)</i>	15,785,587	13,814,643
Retirement pensions <i>(Note 16)</i>	9,869,800	9,966,858
Estimated liabilities and reserves <i>(Note 17)</i>	109,588,444	51,228,875
Taxes, liens, and rates <i>(Note 18)</i>	186,097,036	159,493,143
Deferred tax <i>(Note 18)</i>	8,353,097	-
Other current liabilities <i>(Note 19)</i>	1,669,882	4,707,609
Premium for placement of bonds pending amortization	776,881	776,881
Total current liabilities	<u>861,399,656</u>	<u>666,515,215</u>
Financial obligations <i>(Note 13)</i>	3,050,100,000	2,626,760,000
Retirement pensions <i>(Note 16)</i>	62,977,442	64,458,477
Premium for placement of bonds pending amortization	64,740	841,624
Taxes, liens, and rates <i>(Note 18)</i>	-	49,213,976
Revenues received in advance	1,591,600	2,177,834
Estimated liabilities and reserves <i>(Note 17)</i>	3,121,237	8,761,992
Equity <i>(Note 20)</i> :		
Subscribed and paid capital	655,222,313	655,222,313
Stock placement premium	113,255,816	113,255,816

Legal reserve	<b>327,611,156</b>	327,611,156
Occasional reserves	<b>178,127</b>	178,127
Equity revaluation	<b>1,674,583,276</b>	1,674,583,276
Revaluation surplus	<b>2,165,225,458</b>	2,166,971,014
Effect in investment conversions	<b>1,288</b>	(299)
Year results	<b>870,141,109</b>	783,529,388
Total equity	<b>5,806,218,543</b>	5,721,350,791
Total liabilities and equity	<b>\$ 9,785,473,218</b>	\$ 9,140,079,909
Memorandum accounts ( <i>Note 21</i> )	<b>\$ 3,780,946,006</b>	\$ 4,482,204,408

*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.

Lucio Rubio Díaz  
Legal Representative

Alba Lucía Salcedo Rueda  
Public Accountant  
Professional card 40562–T

Gladys Patricia Peñaloza  
Statutory Auditor  
Professional card 120738–T  
Appointed by Ernst & Young Audit S.A.S. TR–530  
(See my February 14 of 2014 report)

## EMGESA S.A. E.S.P.

### NONCONSOLIDATED FINANCIAL STATEMENTS

	Year ending December 31 of	
	2013	2012
	<i>(Thousand pesos, except for the net per-share profit)</i>	
Operational revenues <i>(Note 22)</i>	\$ 2,397,427,841	\$ 2,144,329,104
Cost of sales <i>(Note 23)</i>	(1,037,900,047)	(880,869,013)
Gross profits	<u>1,359,527,794</u>	<u>1,263,460,091</u>
Administration expenses <i>(Note 24)</i>	(28,899,956)	(29,300,056)
Operational profits	<u>1,330,627,838</u>	<u>1,234,160,035</u>
Other expenditures (revenues):		
Financial, net <i>(Note 25)</i>	(86,206,691)	(122,141,785)
Profits (losses) using the equity participation method	30,673	(45,877)
Miscellaneous, net <i>(Note 26)</i>	20,719,214	(9,858,408)
Profits before taxes	<u>1,265,171,034</u>	<u>1,102,113,965</u>
Income tax <i>(Note 18)</i>	(395,029,925)	(318,584,577)
Current	(392,436,518)	(317,160,376)
Deferred	(2,593,407)	(1,424,201)
Net year profit	<u>\$ 870,141,109</u>	<u>\$ 783,529,388</u>
Preferential per-share dividend	\$ 213.30	\$ 195.74
Net per-share profit	<u>\$ 5,813.23</u>	<u>\$ 5,234.08</u>

*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.

Lucio Rubio Díaz  
Legal Representative

Alba Lucía Salcedo Rueda  
Public Accountant  
Professional card 40562-T

Gladys Patricia Peñaloza  
Statutory Auditor  
Professional card 120738-T

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

(See my February 14 of 2014 report)



# EMGESA S.A. E.S.P.

## NONCONSOLIDATED STATEMENT OF EQUITY CHANGES

	Subscribed and paid capital	Stock placement premium	Reserves	Equity revaluation	Revaluation surplus	Effect on investment conversions	Accumulated profits	Shareholders equity
	<i>(Thousand pesos)</i>							
Balances as of December 31 of 2011	\$ 655,222,313	\$ 113,255,816	\$ 327,789,283	\$ 1,674,583,276	\$ 2,004,455,426	\$ -	\$ 667	\$ 5,443,061,147
Declared dividends	-	-	-	-	-	-	(667,755,033)	(667,755,033)
Net year profit	-	-	-	-	-	-	783,529,388	783,529,388
Adjustment to revaluation of permanent investments	-	-	-	-	126,283	(299)	-	125,984
Adjustment to fixed assets revaluation	-	-	-	-	162,389,305	-	-	162,389,305
Balances as of December 31 of 2012	655,222,313	113,255,816	327,789,283	1,674,583,276	2,166,971,014	(299)	783,529,388	5,721,350,791
Declared dividends	-	-	-	-	-	-	(783,529,388)	(783,529,388)
Net year profit	-	-	-	-	-	-	870,141,109	870,141,109
Adjustment to permanent investment revaluations	-	-	-	-	33,900	1,587	-	35,487
Adjustment to fixed asset revaluations	-	-	-	-	(1,779,456)	-	-	(1,779,456)
Balances as of December 31 of 2013	\$ 655,222,313	\$ 113,255,816	\$ 327,789,283	\$ 1,674,583,276	\$ 2,165,225,458	\$ -	\$ 870	\$ 5,806,218,543

*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.

Lucio Rubio Díaz  
Legal Representative

Alba Lucía Salcedo Rueda  
Public Accountant  
Professional card 40562-T

Gladys Patricia Peñaloza  
Statutory Auditor  
Professional card 120738-T

Appointed by Ernst & Young Audit S.A.S. TR-530  
(See my February 14 of 2014 report)

**EMGESA S.A. E.S.P.**

**NONCONSOLIDATED STATEMENT OF CHANGES IN THE FINANCIAL SITUATION**

	Year ending on December 31 of	
	2013	2012
	<i>(Thousand pesos)</i>	
<b>Financial resources provided:</b>		
Net year profit	\$ 870,141,109	\$ 783,529,388
Losses not affecting working capital:		
Depreciation	146,003,550	141,743,019
Amortization of intangible assets	3,470,256	2,014,907
Deferred tax, previous years	511,273	927,903
Amortization of deferred charges	216,734	1,388,937
Net profit from the sale of properties, plant, and equipment	(568,235)	(42,988)
Previous years' maintenance discharges	-	4,589,519
Inventory reserve	856,007	(512,544)
Emgesa Panamá conversion effect	1,587	(299)
Loss from withdrawal from expansion projects	57,839	3,569,481
Current deferred tax	(5,759,690)	1,424,201
(Profit) loss using the participation method	(30,673)	45,877
Total provided by operations	<u>1,014,899,757</u>	<u>938,677,401</u>
Debtors decrease (increase)	567,871	(1,350,309)
Inventory reduction	8,014,595	1,204,461
Participating companies increase	(76,740)	(271,562)
Increase in financial obligations	423,340,000	805,000,000
Total working capital provided	<u>1,446,745,483</u>	<u>1,743,259,991</u>
<b>Financial resources applied:</b>		
Increase, other assets	(914,707)	(1,476,336)
Change of equity tax payable	(49,213,976)	(49,213,976)
Increase in investments	(1,587)	(20,434)
Recovery on account of El Quimbo yield	14,400,796	11,288,049
Profit (loss) for forward valuation	3,840,838	(6,554,662)
Decrease (increase) revenues received in advance	(586,234)	423,314
Purchase of properties, plant, and equipment	(636,386,725)	(636,377,992)
Declared dividends	(783,529,388)	(667,755,033)
International El Quimbo bond interests	(34,892,428)	(32,998,014)
(Reduction) increase of deferred charges	4,978,026	(11,831,282)
(Reduction) increase of pension liabilities	(1,481,035)	479,671
Purchase of intangible assets	(3,180,384)	(5,536,822)
(Reduction) increase of estimated liabilities and reserves	(5,640,755)	7,537,807
Premium transfer on account of placement of current bonds	(776,884)	(776,881)
Total working capital used	<u>(1,493,384,443)</u>	<u>(1,392,812,591)</u>
(Reduction) increase in working capital	<u>\$ (46,638,960)</u>	<u>\$ 350,447,400</u>
<b>Net changes in working capital:</b>		
Cash and cash equivalents	\$ 51,888,560	\$ 273,723,275
Debtors	95,949,436	(22,862,058)

Accounts receivable, participating companies	<b>(5,744,305)</b>	(75,031,312)
Inventories	<b>3,953,975</b>	2,602,527
Expenses paid in advance	<b>2,197,815</b>	4,499,733
Financial obligations	<b>(134,841,903)</b>	319,897,951
Accounts Payable	<b>63,933,571</b>	(27,768,910)
Accounts Payable, participating companies	<b>(31,823,391)</b>	(80,477,499)
Labor and integral social security obligations	<b>(1,970,944)</b>	(4,210,439)
Retirement pensions and supplementary benefits	<b>97,058</b>	293,576
Estimated liabilities and reserves	<b>(58,359,569)</b>	(30,453,238)
Taxes, contributions, and rates payable	<b>(34,956,990)</b>	(5,058,597)
Other current liabilities	<b>3,037,727</b>	(4,707,609)
(Reduction) increase in working capital	<b>\$ (46,638,960)</b>	<b>\$ 350,447,400</b>

*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.

Lucio Rubio Díaz  
Legal Representative

Alba Lucía Salcedo Rueda  
Public Accountant  
Professional card 40562-T

Gladys Patricia Peñaloza  
Statutory Auditor  
Professional card 120738-T  
Appointed by Ernst & Young Audit S.A.S. TR-530  
(See my February 14 of 2014 report)

## EMGESA S.A. E.S.P.

### NONCONSOLIDATED CASH FLOW STATEMENTS

	Year ending on December 31 of	
	2013	2012
	<i>(Thousand pesos)</i>	
<b>Operational activities</b>		
Net year profit	\$ 870,141,109	\$ 783,529,388
Depreciation and amortization	149,690,540	145,146,863
Portfolio reserve recovery	(451,185)	(492,674)
Portfolio reserve	163,637	658,489
Inventory reserve recovery	(237,365)	(679,704)
Actuarial calculation loss	2,546,110	4,425,633
Bond amortization premium	(776,884)	(776,881)
Deferred tax, debit	(5,759,690)	1,424,201
Deferred tax, debit, previous years	511,273	927,903
Deferred tax, liabilities	8,353,097	-
Loss from withdrawal from expansion projects	57,839	3,569,481
Inventory reserve	856,007	167,160
Retirement reserve	5,535,519	5,869,361
Profit from the sale of properties, plant, and equipment	(568,235)	(42,988)
Previous years' maintenance discharges	-	4,589,519
Loss using the participation method	(30,673)	45,877
Change in operational assets and liabilities		
Debtors	(70,526,085)	21,345,934
Expenses paid	(2,197,815)	(4,499,733)
Inventories	4,297,985	(1,398,066)
Economic participating parties	791,009,890	721,249,769
Other assets	(914,707)	(1,476,336)
Accounts Payable	(63,895,288)	27,768,910
Taxes, liens, and rates	26,603,893	5,058,597
Pension liability (payments)	(9,659,722)	(10,108,899)
Labor obligations	1,970,944	4,210,439
Other current liabilities	(3,037,727)	4,707,609
Estimated liabilities and reserves	52,718,814	37,991,045
Revenues received in advance	(586,234)	423,314
Net cash provided by operational activities	<b>1,755,815,047</b>	1,753,634,211
<b>Investment activities</b>		
Purchase of properties, plant, and equipment	(636,386,725)	(636,377,992)
Increase in investments	(1,587)	(20,434)
International El Quimbo bond interests	(34,892,428)	(32,998,014)
Reduction (increase) of deferred charges	4,978,026	(11,831,282)
Purchase of intangible assets	(3,180,384)	(5,536,822)
Net cash used in investment activities	<b>(669,483,098)</b>	(686,764,544)
<b>Financial activities</b>		
Payment of financial obligations	(305,000,000)	(305,009,052)
Payment of loans to participating companies	-	(64,167,664)
Increase in financial obligations and payment of interests, net	<b>863,181,903</b>	790,111,101

Equity tax payment	<b>(49,213,976)</b>	(49,213,976)
Recovery on account of El Quimbo yield	<b>14,400,796</b>	11,288,049
Loss from forward valuation	<b>3,840,838</b>	(6,554,662)
Emgesa Panamá conversion effect	<b>1,587</b>	(299)
Dividend payment	<b>(753,557,217)</b>	(501,844,856)
Declared dividends	<b>(783,529,388)</b>	(667,755,033)
Revenues from ruling interests - Ministry of Mines and Energy and Ministry of Financing and Public Credit	<b>(11,463,637)</b>	–
Revenues from ruling recovery - Ministry of Mines and Energy and Ministry of Financing and Public Credit	<b>(13,104,295)</b>	–
Net cash used in financial obligations	<b>(1,034,443,389)</b>	<b>(793,146,392)</b>
Net increase in cash and cash equivalents	<b>51,888,560</b>	273,723,275
Cash and cash equivalents at the beginning of the year	<b>785,375,306</b>	511,652,031
Cash and cash equivalents at year's end	<b>\$ 837,263,866</b>	<b>\$ 785,375,306</b>

*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.

Lucio Rubio Díaz  
Legal Representative

Alba Lucía Salcedo Rueda  
Public Accountant  
Professional card 40562–T

Gladys Patricia Peñaloza  
Statutory Auditor  
Professional card 120738–T  
Appointed by Ernst & Young Audit S.A.S. TR–530  
(See my February 14 of 2014 report)

## EMGESA S.A. E.S.P.

### NOTES TO THE NONCONSOLIDATED FINANCIAL STATEMENTS

As of December 31 of 2013 and 2012

*All values in thousand pesos, except for amounts in foreign currency, exchange rates, and the shares' number and face value*

#### 1. MAIN ACCOUNTING POLICIES AND PRACTICES

##### Reporting Entity

Emgesa S.A. E.S.P. (hereinafter the "Company") is a commercial stock company created according to Colombian laws as a public household utilities company regulated by Law 142 of 1994.

**Corporate object.** The Company's main purpose is generation and trading of electrical power according to Laws 149 and 143 of 1994 and norms regulating, adding, changing, or derogating them. In development of its main purpose, the Company may acquire generation plants and project, build, operate, maintain, commission, and exploit electrical power stations, taking the necessary actions to protect the environment and the relationships with the community in the area of influence close of its projects; perform work, designs, and provide electrical engineering consultancy services and trade products in benefit of its clients. The Company may perform all activities related to exploration, development, investigation, exploitation, trading, storage, marketing, transportation, and distribution of rock minerals and materials. Additionally, the Company may develop all types of activities directly or indirectly related to the combustible gas trading business. The Company's term is indefinite.

**El Quimbo Project.** For this hydroelectric project, approved with Resolutions 899 of May 15 of 2009 and 1628 of August 21 of 2009, it is necessary that the "abandonment and final restoration plan" be developed within the environmental licensing process. The Company estimates that the project operation phase will start in May of 2015.

For 2013, deeds corresponding to land properties required for the project and included in the public benefit area are 95% of the entire area considered in the purchase options delivered to the landowners.

Collective resettlement designs were concluded in 2013. The design for the irrigation districts continues.

Progress was made in the economic development program regarding the "enterprising persons with electrical power" strategy, consisting of establishing sustainable productive projects initiatives and delivering to the benefiting population educational subsidies guaranteeing their participation and attendance.

As with other programs, forest utilization activities continued in the area of the main work and substitute roads.

The 1% investment plan was started in 2013 regarding programs for the purchase of land properties in natural, regional, and municipal parks. Construction of the three replacement road sections continued.

Work related to the design of the dam, the auxiliary dyke, the spillway, the machinery room, the collection and delivery work, and the electrical facilities was concluded.

Regarding civil works, the deviation tunnel construction was concluded, as well as the deviation tunnel entrance concrete structure. The dam's fill work continues in its various phases. Construction of the machinery room continues, together with the control building. The bottom discharge tunnel work has been concluded.

Regarding the electromechanical equipment, the transformers, the generator components, sections of the traveling cranes, and the spillway radial gates arrived in Colombia. The turbines are being erected. The traveling cranes have been erected.

Regarding the connection to the National Transmission System (STN), the National Environmental Licenses Agency (ANLA) granted the environmental license to the EEB for the construction of the Tesalia substation, the Tesalia-Altamira line, and the diversion of the Betania – Jamondino line on September 15 of 2013.

Housing camps and offices are fully concluded and in operation.

Through an external audit carried out by the System Administrator (XM), the Company reviewed the November 2013 report, whose result was the change in the policy value for \$77,125,000, valid until December 15 of 2014, submitted to the Energy and Gas Regulatory Commission (CREG); the first unit will be commissioned on March 26 of 2015, the second on May 15 of 2015.

### **Presentation bases**

The attached financial statements have been prepared based on accounting records kept according to the historical cost norm and according to accounting principles generally accepted in Colombia, as contained in Regulatory Decree 2649 of 1993 and in other norms and resolutions issued by surveillance and control entities, including the change from the Superintendence of Public Household Utility Services which from January 1 of 2006 eliminated for private-legal public utility providers the application of the inflation adjustments for accounting purposes.

Such accounting principles and policies could in certain cases be different from those in other international accounting norms.

The Company records its activities according to the accounting plan applicable to public utility companies issued by the Superintendence of Household Public Utility Services.

### **Accounting Period**

According to its bylaws, the Company closes its accounts and prepares and distributes its general-purpose financial statements once every year, on December 31.

### **Monetary unit**

According to legal norms, the monetary unit used by the Company is the Colombian peso.

### **Relative importance criterion**

An economic circumstance has relative importance should, due to its nature, amount, and circumstances, acknowledging or disavowing it would significantly affect economic decisions of those using the information. The financial statements describe specific items according to legal norms, also those representing 5% or more of total assets, current assets, total liabilities, current liabilities, working capital, equity, and revenues, as applicable. Additionally, lower values are described should this allow for better understanding financial information.

### **Transactions in foreign currency.**

Transactions in foreign currency are carried out according to current legal norms, entered using the applicable exchange rates of the respective day. Balances in foreign currency are expressed in Colombian pesos, at the market representative rates of \$1,926.83 and \$1,768.23 for each US\$1, and \$2,662,11 and \$2,331,59 for each Euro as of December 31 of 2013 and 2012, respectively. Exchange differences are attributed to the respective asset or liability, and to results, revenues, or expenses, as applicable.

### **Cash and cash equivalents.**

Cash and cash equivalents include cash on hand, in banks, and in savings accounts. Available equivalents correspond to investments in fixed yield instruments, easily redeemable in the short term in between 1 and 90 days, presented at face value and valued using the yield accrual method.

Fixed term deposit certificates have been considered short-term investments considering that the interest rate agreed with bank entities is fixed, so that their risk is low. Additionally, if necessary they can be readily converted to cash before their maturity date, negotiating them through a stock market intermediary.

### **Equity investments using the cost method, net**

Investments made in shares of non-controlled entities are accounted using the cost method, their realization value being established according to stock exchange listings for high and mid stock exchange trading capacities, and their intrinsic value, based on the December 31 balance sheets in other cases. Investments in non-controlled companies are reserved whenever the investment, valued at intrinsic value, is less than the value.

As of December 31, the Company has no redeemable investments for the following 5 years.

Investments in subordinated companies in which the Company or its parent company directly owns more than 50% of their capital stock are accounted using the equity participation method. They are adjusted to the equity value entering the difference as a reserve or as a revaluation. The cost of investments does not exceed the market value.

The Company enters the effect in conversion in an item in equity on account of the restatement of financial statements of controlled companies with functional currencies other than the Colombian peso.

### **Derivative financial instruments**

The Company makes operations with derivative financial instruments in order to reduce its exposure to exchange fluctuations.



Forwards established by the Company are carried out in order to hedge payments in foreign currency, mainly for the purchase of equipment and for civil work contracts for the El Quimbo project and the Salaco project. Each month, these contracts are adjusted to their market value, the resulting adjustment being capitalized to each ongoing project in the deferred account.

Considering the possible volatility that could affect payment dates and amounts to be paid in dollars to equipment vendors, the Company has established that its hedging strategy will be roll-over, as follows:

- Adjust the hedging values and dates, inasmuch as the estimated payment dates are changed. Adjustments may be made by means of new contracts, early settlements, or adjustments to current contracts. The purpose is achieving the highest effectiveness regarding exchange rate hedging.
- In the case of all-risk and civil liability corporate insurance policies, this adjustment is directly entered to the income accounts.

### **Inventories, net**

Company inventories are accounted using the average cost. They are represented by supplies and materials (spare parts and consumables), kept in the warehouse for use in investment and maintenance projects. Amounts considered non-usable are reserved at the end of the year, at 100%, entered against the year's income.

### **Debtors reserve**

The bad debts reserve was created according to Company policies and establishing that such reserve will be made on 100% of debts more than 360 days old.

### **Properties, plant, and equipment, net**

Accounted using the inflation-adjusted cost (inflation adjustments up to December 31 of 2005), depreciated using the straight line method according to the following annual depreciation rates:

<b>Item</b>	<b>Service life (average years)</b>
Constructions and buildings	65
Plants, ducts, and tunnels	70
Machinery and equipment	20
Grids, lines, and cables	15
Communications equipment	12
Furniture, furnishings, and office equipment	10
Computer equipment	5
Transportation, traction, and lifting equipment	5

Significant improvements to assets are capitalized; maintenance expenses not extending the service life or not improving productivity and efficiency are charged to expenses, as incurred. Profits/losses from the sale or discharge of properties, plant, and equipment are entered to the operations of the year the transaction is carried out.

The Company has no restrictions or liens on any of its properties, plant, and equipment backing the obligation and its value.

### **Deferred charges, net**

The Company enters to deferred charges a) the El Quimbo investment project costs, such as exchange differences, return on investment, sanctions to vendors, interests, stability premium amortization, financial bond expenses, and all costs associated to the project and not subject to being capitalized to fixed assets; b) pre-feasibility studies for plant projects, amortized once their productive phase is started; c) costs incurred in establishing financial obligations, amortized using the straight line method during the loan's life.

### **Intangible assets, net**

Correspond mainly to a) the acquisition cost of water rights from the Chingaza and Río Blanco projects, amortized using the straight line method during 50 years, and b) expenses incurred in licenses and software, amortized in 3 years using the straight line method.

The Company has 34 water rights for electrical generation purposes, based on the use and entered to costs through payments made to municipalities located in the area of influence.

### **Revaluations**

#### *Properties, plant, and equipment*

Correspond to the differences between a) the net book value and the market value for real estate or b) the replacement value for machinery and equipment, as established by capable and authorized experts. Appraisals are more than 3 years old and have been updated according to the respective metric.

Revaluations for properties, plant, and equipment are entered into separate accounts in assets, as a surplus on account of revaluations in equity, not susceptible to distribution. Value decreases of properties, plant, and equipment are directly entered to the income statement as a year expense.

#### *Equity investments using the cost method*

Correspond to the difference between the cost adjusted for inflation up to December 2005 and the intrinsic value. Investment revaluations are entered to separate accounts in assets, as a revaluation surplus in equity, not subject to distribution. Investment value reductions are entered as a lower revaluation and surplus value in equity, without prejudice to the net balance being of a different nature.

### **Labor obligations**

Labor laws require payment of a deferred compensation to certain employees on the day they leave the Company. The amount received by each employee depends on the employment date, the type of contract, and the salary. Additionally, in certain cases 12% annual interests are paid on accumulated amounts. Should employment termination be

unjustified, the employee will be entitled to receiving additional payments, which vary according to time and salary.

The Company makes periodical payments on account of severances and integral social security - health, professional risks, and pensions - to the respective private funds or to Colpensiones, which fully assume these obligations.

The law originally included an obligation for companies to pay retirement pensions to employees meeting certain age and service time requirements. This has now been derogated and only applies to social security entities; the Company is still responsible for those recognized before such change. Liabilities on account of pensions are established through studies made by a recognized actuary, according to parameters set forth by the National Government. The retirement pension obligation includes the effect of the respective application to the new mortality rates authorized by the Financial Superintendence through Decree 1555 of July 30 of 2010, representing the present value of all future monthly payments the Company will make to employees, either meeting or to meet certain legal requirements regarding age, time of service, and others.

### **Taxes, liens, and rates**

The income tax reserve is calculated at the 33% official rate in 2013 (which includes both the 25% income tax and the 9% CREE equity tax), and at the 33% official rate in 2012, using the accrual method, established based on commercial profits in order to properly relate the year revenues with their respective costs and expenses, entered using the estimated liability value.

The effect of temporary differences involving payment of lower or higher taxes on the year's income is accounted for as a deferred credit or debit tax, respectively, applying the tax rates existing at the time differences are to be reverted (34% up to 2015 and 33% for the following years), provided there is reason to believe that such differences will revert in the future; for the asset, that at that time there will be sufficient taxable income.

The deferred assets tax from the temporary differences resulting from eliminating inflation adjustments from January 1 of 2006 is amortized according to the fixed assets' service life it applies to. Additionally, the deferred tax is recognized with respect to other temporary differences existing between accounting and fiscal balances.

The deferred assets tax from the temporary differences resulting from the elimination of accounting inflation adjustments from January 1 of 2006 is amortized according to the fixed assets' service life. Additionally, the deferred tax is entered on account of other temporary differences existing between fiscal and accounting balances.

The deferred assets tax from the temporary differences results from the entry made on account of the ruling favoring the Company from the greater value paid in the purchase of Compañía Central Hidroeléctrica de Betania in 1996. For fiscal purposes, this revenue is realized in 2014 upon corresponding to the year when the ruling is executed.

The income tax is entered net, after deducting advance payments and tax withholdings.

### **Equity tax**

Law 1370 of December 2009 sets forth a new equity tax for the tax year of 2011, with a 2.4% rate for taxpayers with equities greater than \$3,000 million and less than \$5,000

million, and 4.8% for taxpayers with equities equal to or greater than \$5,000 million.

Subsequently, Decree 4825 of December 2010 set forth an additional equity tax of 25% for taxpayers with equities equal to or greater than \$2,000 million.

This tax applies to equity existing on January 1 of 2011, payment having to be made in 8 equal installments between 2011 and 2014.

According to Law 1111 of 2006, the Company enters the equity tax against equity revaluation.

### **Recognition of revenues, costs, and expenses**

Sales in wholesale markets and in non-regulated markets are recognized in the year the services are rendered, according to Resolution CREG 131 of 1998.

In order to be considered a nonregulated user, the person must have power greater than 0.1 MW or consumption greater than 55 MWh-month. Clients must be represented by a trader, which is responsible for registry the user before ASIC (the Colombian market commercial interchange system administrator), in this case XM.

The electric power exchange market is used to realize energy not committed in contracts. In this market, recognition exists when generators, daily and on an hourly basis, make price offers according to electrical power the system may have available.

Revenue estimates are made based on available information, which reflects the most current consumption situation, valued at sale price according to current rates.

Costs and expenses are entered on accrual basis. The cost of such energy is included in the cost of sales.

### **Bond placement premium**

Corresponds to the highest value received from placement of ordinary bonds issued by the Company, as a consequence of the positive difference between existing rates, the bonds' face rate, and the rate offered on their placement day - February of 2006. Amortized from March 2006 for a time equivalent to the bonds' life.

### **Use of estimates.**

Preparing the financial statements according to generally accepted accounting principles requires the Administration to make estimates and assumptions that could affect values of assets, liabilities, and revenues. Actual or market values could differ from such estimates. The administration believes such estimates and assumptions were adequate.

### **Net per-share profits**

Established using the net year profits as the basis, divided by the number of outstanding shares. Such calculation includes clearing of preferential dividends corresponding to 20,952,601 shares as of December 31 of 2013 and 2012 from Empresa de Energía de Bogotá S.A. E.S.P. Preferential dividends have a value of US \$0.1107 per share.

### **Memorandum accounts.**

Contingent rights and responsibilities, differences between accounting and fiscal figures, and commitments under credits assigned to clients and workers are entered to memorandum

accounts, mainly.

### **Reclassification from short to long term**

For general balance sheets purposes, a current liability or asset is that for which its recovery or payment time does not exceed 12 months; assets and liabilities exceeding this time are included in the noncurrent item in the General Balance Sheet.

### **Reclassifications**

Note 2 describes advance payments in foreign currency, which for comparison purposes were included as of December 31 of 2012. This information does not change the debtors' balance (Note 4) or the working capital composition.

Note 5 describes the effect in income of transactions with participating companies. For comparability purposes, as of December 31 of 2012 revenues from services with Empresa de Energía de Bogotá for \$935,722 were included. This information does not change the net year profits.

### **Cash flow statements**

Cash flow statements have been prepared according to the indirect method. Cash and cash equivalents in these statements correspond to available cash and current investments items.

### **New accounting procedures**

#### ***Agreement with international financial information norms.***

According to Law 1314 of 2009 and Regulatory Decrees 2706 and 2784 of December 2012, the Company is required to start the convergence process of accounting principles generally accepted in Colombia with international financial information norms (NIIF or IFRS), as issued by the International Accounting Standards Board. Considering that this convergence to NIIF is complex and will have significant effects on the companies, the Technical Public Accounting Council classified the Company's in three groups for the purposes of the transition.

The Company belongs to Group 1, whose mandatory transition period starts on January 1 of 2014; the first comparative financial statements under NIIF will be issued on December 31 of 2015.

On February 28 of 2013, the Company submitted to the Superintendence of Public Household Utility Services the NIIF implementation plan approved by the Board of Directors on February 20 of 2013 according to Resolution No. 20131300002405 of February 14 of 2013, regulating information requirements according to Decree 2784 of 2012.

The NIIF implementation plan includes activities associated with the mandatory preparation phase and the preparation of the opening financial situation statement, which will be prepared between January 1 of 2013 and December 31 of 2014.

As of December 31 of 2013, the Company has carried out the following activities: creation of the project's leading team, definition and assignment of project resources, preparation and development of the training and communications plan, diagnosis of the implementation process' relevant effects, analysis of the implementation scenarios, and definition of

policies. All differences related to accounting principles have been taken into consideration upon preparing the attached financial statements.

During 2014, the Company will conclude the policy definition process, will prepare the January 1 of 2014 opening financial situation statement, and will make adjustments to the information, norms, and internal control systems.

## 2. ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Basic existing norms in Colombia allow for free trading of foreign currency through banks and other financial entities, at free exchange rates. However, most transactions in foreign currency require compliance with certain legal requirements.

	2013			2012		
	(in EUR)	(in USD)	(In thousand pesos )	(in EUR)	(in USD)	(In thousand pesos )
Cash and cash equivalents	\$ 3,583	\$ 19,529	\$ 47,166	\$ 64	\$ 15,353	\$ 27,296
Advance payments	327,893	4,937,902	10,380,279	3,290	2,562,800	4,996,835
Accounts Payable (Note 14)	(66,193)	(478,775)	(1,094,640)	(660)	(2,738,278)	(4,905,260)
Net active position	<u>\$ 265,283</u>	<u>\$ 4,478,656</u>	<u>\$ 9,332,805</u>	<u>\$ 2,694</u>	<u>\$ (160,125)</u>	<u>\$ 118,871</u>

## 3. CASH AND CASH EQUIVALENTS

	2013	2012
Local banks-savings accounts (1)	\$ 274,904,327	\$ 565,883,370
Local banks-checking accounts (1)	6,272,402	65,432,753
Fixed income liquidity management investments (2)	556,063,199	154,051,861
Cash	23,938	7,322
	<u>\$ 837,263,866</u>	<u>\$ 785,375,306</u>

(1) A bond issuance for \$565,000,000 was made in September 2013, used for: for financing the El Quimbo project, \$515,560,000, and maturity of the subseries A% bond of February 14 for \$49,440,000.

As of December 31 of 2013, the balance of the El Quimbo pre-financing resources for \$438,877,019 are distributed as follows: \$150,501,058 readily available and \$288,375,961 in short-term investments.

There are no investments with maturities longer than 90 days.

(2) The fixed income liquidity management investments balance is the following:

	2013		2012	
	Average interest rate	Value	Average interest rate	Value
CDT	4.17%	\$ 548,945,661	5.70%	\$ 146,548,000
Trusts	2.70%	7,117,538	4.99%	7,503,861
		<u>\$ 556,063,199</u>		<u>\$ 154,051,861</u>

#### 4. DEBTORS, NET

	2013	2012
Electrical power service clients (1)	\$ 172,720,523	\$ 131,322,040
Advance payments (2)	137,903,540	111,579,420
Other debtors (3)	33,208,324	6,491,519
Employee loans (4)	16,935,668	16,823,920
Tax advance payments and credit balances	5,783,057	5,749,830
Deposits delivered	564,166	165,425
	<u>367,115,278</u>	<u>272,132,154</u>
Minus debtors' reserve (5)	(3,029,914)	(3,428,355)
	<u>364,085,364</u>	<u>268,703,799</u>
Minus noncurrent portion	(12,902,293)	(13,470,164)
	<u>\$ 351,183,071</u>	<u>\$ 255,233,635</u>

(1) The change corresponds mainly to greater values of accounts receivable for \$22,470,975 from Electrificadora del Caribe S.A. E.S.P., part of the wholesale market with outstanding accounts receivable. Additionally, a greater estimate of electrical power sales spending invoicing for \$19,069,634.

(2) As of December 31 of 2013, advance payments correspond to:

a) Advance payments for the El Quimbo project:

Item	2013	2012
Work		
Consortio Impregilo – OHL	\$ 68,460,509	\$ 80,920,965
Consortio Obras El Quimbo	35,884,704	–
Ingetec	2,942,202	365,084
Proyecont Ltda.	2,001,259	2,001,259
Others	192,960	
	<u>109,481,634</u>	<u>83,287,308</u>
Land	3,618,903	7,629,058
Equipment		
Alstom Colombia S.A.	4,378,157	6,081,942
Schader Camargo Ingenieros	3,475,469	5,750,881
Alstom Brasil Energía y Transporte	1,158,137	3,600,401
	<u>9,011,763</u>	<u>15,433,224</u>
Others	2,020,109	1,492,044
Trip advance payments	3,024	10,991
Total El Quimbo project	<u>\$ 124,135,433</u>	<u>\$ 107,852,625</u>

b) Advance payments for the purchase of goods and services:

Item	2013	2012
Hitachi de Venezuela	\$ 5,727,203	\$ -
Alstom Colombia S.A.	3,927,252	-
Andriz Hydro Ltda	1,175,160	-
Ansaldo Energia	823,449	-
Vansolix S.A en restructuración	792,167	970,000
Siemens S.A	717,585	-
Others	605,292	741,932
Surpetroil S.A.S.	-	2,014,863
	<b>13,768,107</b>	<b>3,726,795</b>
Total advance payments	<b>\$ 137,903,540</b>	<b>\$ 111,579,420</b>

3) As of December 31 of 2013, corresponds to:

1. Accounts Payable from the Ministry of Financing on account of payments made by the Company as a result of rulings against Betania under ongoing processes on the date of the shares' purchase agreement, for \$3,536,782.
2. Includes recognition of revenues for \$24,567,932, of which \$13,104,295 are on account of indemnification for damages and \$11,463,637 on account of interests caused by the 2nd instance ruling from the State Council, which decided that cash distribution of dividends made by The Ministry of Mines and Energy and the Ministry of Finances and Public Credit during the pre-contractual phase lacked the required transparency and publicity for the Betania negotiation process (when the ENDESA group purchased Betania, in December of 1996); accounts receivable from retired employees for \$600,037, other debtors for \$1,659,728. On January 15 of 2014, the Nation made no requests for clarifications or additional information; there were no fiscal impact incidents, which were mandatory. The ruling then became final.
- 4) Loans to employees for housing, education, vehicles, training, household appliances, etc. are included in the quality of life policies and in the collective workers labor agreement. These loans are granted with no interest, except for the housing loan for the integral system, with a 4.75% and 0% annual rate for employees covered by the collective workers labor agreement, respectively.

5) Following are the debtors reserve activities:

	2013	2012
Initial balance	\$ (3,428,355)	\$ (4,267,908)
Reserve recovery	451,185	492,674
Loan write-offs	110,893	1,005,368
Adjustment to reserve, year results	(163,637)	(658,489)
Final balance	<b>\$ (3,029,914)</b>	<b>\$ (3,428,355)</b>

The debtors reserve balance consists of a) the client's accounts receivable reserve older than 360 days as of December 31 of 2013 for \$1,140,164 and (b) the other accounts receivable reserve as of December 31 of 2013 for \$1,889,750.



As of December 31 of 2013 the Company had the following guaranties for electrical power payment purposes:

Security	Number of guaranties	Issuer's name	Value
Trust certificate	1	FIDUCIARIA COLPATRIA - FLORES DE LA SABANA	19.733
Bank guaranties	1	ENERTOLIMA S.A.E.S.P	5.150.000
Bank guaranties	3	ENERCA S.A ESP	Open with no agreed value
Bank guaranties	1	ELECTRIFICADORA DEL HUILA SA	Open with no agreed value
Bank guaranties	1	ELECTRIFICADORA DEL META SA	Open with no agreed value
Bank acceptance	1	EMPRESAS PUBLICAS DE MEDELLIN SA ESP	Open with no agreed value
Promissory note	1	AES CHIVOR	Open with no agreed value
Promissory note	2	AMERICANA DE ENERGIA S.A.	Open with no agreed value
Promissory note	1	CENTRAL HIDROELECTRICA DE CALDAS CHEC S.A	Open with no agreed value
Promissory note	1	CENTRAL TERMOELECTRICA EL MORRO SA ESP	Open with no agreed value
Promissory note	2	CENTRALES ELECTRICAS DEL NORTE DE SANTANDER S.A E.SP	Open with no agreed value
Promissory note	3	CODENSA S.A. ESP.	Open with no agreed value
Promissory note	2	COMPAÑIA ENERGETICA DE OCCIDENTE SAS ESP	Open with no agreed value
Promissory note	1	CONCENTRADOS CRESTA ROJA S.A	Open with no agreed value
Promissory note	1	EBSA	Open with no agreed value
Promissory note	1	EDEQ	Open with no agreed value
Promissory note	6	EEC SA ESP	Open with no agreed value
Promissory note	1	ELECTRIFICADORA DEL SANTANDER	Open with no agreed value
Promissory note	1	ELECTRIFICADORA DE CAQUETA	Open with no agreed value
Promissory note	2	ELECTRIFICADORA DE SANTANDER S.A ESP	Open with no agreed value
Promissory note	1	ELECTRIFICADORA DEL CAQUETA E.S.P	Open with no agreed value
Promissory note	8	ELECTRIFICADORA DEL CARIBE SA ESP	Open with no agreed value
Promissory note	4	ELECTRIFICADORA DEL HUILA SA	Open with no agreed value
Promissory note	3	ELECTRIFICADORA DEL META SA	Open with no agreed value
Promissory note	1	EMPRESA DE ACUEDUCTO Y ALCANTARILLADO DE MADRID	Open with no agreed value
Promissory note	1	EMPRESA DE ENERGIA DE BOYACA	Open with no agreed value
Promissory note	3	EMPRESA DE ENERGIA DE CUNDINAMARCA	Open with no agreed value
Promissory note	2	EMPRESA DE ENERGIA DE PACIFICO S.A.	Open with no agreed value

## 5. PARTICIPATING COMPANIES

The following transactions with participating companies, defined this way upon having a common shareholder and/or administration, at general market prices and conditions:

Following are accounts payable/receivable to/from participating companies:

	2013	2012
Accounts receivable:		
Codensa S.A. E.S.P. (1)	\$ 46,295,272	\$ 55,228,642
Empresa de Energía de Cundinamarca S.A. E.S.P.	3,434,638	900,007
Sociedad Portuaria Central Cartagena S.A.	1,116,574	1,169,754
Empresa de Energia de Bogotá S.A. E.S.P.	813,395	29,041
	<u>51,659,879</u>	<u>57,327,444</u>
Noncurrent portion, Sociedad Portuaria Central Cartagena	(1,116,574)	(1,039,834)
	<u>\$ 50,543,305</u>	<u>\$ 56,287,610</u>
Accounts Payable:		
Empresa de Energia de Bogotá S.A. E.S.P. (2)	\$ 101,045,411	\$ 85,512,891
Endesa Chile (2)	52,643,983	44,637,886
Endesa Latinoamérica	—	35,890,431
Enersis (2)	42,327,614	—
Codensa S.A. E.S.P. (3)	8,366,542	7,161,558

Empresa de Energía de Cundinamarca S.A. E.S.P.	<b>400,083</b>	350,573
Emgesa Panamá	–	17,980
Sociedad Portuaria Central Cartagena S.A.	<b>48,252</b>	4,033
Fundación Endesa Colombia	<b>368,000</b>	–
ICT Servicios Informáticos	–	87,812
Enel Energy Europe	–	127,259
Enel Ingeniería e Ricerca S.P.A	<b>413,929</b>	–
	<b>\$ 205,613,814</b>	<b>\$ 173,790,423</b>

- (1) Corresponds mainly to accounts receivable on account of electrical power sales.
- (2) As of December 31 of 2013, this value corresponds to unpaid and declared dividends for the year ending December 31 of 2012.
- (3) Corresponds mainly to the estimate of December tolls for \$8,204,704 and other items for \$161,838.

Following is the effect on income of transactions with participating companies, shareholders, and the Board of Directors:

<u>Company</u>	<u>Item</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>			
Codensa S.A. E.S.P.	Electrical power sales	\$ <b>587,400,323</b>	\$ 656,249,442
Empresa de Energía de Cundinamarca S.A. E.S.P.	Electrical power sales	<b>34,501,232</b>	30,213,587
Codensa S.A. E.S.P.	Use contract	–	2,803,339
Empresa de Energía de Bogotá	Operation services	<b>894,930</b>	935,722
Codensa S.A. E.S.P.	Technical and other services	<b>384,945</b>	491,056
Sociedad Portuaria Central Cartagena S.A	Operation and interests	<b>181,309</b>	171,148
Enel Energy Europe	Exchange difference, services	<b>4,780</b>	–
Emgesa Panamá	Exchange difference, services	<b>229</b>	–
		<b>\$</b>	<b>\$</b>
		<b>623,367,748</b>	690,864,294
<b>Expenses:</b>			
Codensa S.A. E.S.P.	Electrical power transportation	<b>(90,672,395)</b>	\$ (88,336,035)
Empresa de Energía de Cundinamarca S.A. E.S.P.	Tolls	<b>(3,333,887)</b>	(1,867,306)
Codensa S.A. E.S.P.	Financial expenses	<b>(1,070,799)</b>	(2,435,174)
Enel Ingeniería e Ricerca S.P.A	Expenses, innovation projects	<b>(920,257)</b>	–
Empresa de Energía de Bogotá	Technical maintenance	<b>(639,227)</b>	–
Sociedad Portuaria Central Cartagena S.A.	Management and operation	<b>(540,883)</b>	(528,000)
Codensa S.A. E.S.P.	Electrical power and lighting	<b>(533,823)</b>	(456,532)
Junta Directiva	Fees	<b>(202,482)</b>	(187,710)
Enel Energy Europe	IT services	<b>(156,708)</b>	(124,908)
Codensa S.A. E.S.P.	Other	<b>(152,114)</b>	(534,769)
Codensa S.A. E.S.P.	Use contract	–	(3,337,531)
Enel Energy Europe	Exchange difference, services	<b>(3,800)</b>	(672)
		<b>(98,226,375)</b>	(97,808,637)
Net effect on revenues		<b>525,141,373</b>	593,055,657

## 6. PERMANENT INVESTMENTS, NET

The balance of equity investments accounted using the cost method is the following:

	Participation	2013	2012
<b>Majority participation:</b>			
Sociedad Central Cartagena S.A. (a)	94.95%	\$ 207,371	\$ 166,160
Emgesa Panamá S.A. (b)	100.00%	621	9,572
		<u>207,992</u>	<u>175,732</u>
<b>Minority participation:</b>			
Electrificadora del Caribe S.A. ESP.	0.22%	8,324,408	8,324,408
Termocartagena S.A. ESP. (now Vista Capital S.A. en liquidación)	0.00%	56	56
		<u>8,324,464</u>	<u>8,324,464</u>
		<u>\$ 8,532,456</u>	<u>\$ 8,500,196</u>

- a) The investment in Sociedad Portuaria Central Cartagena S.A. was increased using the equity participation method, resulting in profits for 2013 of \$41,211, compared to the 2012 \$35,014 loss.
- b) The investment in Emgesa Panamá was reduced in \$8,951 and \$8,110 in 2013 and 2012, respectively, by applying the equity participation method. Additionally generated an exchange difference of \$1,587 and \$299 in 2013 and 2012, respectively.

The investments' revaluations and devaluations are:

Company	Number of shares	Class	Acquisition cost	Intrinsic per-share value as of		
				December 31 of 2013	2013	2012
Electrificadora del Caribe S.A. E.S.P.	109,353,394	Ordinary	\$ 8,324,408	\$ 42.03	\$ (3,728,285)	\$ (3,762,185)
Sociedad Portuaria Central Cartagena S.A.	55,071	Ordinary	5,507	3,765,525	-	-
Termocartagena S.A. E.S.P. (now vista Capital S.A. En Liquidación)	22	Ordinary	56		(56)	(56)
					<u>\$ (3,728,341)</u>	<u>\$ (3,762,241)</u>

Following is the financial information of investments in subordinated companies as of December 31 of 2013:

Sociedad Portuaria Central Cartagena S.A.ESP:

	2013	2012
Assets	\$ 1,511,644	\$ 1,369,884
Liabilities	1,297,557	1,194,887
Equity	214,087	174,997
Net year loss (profit)	39,090	39,776

Emgesa Panamá S.A.

	2013		2012	
	(USD)	(Thousand pesos)	(USD)	(Thousand pesos)
Assets	\$ 1,053	\$ 2,029	\$ 10,144	\$ 17,936
Liabilities	1,399	2,696	4,730	8,363
Equity	(346)	(667)	5,414	9,573
Net year loss (profit)	5,760	(11,134)	4,586	8,110

The Company investments have no restrictions or liens; there is no valuation with the financial statements of the title or document since there is no difference between the date of the issuer's and the investor's financial statements.

As of December 31, the Company has no redeemable investments during the following 5 years.

## 7. INVENTORIES, NET

	2013	2012
Inventory of other fuels	\$ 29,503,141	\$ 18,176,404
Call inventory	16,591,844	23,964,606
Warehouse - spare parts (1)	12,997,654	21,249,614
	<b>59,092,639</b>	63,390,624
Minus reserve for inventories	(856,007)	(237,365)
	<b>58,236,632</b>	63,153,259
Minus current portion	(46,094,985)	(42,141,010)
	<b>\$ 12,141,647</b>	\$ 21,012,249

(1) Corresponds mainly to spare parts to be used in repairs and/or maintenance of plants, according to the maintenance plan defined by the Administration. In 2013, the production area identified elements that, due to their characteristics, should be part of fixed assets, as buffer inventory, for \$9,358,498.

Following are activities in the inventory reserve account:

	2013	2012
Initial balance	\$ (237,365)	\$ (749,909)
Recovery	237,365	679,704
Reserve	(856,007)	(167,160)
Final balance	<b>\$ (856,007)</b>	<b>\$ (237,365)</b>

## 8. PROPERTIES , PLANT, AND EQUIPMENT, NET

Following are the properties, plant, and equipment values as of December 31 of 2013 and 2012:

	2013			2012		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Plans, ducts, and tunnels	\$7,165,690,239	\$(2,665,092,003)	\$4,500,598,236	\$7,064,546,707	\$(2,541,099,025)	\$4,523,447,682
Land (1)	233,639,793	–	233,639,793	194,226,288	–	194,226,288
Constructions in progress (2)	1,209,450,894	–	1,209,450,894	731,567,102	–	731,567,102
Constructions and buildings	76,134,756	(28,520,323)	47,614,433	72,929,721	(25,240,254)	47,689,467
Machinery and equipment	34,107,068	(23,286,045)	10,821,023	35,750,667	(23,172,957)	12,577,710
Communications and computer equipment	30,489,013	(23,378,520)	7,110,493	27,022,019	(21,723,015)	5,299,004
Furniture, furnishings, and office equipment	11,874,110	(5,890,110)	5,984,000	10,332,656	(5,072,410)	5,260,246
Transportation, traction, and lifting equipment	7,033,149	(4,796,300)	2,236,849	7,908,200	(4,978,020)	2,930,180
Machinery, plant, and equipment being erected	1,395,231	–	1,395,231	4,901,863	–	4,901,863
Grids, lines, and cables	544,970	(544,970)	–	544,970	(544,970)	–
	<b>8,770,359,223</b>	<b>\$(2,751,508,271)</b>	<b>\$6,018,850,952</b>	<b>\$8,149,730,193</b>	<b>\$(2,621,830,651)</b>	<b>\$5,527,899,542</b>

- (1) Includes land purchases made during 2013 for the El Quimbo project for \$28,56,409 and the El Quimbo project financial expenses for \$12,349,673.
- (2) Includes equipment additions for construction of the El Quimbo project in 2013 for \$493,270,010, of which \$55,764,362 correspond to its capitalized financial expenses, Central Termozipa \$29,593,510, Salaco project \$37,412,499, Central Cartagena for \$8,634,740, Pagua \$2,795,066, Central Guavio \$2,989,070, and other stations \$16,500,928.

## 9. DEFERRED CHARGES, NET

	2013	2012
Other deferred charges (1)	\$ 79,066,468	\$ 74,455,880
Studies and projects (2)	50,977,253	44,177,353
Financial expenses and commissions	317,490	329,783
Accumulated inflation adjustments	68,601	68,601
	<b>\$ 130,429,812</b>	<b>\$ 119,031,617</b>

- (1) Correspond mainly to:
- a. As of December 31 of 2013, includes debt financial expenses associated to the El Quimbo project for \$74,950,077 and valuation of forwards established for the project for \$529,734.
  - a) Legal stability premium accumulated amortization - El Quimbo project, for \$2,463,683; contract executed between the Nation (Ministry of Mines and Energy) and the Company on December 20, 2010.
  - b) Charges of other minor projects for \$1,122,972.
- (2) Correspond to deferred assets on account of studies and projects for the Cartagena plants \$6,930,045, alternative energy \$3,585,022, Guaicaramo \$9,066,903, Sumapáz \$6,118,802, Guatiquia \$1,458,382, Oporapa \$1,286,131, Campohermoso

\$1,046,593 and other minor plant projects for \$3,721,607, whose amortization will be started once their productive phase starts.

Studies and projects include insurance policies for the El Quimbo project for \$11,045,647, and costs related to obtaining the project's international bond, for \$6,718,121.

## 10. INTANGIBLE ASSETS, NET

	<u>2013</u>	<u>2012</u>
Water use rights in Chingaza (1)	\$ 65,364,594	\$ 65,364,594
Software	9,998,892	9,663,159
Licenses (2)	9,641,547	6,796,896
Other intangible assets	663,059	663,059
	<u>85,668,092</u>	<u>82,487,708</u>
Minus accumulated amortization	<u>(29,071,856)</u>	<u>(25,601,600)</u>
	<u>\$ 56,596,236</u>	<u>\$ 56,886,108</u>

(1) Emgesa S.A. E.S.P. recognized as intangible assets expenditures made to obtain the use of the greater useful water flows from the Chingaza and Río Blanco projects. Amortized using the straight line method during 50 years.

(2) Mainly for the SAP ISU commercial system platform for \$4,309,825 and for the SIVI operational surveillance system for \$1,818,669.

## 11. OTHER ASSETS

	<u>2013</u>	<u>2012</u>
Fiducia Mercantil Huila (1)	\$ 2,448,770	\$ 2,388,514
Fideicomiso administración de Garzón (1)	857,761	1,190,698
Fideicomiso administración del Muña (2)	759,040	350,228
Fideicomiso administración de Paicol (1)	647,070	588,887
Fideicomiso administración del Tominé (2)	630,340	455,389
Fideicomiso administración de Gigante (1)	546,627	285,131
Fideicomiso administración de Agrado (1)	489,444	113,123
Fideicomiso administración de Alta Mira (1)	135,664	40,872
Fideicomiso administración de Tesalia (1)	55,886	226,261
Work and improvements to third-party properties	15,393	32,185
	<u>\$ 6,585,995</u>	<u>\$ 5,671,288</u>

(1) Trusts created in various Huila municipalities for \$5,181,222 will be used to manage resources provided by trustor (the Company) in order to meet the trust agreement object, especially commitments arising from the roundtable in development of the El Quimbo project. Additions and withdrawals of resources are managed by the Company.

Contracts will be valid during one year, renewable for similar periods until the parties agree on their liquidation, which will happen once the Company meets its economic commitments before the municipalities and the Governor's office.

The payment process includes the following steps:

- A project committee has been created, responsible for approving investment initiatives.
  - Once the investment initiative has been approved, El Quimbo Supplies will develop the contracting process.
  - El Quimbo will manage resources to be transferred to each trust account (which are in the name of the beneficiary municipalities and the Huila governor's office), according to the payment schedule for approved projects.
  - The El Quimbo project will approve payments to contractors according to corporate guidelines established for this purpose.
- (2) Administration and payment trusts established for the recovery work of the Muña and Tomine reservoirs with funds from Acueducto de Bogotá, Empresa de Energía de Bogotá, and Emgesa S.A. E.S.P. Each month, the Company adjusts the values of these trusts based on monthly statements received. In September 2013, payments were received for \$2,012,000 for recovery of the Tominé reservoir and \$810,000 for recovery of the Muña reservoir; as of December 31 of 2013 the balance is \$1,389,380.

## 12. REVALUATIONS

	<u>2013</u>	<u>2012</u>
Properties, plant, and equipment:		
Plants, ducts, and tunnels	\$ 2,145,209,190	\$ 2,146,843,993
Land	10,024,519	10,024,519
Constructions and buildings	7,664,982	7,748,359
Transportation, traction, and lifting equipment	307,909	376,835
Communications and computer equipment	151,431	134,488
Furniture, furnishings, and office equipment	1,027,434	1,027,435
Machinery and equipment	4,568,334	4,577,626
	<u>2,168,953,799</u>	<u>2,170,733,255</u>
Permanent investments in other companies (Note 6)	(3,728,341)	(3,762,241)
	<u>\$ 2,165,225,458</u>	<u>\$ 2,166,971,014</u>

According to Regulatory Decree 649 of 1993, the Company is required to make a technical appraisal of his properties, plant, and equipment minimum every 3 years, entering the resulting revaluations and/or devaluations. The most recent technical appraisal of fixed assets to commercial value was done Q3 2012 by Consultores Unidos S.A. Revaluations were adjusted in 2013 as a result of fixed asset write-offs

Revaluation (devaluation) in investments corresponds to the adjustment to the intrinsic value of the shares the Company has in Electrificadora del Caribe S.A. E.S.P. and Termocartagena S.A. E.S.P. (now Vista Capital S.A. en Liquidación) for \$3,728,341 (Note 6).

Following is the balance of revaluations, devaluations, or reserves entered for each class of fixed asset as of December 31 of 2013 and 2012.

Class of asset	Revaluation as of December 31 of 2013	Revaluation as of December 31 of 2012	Revaluation adjustment
Plans, ducts, and tunnels	\$ 2,145,209,190	\$ 2,146,843,993	\$ (1,634,803)
Land	10,024,519	10,024,519	-
Constructions and buildings	7,664,982	7,748,359	(83,378)
Machinery and equipment	4,568,334	4,577,626	(9,291)
Communications and computer equipment	151,431	134,488	16,943
Furniture, furnishings, and office equipment	1,027,434	1,027,435	-
Transportation equipment	307,909	376,835	(68,927)
	<u>\$ 2,168,953,799</u>	<u>\$ 2,170,733,255</u>	<u>\$ (1,779,456)</u>

Changes in revaluations are the result of fixed asset discharges in 2013.

### 13. FINANCIAL OBLIGATIONS

	2013	2012
Ordinary bonds and outstanding commercial papers (3)	\$ 2,886,760,000	\$ 2,321,760,000
Bank loans, local currency (1)	305,000,000	305,000,000
Internal debt and bond interests	99,008,813	105,826,910
	<u>3,290,768,813</u>	<u>2,732,586,910</u>
Minus current portion (2)	(240,668,813)	(105,826,910)
	<u>\$ 3,050,100,000</u>	<u>\$ 2,626,760,000</u>

(1) Corresponds to:

Description	Yield	Maturity date	Accounting value
Banco CorpBanca	IBR + 3.70%TA	December 19, 2023	\$ 80,000,000
BBVA Colombia	IBR + 3.55%MV	December 19, 2023	225,000,000
			<u>\$ 305,000,000</u>

In December 2013, credits with Bancolombia and AV Villas for \$91,045,000 and \$28,955,000, respectively, were paid through a refinancing with two new peso credits with BBVA Colombia and Banco CorpBanca for \$225,000,000 and \$80,000,000, respectively. The new credits' term is 10 years, with capital amortization in 15 semi-annual installments from December 2016, with an interest rate of IBR + 3.55%MV and IBR +3.70%TA respectively.

(2) Internal debt and bonds' debt and interests:

Description	2013	2012
Outstanding ordinary bonds, current	\$ 141,660,000	\$ -
Interests on bonds	98,316,804	99,516,567
Interests on bank credits	692,009	6,310,343
Total debt and interests	<u>\$ 240,668,813</u>	<u>\$ 105,826,910</u>



(3) The Company had 6 current bond issuances in the local market as of December 31 of 2013, and a bond issuance in the international market, as follows:

### **Third bond issuance in the EMGESA local market**

#### *EMGESA Ordinary Bonds Issuance and Placement Program in the Local Market*

The Company has a bond issuance and placement program allowing it making successive bond issuances under the authorized and available global quota, during its term. As of December 31 of 2013, EMGESA had offered and placed 5 bond issuances (called 'trenches') against the program, which were in effect on the above date. All bond issuances under the EMGESA program are rated AAA (Triple A) by Fitch Ratings Colombia S.C.V., dematerialized under the Deceval S.A. administration.

Total value placed	\$250,000,000 in A single subseries (A10), in 2 lots: 1st Lot: February 23, 2005, for \$210,000,000 2nd Lot: February 23, 2006, for \$40,000,000
Balance as of December 31 of 2013	\$250,000,000
Pace bond value	\$1,000
Issuance term	Subseries A10: 10 years
Amortization:	Upon expiration
Issuance date:	February 23, 2005
Maturity date:	February 23, 2015
Bond placement premium, 2nd lot	\$6,927,200
Issuance administrator	Deceval S.A.
Coupon rate:	CPI + 5.04 % E.A.
Rating	AAA (Triple A) Assigned by Duff & Phelps de Colombia S.A. S.C.V. (now Fitch Ratings Colombia S.A. S.C.V.).

The 2nd lot bond placement premium corresponds to the greater value received from placement of ordinary bonds, as a result of the difference between existing rates, the coupon rate, and the bonds' placement yield rate in the 2nd lot. As a result of this, the Company received \$6,927,200 in 2006, of which as of December 31 of 2013 \$6,085,578 had been amortized, the balance being \$841,622; this balance is being amortized in 107 months, equivalent to the 2nd lot bonds term from their placement until their maturity date.

Following are the general financial conditions of the bonds issuance and placement program in the local market:

Class of security	Ordinary bond
Initial approval, Financial Superintendence	Resolution No. 1235 of July 18 of 2006
Initially approved global limit	\$700,000,000
Approval to the first increase to the limit and extension to the placement deadline:	Resolution No. 0833 of July 16 of 2009
First increase to the authorized global limit:	\$1,200,000,000
Total authorized limit as of August 31 of 2010:	\$1,900,000,000
Approval to the first placement term extension:	Resolution No. 1004 of June 29 of 2012
Balance as of December 31 2012	\$1,335,000,000 (*)

Global limit available as of December 31 of 2013	Being processed before the Financial Superintendence for a limit increase
Program maturity	July 2015
Administration	Deceval S.A.

The Company has executed 5 bond trenches under the program, as follows:

*First Trench:*

Total amount placed	\$170,000,000
Balance as of December 31 of 2013	Subseries B10: \$170,000,000
Bond face value	\$10,000
Issuance term	10 years
Issuance date:	February 20, 2007
Maturity date:	February 20, 2017
Coupon rate	CPI + 5.15% E.A.

*Second Trench*

Total amount placed	\$265,000,000 as follows:
	Subseries A5: 49,440,000
	Subseries B10: 160,060,000
	Subseries B15: 55,500,000
Balance as of December 31 of 2013	\$265,000,000
Bond face value	\$10,000
Issuance term	Subseries A5: 5 years
	Subseries B10: 10 years
	Subseries B15: 15 years
Issuance date:	February 11, 2009, all Subseries
Maturity date:	Subseries A 5: February 11, 2014
	Subseries B10: February 11, 2019
	Subseries B15: February 11, 2024
Coupon rate	Subseries A 5: DTF T.A. + 1.47%
	Subseries B10: CPI + 5.78% E.A.
	Subseries B15: CPI + 6.09% E.A.

*Third Trench:*

Total amount placed	\$400,000,000, as follows: Subseries E5: \$92,220,000 Subseries B9: \$218,200,000 Subseries B12: \$89,580,000
Balance as of December 31 of 2013	\$400,000,000
Bond face value	\$10,000
Issuance term	Subseries E5: 5 years Subseries B9: 9 years Subseries B12: 12 years
Issuance date	July 2, all subseries
Maturity date	Subseries E5: July 2, 2014 Subseries B9: July 2, 2018 Subseries B12: July 2, 2021
Coupon rate	Subseries B-9: CPI + 5.90% E.A. Subseries B-12: CPI + 6.10% E.A. Subseries E-5: fixed rate, 9.27% E.A.

*Fourth Trench:*

Total amount placed	\$500,000,000, as follows: Subseries B10: \$300,000,000 Subseries B15: \$200,000,000
Balance as of December 31 of 2013	\$500,00,000
Bond face value	\$10,000
Issuance term	Subseries B10: 10 years Subseries B15: 15 years
Issuance date	December 13, 2012
Maturity date	Subseries B10: December 13, 2022 Subseries B15: December 13, 2027
Coupon rate	Subseries B-10: CPI + 3.52% E.A. Subseries B-15: CPI + 3.64% E.A.

*Fifth Trench:*

Total amount placed	\$565,000,000 , as follows: Subseries B6: \$201,970,000 Subseries B12: \$363,030,000
Balance as of December 31 of 2013	\$565,000,000
Bond face value	\$10,000
Issuance term	Subseries B6: 6 years Subseries B12: 12 years
Issuance date	September 11, 2013
Maturity date	Subseries B6: September 11, 2019 Subseries B12: September 11, 2025
Coupon rate	Subseries B-6: CPI + 4.25% E.A. Subseries B-12: CPI + 5.00% E.A.

The Company has a current bond issuance in the international market, as follows:

**International global bonds in pesos**

The Company placed its first bond issuance in the international capital market on January 20 of 2011, for \$736,760,000 at 10 years. Bonds issued by the Company, denominated in pesos and payable in dollars, have a 8.75% fixed coupon rate.

According to the *Offering Memorandum*, the Company pays the necessary interests so that, after tax withholdings (today 14% according to article 408 of the Tax Code) the bond holder receives 8.75%, meaning that the rate before the 14% withholding is 10.1744%.

The operation is part of the Central Hidroeléctrica El Quimbo financial structure and allowed obtaining pre-financing resources for the project for 2011 and part of 2012 and to refinance other financial obligations.

Registration form	144 A/ Reg S
Total peso issuance value	I
Use of funds	Financing of new projects such as El Quimbo and refinancing of other financial obligations, in addition to other Company general requirements.
Face value	\$5,000 each bond
Term	10 years, with amortization upon maturity.
Interest frequency	Annual
Day count	365/365
Issuance administrator, payment agent, calculation and transfer agent	The Bank of New York Mellon
Yield	8.75% E.A. <sup>(1)</sup>
International rating	BBB (stable) by Fitch Ratings y Standard & Poor's

Following is a summary of bonds issued and bank credits as of December 31 of 2013:

Description	Yield	Placement date	Maturity date	Accounting value
3rd issuance first lot	Subseries A10: CPI+5.04% E.A.	February 23, 2005	February 23, 2015	\$ 210,000,000
3rd issuance 2nd lot	Subseries A10: CPI+5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
First program trench	Subseries B10: CPI+5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
2nd program trench	Subseries B10: CPI+5.78% E.A.	January 11, 2009	February 11, 2019	160,060,000
2nd program trench	Subseries B15: CPI+6.09% E.A.	January 11, de 2009	February 11, 2024	55,500,000
3rd program trench	Subseries B9: CPI+5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
3rd program trench	Subseries B12: CPI+6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000
4th program trench	Subseries B10: CPI+3.52% E.A.	December 13, 2012	December 13, 2022	300,000,000
4th program trench	Subseries B15: CPI+3.64% E.A.	December 13, 2012	December 13, 2027	200,000,000
5th program trench	Subseries B6: CPI+4.25% E.A.	September 11, 2013	September 11, 2019	201,970,000
5th program trench	Subseries B12: CPI+5.00% E.A.	September 11, 2013	September 11, 2025	363,030,000
Global bonds in pesos in form:				
144-A/ Reg S	8.75% E.A.(1)	January 25, 2011	January 25, 2021	736,760,000
Credits with local banks	IBR + 3.66%:	December 19, 2013	December 19, 2023	305,000,000
<b>Bonds and credits, noncurrent</b>				<b>\$ 3,050,100,000</b>
2nd program trench	Subseries A5: DTF+1.47% T.A	February 11, 2009	February 11, 2014	49,440,000
3rd program trench	Subseries E5: fixed rate 9.27% E.A.	July 2, 2009	July 2, 2014	92,220,000
<b>Bonds and credits, current</b>				<b>\$ 141,660,000</b>

Following are the installments of bonds and credits in local currency, payable during the following years:

Year	As of December 31 of 2013	Item
2015	\$ 250,000,000	Local bonds issued
2016	20,333,331	Local bank credits
2017	40,666,667	Local bank credits
2017	170,000,000	Local bonds issued
2018	40,666,667	Local bank credits
2018	218,200,000	Local bonds issued
2019	40,666,667	Local bank credits
2019	362,030,000	Local bonds issued
2020	40,666,667	Local bank credits
2021	40,666,667	Local bank credits
2021	89,580,000	Local bonds issued
2021	736,760,000	International bond issued
2022	40,666,667	Local bank credits
2022	300,000,000	Local bonds issued
2023	40,666,667	Local bank credits
2024	55,500,000	Local bonds issued
2025	363,030,000	Local bonds issued
2027	200,000,000	Local bonds issued
	3,050,100,000	Noncurrent portion
2014	141,660,000	Local bonds issued
	141,660,000	Current portion

Following is the summary of bonds issued as of December 31 of 2012:

Description	Yield	Placement date	Maturity date	Accounting value
3rd issuance first lot	Subseries A10: CPI+5.04% E.A.	February 23, 2005	February 23, 2015	\$ 210,000,000
3rd issuance 2nd lot	Subseries A10: CPI+5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
First program trench	Subseries B10: CPI+5.15% E.A.	February 20, 2007	February 23, 2017	170,000,000
2nd program trench	Subseries A5: DTF+1.47% T.A	February 11, 2009	February 11, 2014	49,440,000
2nd program trench	Subseries B10: CPI+5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
2nd program trench	Subseries B15: CPI+6.09% E.A.	February 11, 2009	February 11, 2024	55,500,000
3rd program trench	Subseries E5: fixed rate 9.27% E.A.	July 2, 2009	July 2, 2014	92,220,000
3rd program trench	Subseries B9: CPI+5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
3rd program trench	Subseries B12: CPI+6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000
4th program trench	Subseries B10: CPI+3.52% E.A.	December 13, 2012	December 13, 2022	300,000,000
4th program trench	Subseries B15: CPI+3.64% E.A.	December 13, 2012	December 13, 2027	200,000,000
Global bonds in pesos in form 144-A/ Reg S	8.75% E.A.(1)	January 25, 2011	January 25, 2021	736,760,000
Credits with local banks	DTF + 3.75% T.A:	April 10, 2012	April 10, 2022	305,000,000
<b>Bonds and credits, noncurrent</b>				<b>\$ 2,626,760,000</b>

#### 14. ACCOUNTS PAYABLE

	2013	2012
Vendors and contractors, local currency	\$ 75,721,084	\$ 131,136,329
Creditors	6,160,578	10,868,284
Vendors, contractors, and creditors, foreign currency (Note 2)	1,094,640	4,905,260
	<b>\$ 82,976,302</b>	<b>\$ 146,909,873</b>

#### 15. LABOR OBLIGATIONS

Benefits (1)	\$ 8,844,711	\$ 6,984,072
Bonuses	1,733,914	2,238,521
Vacation payments	3,037,911	2,509,268
Severance	1,934,066	1,860,554
Interest on severance	234,977	222,228
	<b>\$ 15,785,581</b>	<b>\$ 13,814,643</b>

As of December 31 of 2013 and 2012, there were 563 and 518 active Company employees, respectively.

On September 21 of 2005, the Company signed the collective workers labor agreement with the Energía de Colombia – SINTRAELECOL labor union, benefiting unionized employees, from January 1 of 2004 until December 31 of 2007, partially amended by conventional document 1 of March 3 of 2011 executed for a 4-year term from January 1 of 2011 until December 31 of 2012. As of December 31 of 2013 and 2012, there were 315 and 306 unionized workers, respectively.

(1) The change in bonuses corresponds mainly to the increase of the fidelity bonus reserve for \$758,242, retirement bonus for \$212,629, and productivity bonus for \$889,771.

## 16. RETIREMENT PENSIONS

	<u>2013</u>	<u>2012</u>
Actuarial calculations on retirement pensions and supplementary benefits	\$ 72,847,242	\$ 74,425,335
Minus current portion	(9,869,800)	(9,966,858)
Retirement pensions and supplementary benefits, noncurrent	<u>\$ 62,977,442</u>	<u>\$ 64,458,477</u>

Activities from January 1 to December 31 of 2013 and December 31 of 2012 are the following:

	<u>2013</u>	<u>2012</u>
Initial balance	\$ 74,425,335	\$ 74,239,240
Financial cost	5,535,519	5,869,361
Payments	(9,659,722)	(10,108,899)
Actuarial loss	2,546,110	4,425,633
	<u>\$ 72,847,242</u>	<u>\$ 74,425,335</u>
Number of retired employees	\$ 311	\$ 311
Number of active employees entitled to pension	2	2
	<u>\$ 313</u>	<u>\$ 313</u>

As of December 31 of 2013, AON (external specialists), made the actuarial calculation, resulting in a lower value of the pension liability for \$1,578,093.

Such calculation includes the effects of applying decrement rates considered in the Mortality Table (before retirement and upon retirement), authorized by the Financial Superintendence through Decree 1555 of July 30, 2010 (Mortality Table RC 2008); total and permanent disability, EISS.

As of December 31 of 2013, the pensions' actuarial liability is fully amortized. The Company has no pension bonds and there are no relationships with insurance companies hired for payment of pensions; there are no bonds or guaranties supporting such payments.

The value of the pensions obligation at the end of year is established taking into account actuarial hypotheses, Colombian legal norms regarding pensions, and the specificity of conditions applicable to each company pertaining retirement pensions and post-retirement benefits.

As of December 31 of 2013, the financial hypotheses were a 7.25% annual discount rate and a 3.30% pension increase rate (DANE, Decree 2783 of 2001).

In 2012, these percentages were 8.0% and 3.5%, respectively.

## 17. ESTIMATED LIABILITIES AND RESERVES

	<u>2013</u>	<u>2012</u>
Reserve for costs and expenses	\$ 21,558,245	\$ 5,257,793
Reserve for the purchase of fixed assets (1)	43,510,348	17,073,522
Reserve for the El Quimbo environmental license (2)	44,625,839	36,169,902
Contingency reserve (Note 28)	2,716,149	1,190,550
Other reserves	299,100	299,100
	<u>112,709,681</u>	<u>59,990,867</u>
Minus noncurrent portion	(3,121,237)	(8,761,992)
Current portion	<u>\$ 109,588,444</u>	<u>\$ 51,228,875</u>

(1) The reserve for the purchase of assets corresponds mainly to the El Quimbo project for \$29,843,154, Central Termozipa For \$10,887,849, Central de Cartagena for \$579,979, Central Betania for \$1,748,310, and \$300,000 for the ICT commercial platform project.

(2) Corresponds to obligations not yet assumed and include the El Quimbo project environmental license, as well as 1% of the total project investment according to the paragraph of article 43 of Law 99 of 1993 and Law 1450 of 1993. For December 2013, the value was updated with the net present value at a rate of 5.57%.

## 18. TAXES, LIENS, AND RATES

The income tax reserve is calculated at the official rate of 34% in 2013 (which includes both the 25% income tax and the CREE 9% equity tax) and of 33% in 2012, using the accrual method.

According to Law 633 of 2000, public utility companies are not subject to the presumptive income system. The tax years of 2011 and 2012 are open for review by the tax authorities. Following are the taxes, liens, and rates:

	<u>2013</u>	<u>2012</u>
Income tax	\$ 118,847,852	\$ 96,178,876
Current equity tax	49,213,976	49,213,976
Other	18,035,208	14,100,291
	<u>\$ 186,097,036</u>	<u>\$ 159,493,143</u>

Following is the noncurrent equity tax corresponding to December 31 of 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Noncurrent equity tax	\$ -	\$ 49,213,976

In 2011, the Company opted for the alternate mechanism of accounting the equity tax and the surcharge as a lower value in the equity revaluation account, for \$196,855,905. The outstanding value as of December 31 of 2013 and 2012 is \$49,213,976 and \$49,213,976, respectively.



The liability corresponding to the income tax is shown net of advance tax payments, as follows:

	<u>2013</u>	<u>2012</u>
Current income tax	\$ 392,436,518	\$ 317,160,376
Advanced withholdings, self-withholdings, and other tax discounts (1)	(87,295,222)	(45,749,272)
Income tax advance payment	(186,293,444)	(175,232,228)
	<u>\$ 118,847,852</u>	<u>\$ 96,178,876</u>

(1) Includes the VAT applicable to imports of capital goods, considered a tax deduction in article 258-2 of the Tax Code.

The income tax expense is the following:

	<u>2013</u>	<u>2012</u>
Current income	\$ 279,441,176	\$ 317,160,376
Current CREE	112,995,342	-
Assets deferred tax	(5,759,690)	1,424,201
Credit deferred tax	8,353,097	-
	<u>\$ 395,029,925</u>	<u>\$ 318,584,577</u>

Following is a summary of the main conciliation items:

a) Differences between accounting profits and taxable net income:

Profits before income tax	\$ 1,265,171,034	\$ 1,102,113,965
Effect of temporary differences on account of reserves	8,889,287	(480,872)
Nondeductible expenses	22,825,141	16,190,395
Depreciation - adjustment for fiscal inflation	(4,836,476)	(4,659,309)
Non-taxable revenues	(37,163,178)	(12,007,656)
Deduction of real fixed productive assets and science and technology	(137,192,163)	(140,064,474)
Taxable net income for the income tax	<u>1,117,693,645</u>	<u>961,092,049</u>
	<u>2013</u>	<u>2012</u>
Deduction of fixed real productive assets and science and technology	137,192,163	z
Donations	618,000	-
Taxable net income for CREE	<u>1,255,503,808</u>	<u>961,092,049</u>
Taxable net income for the income tax	1,117,693,645	961,092,049
Applicable rate	25%	33%
Current tax on income	<u>279,423,411</u>	<u>317,160,376</u>
Occasional gains	177,652	-
Applicable rate	10%	-
Tax on occasional gains	<u>17,765</u>	<u>-</u>
Tax on current income and occasional	<u>279,441,176</u>	<u>317,160,376</u>
Deferred tax	<u>2,593,407</u>	<u>1,424,201</u>

Taxable net income for CREE	1,255,503,800	–
Applicable rate	9%	–
Income tax for CREE	<u>112,995,342</u>	–
Income tax	<u>\$ 395,029,925</u>	<u>\$ 318,584,577</u>

b) Difference between accounting and fiscal equity.

Accounting equity	\$ 5,806,218,543	\$ 5,721,350,791
Adjustment for fiscal inflation, 2006	188,427,125	193,870,973
Estimated liabilities and reserves	27,455,715	19,444,461
Deferred tax, debit	(74,856,655)	(69,608,238)
Other non-fiscal assets	(10,535,449)	–
Deferred tax, credit	8,353,097	–
Revaluations	<u>(2,165,225,458)</u>	<u>(2,166,971,014)</u>
Fiscal equity	<u>\$ 3,779,836,918</u>	<u>\$ 3,698,086,973</u>

c) Following are the deferred taxes, debit, as of December 31:

Adjustment for fiscal inflation, 2006	\$ 62,278,627	\$ 64,087,092
Reserves for costs and expenses	3,479,232	1,451,534
Reserves for labor obligations	3,307,336	2,863,369
Tocancipá revaluation tax	1,069,399	1,069,399
Accounts receivable reserve	61,479	117,753
Industry and trade reserve	35,134	19,091
Forward revaluation	(5,271)	–
Reserve for El Quimbo investments	4,630,719	–
	<u>\$ 74,856,655</u>	<u>\$ 69,608,238</u>

d) Following is the deferred tax , credit, from a favorable ruling:

	<u>2013</u>	<u>2012</u>
Deferred tax , credit, from a favorable ruling (Note 27)	<u>\$ 8,353,097</u>	<u>\$ –</u>

Law 1607 of 2012 changed the income tax rate from 2013, from 33% to 25% and created the 8% equity income tax (CREE) applicable to taxable profits generated each year. However, this same law temporarily established that the CREE rate will be 9% for 2013, 2014, and 2015, 8% from 2016 on. This had effects on the EMGESA deferred tax, as follows:

Deferred tax, debit:

	<u>Income tax</u>	<u>CREE</u>	<u>CREE</u>
Adjustments on account of fiscal inflation, 2006	\$ 188,427,125	\$ 9,767,569	\$178,659,556
Estimated liabilities	23,374,437	23,374,437	–
Reserve for El Quimbo investments	14,032,483	–	14,032,483
	<u>225,834,045</u>	<u>33,142,006</u>	<u>192,692,039</u>
	25%	9%	8%
	<u>56,458,511</u>	<u>2,982,781</u>	<u>15,415,363</u>
Deferred tax, debit, as of December 31 of 2013	<u>\$ 74,856,655</u>		

Deferred tax, credit:

Deferred credit, favorable ruling	\$ 24,567,932	\$ 24,567,932
	25%	9%
	6,141,983	2,211,114
Deferred tax, credit, December 31 of 2013	<u>\$ 8,353,097</u>	

### **Industry and trade tax**

This tax is calculated according to article 7 of Law 56 of 1981, based on the installed plant generation capacity in municipalities generation stations are located in.

The Company is subject to the industry and trade tax according to Law 14 of 1993 in Bogotá, applying a 0.966% rate to its operational revenues, 1.104% to other nonoperational revenues, and 15% on account of "avisos y tableros". In other municipalities in which the Company is responsible for the industry and trade tax, payment is made according to rates in each municipality.

### **Contribution to the environment**

Law 1370 of December 2009 sets forth a new equity tax for the tax year of 2011, with a 2.4% rate for taxpayers with equities greater than \$3,000 million and less than \$5,000 million, 4.8% for taxpayers with equities equal to or greater than \$5,000 million.

Subsequently, Decree 4825 of December 2010 set forth an additional equity tax of 25% for taxpayers with equities equal to or greater than \$2,000 million.

This tax applies to equity existing on January 1 of 2011, payment having to be made in 8 equal installments between 2011 and 2014.

### **Transfer prices**

Taxpayers carrying out activities with affiliated economic parties or related parties from abroad are required to establish - for the purpose of the income tax - their ordinary and extraordinary revenues, their costs and deductions, and their assets and liabilities, considering for these operations prices and profit margins used in comparable activities between non-affiliated parties. Independent advisers will update the transfer prices study required by the tax norms in order to demonstrate that such operations with economic affiliated companies from abroad were carried out at market values during 2013. For this purpose, the Company will deliver a statement and will have available the above study by mid-September 2014. Not doing it may result in sanctions and greater income taxes. However, management and its advisors have studied the 2013 contracts and have concluded that there will be no adjustments to the 2013 income tax.

### **Legal stability agreement**

Following are the main aspects of the legal stability agreement executed between the Nation (Ministry of Mines and Energy) and Emgesa S.A E.S.P., formalized on December 20, 2010:

Object: the Company undertakes to build the El Quimbo hydroelectric station (Note 1).

Investment and terms: Company investments in the project will not be less than \$1,922,578.

Key norms object of the legal stability (favorable):

- a) 33% income rate, exclusion of the presumptive income calculation, and special deductions for investments in scientific development and in the environment, among others.
- b) Allows ensuring special deductions for investments in real productive fixed assets (30%), eliminated in January 1 of 2011.

*Parties' obligations*

- a) Company obligations.

Meet the amount of the investment plan for construction and commissioning of the El Quimbo project.

Pay the \$9,612,891 legal stability premium (deposited on December 23 of 2010) (Note 9).

Timely pay taxes.

Hire an independent auditor to review and certify compliance with contractual commitments. For this, the Company hired a third-party specialist which issued its opinion without exceptions on March 22 of 2013. Management believes the same opinion will be issued as a result of the audit made regarding compliance with the 2013 obligations - Confidentiality in Information.

- b) Nation obligations.

Guarantee during 20 years stability of norms included in the contract (favorable) for the El Quimbo project.

**19. OTHER LIABILITIES**

	<b>2013</b>	<b>2012</b>
Forward operations (Note 27)	\$ <b>851,268</b>	\$ 4,707,609
Third-party collections	<b>818,614</b>	-
	<b>\$ 1,669,882</b>	<b>\$ 4,707,609</b>

**20. EQUITY**

The authorized capital is comprised of 286,762,927 shares with a face value of \$4,400 each. The subscribed and paid capital is represented by 127,961,561 ordinary shares and 20,952,601 preferential shares, for a total of 148,914,162 shares with a face value of \$4,400, distributed as follows:

Composition 2013:

Shareholders	Ordinary Shares		Preference Shares		Composition	
	(%)	Number of Shares	(%)	Number of Shares	(%)	Number of Shares
Empresa de Energía de Bogotá S. A. E.S.P.	43.57%	55,758,250	100.00%	20,952,601	51.51%	76,710,851
Empresa Nacional de Electricidad S.A.	31.27%	40,019,173	–%	–	26.87%	40,019,173
Enersis S.A.	25.15%	32,176,823	–%	–	21.61%	32,176,823
Others	0.01%	7,315	–%	–	0.01%	7,315
	<b>100.00%</b>	<b>127,961,561</b>	<b>100.00%</b>	<b>20,952,601</b>	<b>100.00%</b>	<b>148,914,162</b>

Composition 2012:

Shareholders	Ordinary Shares		Preference Shares		Composition	
	(%)	Number of Shares	(%)	(%)	Number of Shares	(%)
Empresa de Energía de Bogotá S. A. E.S.P.	43.57%	55,758,250	100.00%	20,952,601	51.51%	76,710,851
Empresa Nacional de Electricidad S.A.	31.27%	40,019,173	–%	–	26.87%	40,019,173
Endesa Latinoamérica S.A	25.15%	32,176,823	–%	–	21.61%	32,176,823
Others	0.01%	7,315	–%	–	0.01%	7,315
	<b>100.00%</b>	<b>127,961,561</b>	<b>100.00%</b>	<b>20,952,601</b>	<b>100.00%</b>	<b>148,914,162</b>

Of the total number of Empresa de Energía de Bogotá S.A. ESP shares, 20,952,601 correspond to shares with no voting rights and a preferential dividend of US\$0,1107 per share.

### Equity revaluation

Equity revaluation cannot be entered as profits, but can be capitalized.

### Legal reserve

According to the Colombian law, the Company must transfer a minimum of 10% of its year profits to a legal reserve until reaching 50% of the subscribed and paid capital. This reserve is not available for distribution but can be used to absorb losses.

**Income tax**

According to the current legislation, foreign investments entitle their holders to remit above, in freely convertible currency, net verified profits periodically generated according to the general balance sheets of each year, the capital invested, and capital gains. Dividends of shareholders not living in Colombia are subject to a 0% income tax on the non-taxed portion, 33% on the taxed portion, as of December 31 of 2013 and 2012.

**Share placement premium**

Represents the greater value paid by the shareholder on the share's face value.

**Payment of dividends**

The March 20 of 2013 General Shareholders Assembly, according to Minutes 86, ordered distributing dividends for \$783,529,388 against the 2012 net profits. The entire preferential dividend was paid in June, ordinary dividends during 2013 for \$587,647,041, the balance having been paid on January 23 of 2014 for \$195,882,347.

The March 21 of 2012 General Shareholders Assembly, according to Minutes 83, ordered distributing dividends for \$667,755,033 against the 2011 net profits. The entire preferential dividend was paid in April; ordinary dividends were paid during 2012 for \$501,844,856, the outstanding balance on January 13 of 2013 for \$165,910,176.

## 21. MEMORANDUM ACCOUNTS

	<u>2013</u>	<u>2012</u>
Debtors:		
Contingent rights	\$ 858,788,997	\$ 1,446,979,955
Control	<b>134,848,245</b>	167,572,591
	<u>\$ 993,637,242</u>	<u>\$ 1,614,552,546</u>
Creditors:		
Fiscal	<b>2,173,859,021</b>	2,269,641,706
Contingent responsibilities (1)	<b>613,449,743</b>	598,010,156
Memorandum accounts, creditor	<b>2,787,308,764</b>	2,867,651,862
	<u>\$ 3,780,946,006</u>	<u>\$ 4,482,204,408</u>

(1) Contingent responsibilities as of December 31 of 2013 are mainly comprised of legal, civil, and labor contingencies for \$193,904,689, contractual guaranties for \$248,868,305, and other contingencies for \$170,676,749.

## 22. OPERATIONAL REVENUES

	<u>2013</u>	<u>2012</u>
Block sales	\$ 1,170,782,471	\$ 1,151,627,611
Sales to non-regulated clients (trading)	<b>702,008,472</b>	634,848,979
Sales in the electrical generation exchange	<b>521,186,784</b>	353,788,939
Other services	<b>3,450,114</b>	4,063,575
	<u>\$ 2,397,427,841</u>	<u>\$ 2,144,329,104</u>

Total revenues received on account of Codensa sales represent 24.50% - \$587,400,323 - and 30.60% - \$656,249,442 - as of December 31 of 2013 and 2012, respectively, of operational revenues.

## 23. COST OF SALES

	<u>2013</u>	<u>2012</u>
Electrical power purchases and related costs	\$ 587,721,594	\$ 433,797,484
Depreciation	<b>143,933,032</b>	139,848,118
Use of indirect supplies	<b>131,795,118</b>	138,483,801
Contributions	<b>64,135,697</b>	65,528,756
Personnel costs (1)	<b>47,354,708</b>	42,789,308
Other generation costs	<b>38,161,544</b>	34,419,786
Insurance	<b>14,460,105</b>	14,424,365
General	<b>5,127,443</b>	4,978,257
Leases	<b>2,539,268</b>	2,597,895
Intangible amortizations	<b>1,433,639</b>	1,418,080
Public utilities	<b>1,179,620</b>	1,413,426
Deferred amortizations (2)	<b>58,279</b>	1,169,737
	<u>\$ 1,037,900,047</u>	<u>\$ 880,869,013</u>

- (1) Includes the financial cost of pension liabilities for \$5,535,519 and \$5,869,361, for 2013 and 2012, respectively.
- (2) Amortization of the integration project between EMGESA and Central Hidroeléctrica Betania was concluded in September 2012. The cost amortized during this time was \$1,023,591.

## 24. ADMINISTRATION EXPENSES

	2013	2012
Salaries, wages, and bonuses	\$ 8,332,791	\$ 7,407,764
Depreciation and amortization (1)	4,265,590	2,710,928
Other general services	3,495,188	3,183,901
Charge on financial activities	3,518,937	4,695,478
Commissions, fees, and services	2,797,237	2,564,226
Other expenses (2)	2,280,367	4,715,055
Studies and projects (3)	1,813,017	-
Social security payments	1,336,945	1,288,864
Other personnel expenses	1,048,694	1,010,473
Leases	11,190	138,925
Aremari contract	-	1,584,442
	<u>\$ 28,899,956</u>	<u>\$ 29,300,056</u>

- (1) Increased by the new SAP ISU commercial system platform license amortization.
- (2) Other expenses are represented in temps, \$357,749, inventory services \$158,481, trip expenses \$213,668, administration of floors 3 and 4 \$120,433, corporate events \$320,069, and other administration expenses \$1,109,967.
- (3) Corresponds mainly to investigation expenses associated to innovation and quality projects.

## 25. FINANCIAL EXPENDITURES, NET

	2013	2012
Financial revenues	\$ 15,831,557	\$ 7,737,925
Interests on deposits	11,463,637	-
Accounts receivable interests (Ministry of Mines and Energy	2,791,785	1,507,065
Ministry of Finances and Public Credit) (Note 29)	482,081	686,559
Exchange adjustments	231,656	119,344
Other	95,314	516,864
	<u>30,896,030</u>	<u>10,567,757</u>
Late payment charge		
Financial revenues from accounts receivable and investments	(113,814,294)	(126,197,847)
Financial expenses	(1,123,760)	(2,495,072)
Interests		
Exchange adjustments	(2,164,667)	(4,016,623)
Other (1)	(117,102,721)	(132,709,542)
Financial expenditures, net	<u>\$ (86,206,691)</u>	<u>\$ (122,141,785)</u>



(1) Other financial expenses as of December 2013 and 2012 correspond mainly to the following:

- Financial discounts for \$1,137,057 and \$2,803,629, respectively.
- Amortization of expenses associated to bond issuances for \$158,455 and \$219,200, respectively, and commissions for \$869,144 and \$695,349, respectively.

## 26. MISCELLANEOUS REVENUES (EXPENDITURES), NET

	2013	2012
Other revenues:		
Revenue from the ruling from the Ministry of Mines and Energy- Ministry of Finances and Public Credit ( <i>Note 29</i> )	\$ 13,104,295	\$ -
Stamp tax recovery	10,399,833	-
Revenue from the coal pile volume measurement	1,799,377	679,923
Previous years' adjustments	1,190,787	931,762
Revenue from the sale of ash, coal patio	1,179,344	-
Other recoverys	760,186	278,000
Reimbursement of contribution - Superintendence of Public Household Utility Services	692,707	-
Profit from the sale of properties, plant, and equipment	605,758	61,100
A/R recovery	451,185	492,674
Profit from the sale of inventories	237,365	679,704
Recovery from outstanding invoices	160,282	293,540
Other extraordinary revenues	153,049	724,851
Indemnifications from claims	112,666	-
Extraordinary revenues from conciliation entries	97,583	186,107
Previous years' income tax adjustment	10,349	1,949,220
Use contracts	-	2,803,339
	<u>\$ 30,954,766</u>	<u>\$ 9,080,220</u>
Other expenditures:		
Previous years' adjustment, income	(2,868,130)	(315,284)
Actuarial loss	(2,546,110)	(4,425,633)
Other adjustments for previous years (1)	(1,491,342)	(1,246,749)
Inventory reserve	(856,007)	(167,160)
Legal contingencies	(718,678)	(1,796,746)
Payment to Fundación Endesa	(618,000)	(599,000)
Previous years' adjustments - deferred tax	(511,273)	(927,903)
Other expenditures	(367,013)	(624,552)
Debtors reserve	(163,637)	(658,489)
Previous years' adjustment - expansion projects	(57,839)	(3,569,481)
Loss in properties, plant, and equipment	(37,523)	(18,112)
Discharges on account of previous years' maintenance	-	(4,589,519)
	<u>(10,235,552)</u>	<u>(18,938,628)</u>
Miscellaneous revenues (expenditures), net	<u>\$ 20,719,214</u>	<u>\$ (9,858,408)</u>

(1) During 2013, other adjustments of previous years originate mainly from the public lighting tax \$336,686, adjustments for personnel expenses \$108,495, the agreement between EEB and Emgesa for the Tomine reservoir maintenance \$639,227, and adjustment to costs associated to the Muña and Tomine trusts for \$112,661.

## 27. FORWARD OPERATIONS

In order to hedge the effect of profits or losses from the exchange difference generated in the foreign currency net active monetary position, Emgesa S.A. E.S.P. established the following hedge agreements (forward non delivery), valued at the December 31 of 2013 and 2012 exchange rate, on which financial revenues were recognized as follows:

	2013	2012
All-risk and civil liability policy (1)	\$ 15,503	\$ –
Salaco project fixed assets (2)	(337,037)	–
El Quimbo project fixed assets (2)	(529,734)	(4,707,609)
	<u>\$ (851,268)</u>	<u>\$ (4,707,609)</u>

(1) The forward corresponding to the insurance policy generated revenues against income.

(2) Forwards established for the purchase of fixed assets associated to the El Quimbo and Salaco projects generated losses, recognized in the deferred charges item.

Following are the forwards as of December 31 of 2013:

Entity	Initial date	Final date	Negotiable rate	(Thousand dollars)	(Thousand pesos)	Valuation	
BANCO DE BOGOTÁ S.A.	24-sep-13	31-Jan-14	\$	1,909.94	US\$ 997.04	\$ 1,904,294	\$ 22,843
BANCO DE BOGOTÁ S.A.	27-Dec-13	31-mar-14		1,975.05	422.42	834,308	(13,605)
BANCO SANTANDER S.A.	26-Jan-11	18-jul-14		2,093.97	417.62	874,488	(53,726)
BANCO SANTANDER S.A.	26-Jan-11	19-sep-14		2,110.03	1,781.01	3,757,975	(235,818)
BANCO SANTANDER S.A.	26-Jan-11	20-nov-14		2,126.08	1,781.01	3,786,560	(241,626)
BANCO SANTANDER S.A.	26-Jan-11	20-Feb-15		2,149.37	112.44	241,671	(15,460)
BANCO SANTANDER S.A.	18-oct-13	16-Apr-14		2,074.89	745.25	1,546,311	(94,662)
BANCOLOMBIA	20-jun-13	21-Feb-14		1,980.96	1,393.72	2,760,894	(61,962)
BANCOLOMBIA	20-jun-13	21-Apr-14		1,992.45	136.00	270,981	(6,192)
BANCOLOMBIA	31-oct-13	31-Jan-14		1,955.87	432.90	846,692	(9,799)
BANCOLOMBIA	22-nov-13	20-Jan-14		1,974.48	617.91	1,220,051	(26,763)
BANCOLOMBIA	21-nov-13	20-Jan-14		1,974.56	81.63	161,187	(3,542)
BANCOLOMBIA	27-Dec-13	03-mar-14		1,954.73	278.95	545,278	(4,739)
BANCOLOMBIA	23-Dec-13	21-mar-14		1,982.14	1,061.84	2,104,708	(43,521)
BBVA COLOMBIA	24-sep-13	28-Feb-14		1,915.03	903.23	1,729,714	19,299
BBVA COLOMBIA	24-sep-13	30-May-14		1,930.15	1,061.86	2,049,547	23,216
BBVA COLOMBIA	24-sep-13	27-jun-14		1,934.91	984.00	1,903,950	21,426
BBVA COLOMBIA	24-sep-13	27-Feb-15		1,977.64	293.36	580,151	7,603
BBVA COLOMBIA	24-sep-13	31-mar-15		1,983.47	171.93	341,014	4,684
BBVA COLOMBIA	24-sep-13	30-Apr-15		1,988.69	134.98	268,431	3,874
BBVA COLOMBIA	24-sep-13	29-May-15		1,993.75	91.89	183,208	2,764
BBVA COLOMBIA	24-sep-13	30-jun-15		1,999.35	65.15	130,262	2,057
BNP PARIBAS	21-jun-13	21-jul-14		2,016.13	96.72	195,004	(4,946)
BNP PARIBAS	21-jun-13	21-oct-14		2,036.04	1,063.66	2,165,648	(57,083)
BNP PARIBAS	21-jun-13	22-Dec-14		2,050.93	1,129.52	2,316,566	(63,488)
BNP PARIBAS	21-jun-13	23-Feb-15		2,062.94	99.77	205,817	(5,348)
BNP PARIBAS	21-jun-13	21-Apr-15		2,077.89	13.89	28,870	(762)
BNP PARIBAS	03-jul-13	31-Jan-14		1,954.62	675.94	1,321,208	(13,994)
BNP PARIBAS	04-jul-13	28-Feb-14		1,962.35	326.43	640,562	(7,901)
BNP PARIBAS	04-jul-13	31-mar-14		1,968.74	364.15	716,917	(9,174)
BNP PARIBAS	04-jul-13	30-Apr-14		1,974.16	346.76	684,550	(8,682)
BNP PARIBAS	04-jul-13	30-may-14		1,981.16	331.04	655,847	(8,866)
BNP PARIBAS	04-jul-13	27-jun-14		1,986.98	144.54	287,198	(4,008)
BNP PARIBAS	04-jul-13	31-jul-14		1,994.07	250.25	499,020	(7,163)
BNP PARIBAS	04-jul-13	29-ago-14		1,999.26	187.05	373,966	(5,342)
BNP PARIBAS	04-jul-13	30-sep-14		2,004.95	167.09	335,007	(4,750)
BNP PARIBAS	04-jul-13	31-oct-14		2,012.11	256.02	515,132	(7,562)
BNP PARIBAS	04-jul-13	28-nov-14		2,019.31	87.56	176,815	(2,733)
BNP PARIBAS	04-jul-13	29-dic-14		2,025.02	253.99	514,333	(7,834)

BNP PARIBAS	04-jul-13	30-Jan-15	2,030.23	<b>31.74</b>	<b>64,431</b>	<b>(911)</b>
BNP PARIBAS	04-jul-13	27-feb-15	2,038.34	<b>10.68</b>	<b>21,776</b>	<b>(322)</b>
BNP PARIBAS	04-jul-13	30-Apr-15	2,054.84	<b>31.63</b>	<b>65,001</b>	<b>(1,009)</b>
BNP PARIBAS	04-jul-13	29-may-15	2,058.21	<b>5.81</b>	<b>11,954</b>	<b>(167)</b>
BNP PARIBAS	04-jul-13	30-jun-15	2,064.33	<b>273.07</b>	<b>563,702</b>	<b>(7,511)</b>
BNP PARIBAS	20-nov-13	15-Jan-14	1,927.50	<b>6,786.11</b>	<b>13,080,217</b>	<b>15,503</b>
BNP PARIBAS	27-dic-13	30-Apr-14	1,941.60	<b>434.05</b>	<b>842,753</b>	<b>2,582</b>
JP MORGAN-CHASE BANK	21-jun-13	21-may-14	1,992.39	<b>1,523.27</b>	<b>3,034,946</b>	<b>(60,510)</b>
JP MORGAN-CHASE BANK	21-jun-13	24-jun-14	2,009.98	<b>57.23</b>	<b>115,031</b>	<b>(2,919)</b>
JP MORGAN-CHASE BANK	25-sep-13	31-mar-14	1,924.05	<b>1,058.34</b>	<b>2,036,301</b>	<b>18,872</b>
JP MORGAN-CHASE BANK	25-sep-13	30-Apr-14	1,929.04	<b>1,181.43</b>	<b>2,279,026</b>	<b>21,586</b>
JP MORGAN-CHASE BANK	25-sep-13	31-jul-14	1,944.41	<b>856.81</b>	<b>1,665,994</b>	<b>15,885</b>
JP MORGAN-CHASE BANK	25-sep-13	29-ago-14	1,949.29	<b>705.23</b>	<b>1,374,692</b>	<b>13,218</b>
JP MORGAN-CHASE BANK	25-sep-13	30-sep-14	1,954.87	<b>680.57</b>	<b>1,330,432</b>	<b>12,801</b>
JP MORGAN-CHASE BANK	25-sep-13	31-oct-14	1,960.75	<b>517.38</b>	<b>1,014,445</b>	<b>9,683</b>
JP MORGAN-CHASE BANK	25-sep-13	28-nov-14	1,965.77	<b>429.74</b>	<b>844,762</b>	<b>8,125</b>
JP MORGAN-CHASE BANK	25-sep-13	30-dic-14	1,971.05	<b>609.26</b>	<b>1,200,878</b>	<b>12,010</b>
JP MORGAN-CHASE BANK	25-sep-13	30-Jan-15	1,976.14	<b>531.43</b>	<b>1,050,184</b>	<b>11,464</b>
JP MORGAN-CHASE BANK	25-sep-13	31-jul-15	2,008.07	<b>62.96</b>	<b>126,426</b>	<b>1,905</b>
JP MORGAN-CHASE BANK	25-sep-13	31-ago-15	2,013.14	<b>54.07</b>	<b>108,851</b>	<b>1,732</b>
				<b><u>35,601.30</u></b>	<b><u>70,505,937</u></b>	<b><u>(851,268)</u></b>

Following are the forwards as of December 31 of 2012:

Entity	Initial date	Final date	Negotiable rate	(Thousand dollars)	(Thousand pesos)	Valuation
Banco Santander S.A.	26-Jan-11	20-jun-13	2,001.60	\$ 3,761,117.07	\$ 7,528,252	\$ (727,698)
Banco Santander S.A.	26-Jan-11	19-jul-13	1,992.09	7,605,550.48	15,150,941	(1,355,972)
Banco Santander S.A.	26-Jan-11	20-sep-13	2,021.64	95,572.16	193,213	(19,402)
Banco Santander S.A.	26-Jan-11	20-feb-14	2,055.29	1,252,865.81	2,575,003	(256,899)
Banco Santander S.A.	26-Jan-11	20-mar-14	2,062.81	49,717.56	102,558	(10,275)
Banco Santander S.A.	26-Jan-11	16-Apr-14	2,074.89	1,889,406.08	3,920,310	(402,298)
Banco Santander S.A.	26-Jan-11	18-jul-14	2,093.97	417,621.94	874,488	(88,714)
Banco Santander S.A.	26-Jan-11	19-sep-14	2,110.03	1,781,005.53	3,757,975	(383,087)
Banco Santander S.A.	26-Jan-11	20-nov-14	2,126.08	1,781,005.53	3,786,560	(388,109)
Banco Santander S.A.	26-Jan-11	20-feb-15	2,149.37	112,437.84	241,671	(24,872)
Bbva Colombia	25-Jan-11	20-feb-13	1,952.73	5,814,076.89	11,353,322	(1,013,227)
Bbva Colombia	25-Jan-11	18-Jan-13	1,939.73	222,828.46	432,226	(37,056)
				<b>\$ 24,783,205.35</b>	<b>\$ 49,916,519</b>	<b>\$ (4,707,609)</b>

## 28. CONTINGENCIES

As of December 31 of 2013 and 2012, following are the main litigations the Company is dealing with, regarding which management, with the support of its external and internal legal advisors, considers that the result of such litigations corresponding to the non-reserved portion will be favorable for the Company and will not result in significant liabilities that should be accounted or that would significantly affect its financial position otherwise.

### Environmental contingency

Group action against Emgesa S.A. E.S.P., Empresa de Energía de Bogotá S.A. E.S.P. and CAR for alleged material and moral damages caused to the inhabitants of the municipality of Sibate, both to their health and to the value of their properties, as a result of the environmental problems caused by the quality of the Bogotá River water in the Muña reservoir. The initial claim was for COP \$3,000,000,000,000. This action was added to another existing action for the same fact, in which there are a large number of defendants.

The 5th Administrative Court of Bogotá is currently processing prior exceptions filed by some defendants regarding the non-applicability of the demand considering not meeting formal requirements, improper defendant representation, lack of legitimacy in the cause upon being passive, and the action's caducity.

Company management and its internal and external advisors believe this contingency is remote and that, in case of a unfavorable ruling, the most critical scenario would involve \$118,918,800 (TRM 1USD=\$1,981.98).

### **Industry and trade tax**

The energy generation line companies in Colombia have been contacted by municipalities attempting to charge EMGESA the industry and trade tax, based on its revenues, this way disavowing application of the special system contained in Law 56 of 1981, according to which this tax should be calculated taking into account the installed energy generation capacity.

The municipalities of Yaguará, Caloto, Puerto Tejada, Yumbo Puerto Nare and Guachené, have issued liquidations on accounts of this tax for 1998 through 2011, for an accumulated value of \$67,947,248, of which \$62,899,944 correspond to suits with the municipality of Yaguará.

There are annulment and reestablishment of rights claims filed before the Jurisdiction of the Contentious Administrative against such liquidations. The Company Finances Manager and its administration, together with its external and external advisors and based on legal criteria, have concluded that the contingency related to such tax is remote for the Yaguará case and has a 40% loss probability for other suits.

### **Income tax, 2003**

The process generates from Company's lack of information regarding benefits available from applying the Paez Law. The tax authorities believe that the Company may not benefit from such law regarding its revenues. The process value is \$89,745,231.

The Company Finances Manager and its administration, together with its external and external advisors, have concluded that this contingency is remote.

### **Consorcio Impregilo claim**

As of December 31 of 2013 there is a claim by Consorcio Impregilo OHL, responsible for the El Quimbo project civil work, generated by greater expenses incurred by the contractor, to be transferred to EMGESA. As of the date of these financial statements, the Company is negotiating this with the contractor.

### **Other contingencies**

As of December 31 of 2013, the value of claims filed on account of administrative, civil, and labor litigations and by contractors are the following:

<b>Process</b>	<b>Number of processes</b>	<b>Rating</b>	<b>Contingency value</b>	<b>Reserve value</b>
		Probable	\$ 2,716,149	\$ 2,716,149
	1	Eventual	36,186,421	–
Administrative and civil		Remote	131,068,119	–
	2		169,970,689	2,716,149
Labor and contractors		Eventual	550,000	–
		Remote	23,384,000	–
			23,934,000	–
Total processes	2		\$ 193,904,689	\$ 2,716,149

As of December 31 of 2012, the value of claims filed on account of administrative, civil, and labor litigations and by contractors are the following:

<b>Process</b>	<b>Number of processes</b>	<b>Rating</b>	<b>Contingency value</b>	<b>Reserve value</b>
	53	Probable	\$ 1,168,817	\$ 1,168,817
	131	Eventual	32,961,885	–
Administrative and civil	29	Remote	125,018,702	–
	213		159,149,404	1,168,817
Labor and contractors	1	Probable	21,733	21,733
	5	Eventual	566,101	–
	13	Remote	23,444,000	–
	19		24,031,834	21,733
Total processes	232		\$ 183,181,238	\$ 1,190,550

## 29. SUBSEQUENT EVENTS

Emgesa S.A. E.S.P. legal process against the Nation-Ministry of Finances and Public Credit-Ministry of Mines and Energy.

Endesa de Colombia SA, en liquidacion, Inversiones y Promociones S.A., Proyectos de Energía S.A. and Compañía Eléctrica Cono Sur S.A. suing the Nation-Ministry of Finances and Public Credit-Ministry of Mines and Energy. For the contractual action seeking payment of the amount corresponding to equity damages caused, upon profits corresponding to 1995 having been distributed among the Central Hidroeléctrica Betania shareholders, despite in the stock sale process the Nation having explicitly committed not to do it, this way defaulting the agreed pre-contractual commitments.

The State Council established that the cash dividend distribution made during the pre-contractual phase and lacking the required transparency and publicity in the Central Hidroeléctrica Betania negotiation process compromises the Nation's responsibility, since it affected the Company's financial situation and caused damages to the plaintiffs, who acquired the stock majority - property of the nation - for a greater value.

According to the ruling and based on the February 17 of 2007 document issued by the State Council, there was a procedural succession upon the assignment of the litigation rights

having been accepted, as made to Central Hidroeléctrica Betania, the latter having been required to make the respective payment.

The value of the ruling corresponds to the amount paid in excess on account of the shares, \$6,003,355, plus its indexing, which on the date of the ruling is \$13,104,295; 6% annual interests will be paid (\$11,463,637) from December 1998 until August 2013, for a total of \$24,567,932.

On January 15 of 2014 the counterpart was entitled to requesting clarifications or additional information. During this time, it was entitled to presenting the fiscal impact incident in order to establish the manner in which payment would be made. However, no such requests were submitted so that the ruling is now final. Legally, this fact can only be certified by the General Secretary of the State Council, Section 3, with an official document we requested on January 20 of 2014 in order to register the invoice before the Ministry.

### 30. COMMITMENTS

#### Canoas” Elevation Station Project

The Interinstitutional Agreement between la Empresa de Acueducto y Alcantarillado de Bogotá E.S.P. and the Company was executed on December 5 of 2011, whose purpose is joining efforts to guarantee construction of the “Canoas” Elevation Station through economic and operational contributions provided by the Company.

This agreement is important for the people living in the Bogotá river basin, inasmuch as it contributes to financing the necessary mega-work required to clean the Bogotá river and use this resource to generate electrical power, this way guaranteeing the electrical generation system’s reliability.

The Company contribution is \$84,048 M for the station and close to \$7,000 M annual for its operation, administration, and maintenance.

Such resources will be provided once Corporación Autónoma Regional de Cundinamarca – CAR makes a statement regarding the water concession term extension requested by the Company on September 21 of 2011, granting the concession for a similar time and under conditions that will be economically profitable and socially beneficial, and once the station is built by Empresa de Acueducto y Alcantarillado de Bogotá–EAAB.

### 31. FINANCIAL METRICS

Metric	Expression	2012	2011	Metric explanation
<i>Liquidity</i>				
Current ratio: (current assets/current liabilities)	(Times)	1.51	1.73	Indicates the capacity the Company has to handle its current debts by committing its current assets
<i>Indebtedness</i>				

Total indebtedness level: (total liabilities/total assets)	%	40.66%	37.40%	Indicates the leverage degree corresponding to a creditors' participation in Company assets
Indebtedness to current: (total current liabilities/total assets)	%	8.80%	7.29%	Represents the debt percentage with 3rd parties, with current maturities
Indebtedness to noncurrent total: (total liabilities to noncurrent/total assets)	%	31.86%	30.11%	Represents the debt percentage with 3rd parties, with mid and noncurrent maturities
<b>Activity</b>				
Commercial portfolio turnover: (365/(operational revenues/total portfolio))	Days	34	32	Indicates the number of average commercial portfolio turnover days in the year
Vendor turnover: (365/(cost of sales/Accounts Payable vendors))	Days	29	61	The average number of days the Company takes to pay vendor invoices
<b>ROI</b>				
Gross profit margin: (gross profit/operational revenues)	%	56.71%	58.92%	The capacity the Company has to handle its sales in order to generate gross profits, i.e. before administrative and sales expenses, other revenues, and other expenditures and taxes.
Operational margin: (operational profits/operational revenues)	%	55.50%	57.55%	Indicates how much each sales peso provides to operational profits.
Net profit margin: (net profit/operational)	%	36.29%	36.54%	The percentage of net sales generating profits after taxes for the Company.
Equity ROI (net profits/total equity)	%	14.99%	13.69%	The shareholders' investment yield
ROA (net profit/total assets)	%	8.89%	8.58%	For each peso invested in total asset, measures net profits.