CONSOLIDATED FINANCIAL STATEMENTS

Emgesa S.A. E.S.P. and its Affiliates

For the years ended 31 December 2016 and 2015, and
Statutory Auditor's Report

Emgesa S.A. E.S.P. and its Affiliates
Statement of Financial Position – Consolidated
(In thousands of pesos)

	Note	As of 31 December 2016	As of 31 December 2015
Assets			
Current Assets:			
Cash and cash equivalents	4	$ 620.637.751	$ 299.393.415
Other current financial assets	5	15.293.732	13.385.123
Other current non-financial assets	6	22.259.803	65.386.864
Current commercial accounts receivable and other receivables, net	7	169.514.583	327.639.405
Current accounts receivable from related entities	8	323.950	33.172.398
Inventories	9	43.992.321	34.562.875
Total current assets		**872.022.140**	**773.540.080**
Non-current assets:			
Other non-current financial assets	5	5.698.661	2.740.235
Other non-current non-financial assets	6	6.397.436	4.864.712
Non-current commercial accounts receivable and other receivables, net	7	31.280.609	8.686.009
Intangible assets other than goodwill, net	10	100.628.964	90.260.095
Property, plant and equipment, net	11	7.924.269.585	7.878.602.968
Deferred tax assets, net	12	97.164.043	81.315.707
Total non-current assets		**8.165.439.298**	**8.066.469.726**
Total assets		**$ 9.037.461.438**	**$ 8.840.009.806**
Liabilities and equity			
Current liabilities:			
Other current financial liabilities	13	464.271.277	$ 606.511.273
Current commercial accounts payable and other payables	14	337.661.837	283.723.040
Current accounts payable to related entities	8	218.815.272	200.338.829
Other current provisions	15	84.023.026	323.186.623
Current tax liabilities	17	144.573.571	127.729.270
Current provisions for employee benefits	16	28.769.379	28.797.528
Other current non-financial liabilities	18	3.814.849	3.824.724
Total current liabilities		**1.281.929.211**	**1.574.111.287**
Non-current liabilities:			
Other non-current financial liabilities	13	3.983.273.676	3.495.312.860
Other non-current provisions	15	195.955.262	146.118.742
Non-current provisions for employee benefits	16	80.315.258	66.110.357
Total non-current liabilities		**4.259.544.196**	**3.707.541.959**
Total liabilities		**$ 5.541.473.407**	**$ 5.281.653.246**

Emgesa S.A. E.S.P. and its Affiliates
Statement of Financial Position – Consolidated (Continued)
(In thousands of pesos)

Equity	Note	As of 31 December 2016	As of 31 December 2015
Issued capital	**19**	$ 655.222.313	$ 655.222.313
Issue premiums		113.255.816	113.255.816
Other reserves	**19**	504.263.280	426.094.825
Other comprehensive income (OCI)		(13.597.809)	(5.001.313)
Net income		753.505.276	885.493.924
Retained earnings		10.652.977	10.615.748
Earnings from the effect of conversion to IFRS		1.472.651.581	1.472.650.135
Exchange Rate Conversion Effect		8.442	10.159
Retained earnings		2.236.818.276	2.368.769.966
Equity attributable to the owners of the parent group		**3.495.961.876**	**3.558.341.607**
Non-controlling interest		26.155	14.953
Total Equity		**3.495.988.031**	**3.558.356.560**
Total liabilities and equity		**$ 9.037.461.438**	**$ 8.840.009.806**

See accompanying notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the affirmations contained in these financial statements and that they have been accurately taken from the Group's accounting books.

Bruno Riga
Legal Representative

Alba Lucia Salcedo Rueda
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(See my report dated 16 February 2017)

Emgesa S.A. E.S.P. and its Affiliates
Income Statement, by Nature – Consolidated
(In thousands of pesos, except earnings per share)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Income from ordinary activities	20	$ 3.485.206.750	$ 3.229.679.875
Other operating income	20	28.864.047	38.543.205
Total income from ordinary activities and other operating income		**3.514.070.797**	**3.268.223.080**
Provisioning and services	21	(1.322.956.965)	(1.350.012.652)
Contribution margin		**2.191.113.832**	**1.918.210.428**
Works for fixed assets		3.485.460	22.430.427
Personnel expenses	22	(72.015.890)	(87.474.568)
Other fixed operating expenses	23	(137.625.015)	(127.500.640)
Gross operating profit		**1.984.958.387**	**1.725.665.647**
Depreciations and amortisations	24	(191.943.036)	(164.215.881)
Impairment losses (Reversal)	24	(102.320.470)	(457.690)
Operating profit		**1.690.694.881**	**1.560.992.076**
Financial revenues	25	46.526.698	13.868.730
Financial expenses	25	(497.079.712)	(353.991.449)
Capitalised financial expenses	25	5.062.047	168.974.389
Exchange difference	25	2.225.149	3.745.330
Financial earnings		**(443.265.818)**	**(167.403.000)**
Earnings from other investments			
Earnings from sale and disposal of assets		(11.366.645)	(463.032)
Earnings before taxes		**1.236.062.418**	**1.393.126.044**
Expense from tax on gains	26	(482.545.939)	(507.629.060)
Year profits		**$ 753.516.479**	**$ 885.496.984**
Non-Controlling Interest		(11.203)	(3.060)
Net income		**$ 753.505.276**	**$ 885.493.924**

Emgesa S.A. E.S.P. and its Affiliates
Income Statement, by Nature – Consolidated (Continued)
(In thousands of pesos, except earnings per share)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Basic earnings per share			
Basic and diluted earnings per share in on-going operations	27	5.013	5.897
Weighted average number of outstanding common shares		**148.914.162**	**148.914.162**

See accompanying notes.

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Emgesa S.A. E.S.P. and its Affiliates
Statement of Comprehensive Income – Consolidated
(In thousands of pesos)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Net income		**$ 753.516.479**	**$ 885.496.984**
Components of other comprehensive income not reclassified to earnings before taxes			
Gains (losses) in new measurements of financial instruments measured at fair value through OCI	28	2.961.321	(1.853.059)
Gain (losses) on new measurements of defined benefit plans	28	(14.803.751)	2.567.882
Gains (losses) on cash flow hedges	28	(2.822.410)	(697.458)
Other comprehensive income not reclassified to earnings before taxes		**(14.664.840)**	**17.365**
Income tax relative to components of other comprehensive income not reclassified to net income			
Gains (losses) on new measurements of defined benefit plans	28	4.869.522	(1.024.152)
Income tax relative to cash flow hedges of other comprehensive income	28	1.198.822	(78.276)
		6.068.344	(1.102.428)
Other comprehensive income		**(8.596.496)**	**(1.085.063)**
Net Income		**$ 744.919.983**	**$ 884.411.921**

See accompanying notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the affirmations contained in these financial statements and that they have been accurately taken from the Group's accounting books.

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Emgesa S.A. E.S.P. and its Affiliates
Statement of Changes in Equity – Consolidated
(In thousands of pesos)

					Other reserves		Other comprehensive income					
	Note	Issued Capital	Emission Premium	Legal Reserve	Statutory Reserve	Occasional Reserve	Gains and losses on new measurements of financial instruments measured at fair value	Profit and loss for defined benefit plans	Accumulated earnings	Equity attributable to the owners of the parent group	Non-controlling interests	Total equity
Initial equity as of 31 December 2014		**$ 655.222.313**	**$ 113.255.816**	**$ 327.614.057**	**$ 178.127**	**$ -**	**$ 6.128.544**	**$ (10.044.794)**	**$ 1.769.493.263**	**$ 2.861.847.326**	**$ 11.893**	**$ 2.861.859.219**
Changes in equity												
Comprehensive income		-	-	-	-	-	-	-	885.493.924	885.493.924	3.060	
Net income		-	-	-	-	-	(2.628.792)	1.543.729	-	(1.085.063)	-	**885.496.984**
Other comprehensive income		-	-	-	-	-	(2.628.792)	1.543.729	885.493.924	884.408.861	3.060	**(1.085.063)**
Comprehensive income		-	-	-	-	-	-	-	(187.919.676)	(187.919.676)	-	**884.411.921**
Declared dividends		-	-	-	-	-	-	-	5.096	5.096	-	**(187.919.676)**
Increases (decreases) due to other changes, equity		-	-	-	-	98.302.641	-	-	(98.302.641)	-	-	**5.096**
Total increase (decrease) in equity		**-**	**-**	**-**	**-**	**98.302.641**	**(2.628.792)**	**1.543.729**	**599.276.703**	**696.494.281**	**3.060**	**-**
Final and initial equity as of 31 December 2015	**19**	**$ 655.222.313**	**$ 113.255.816**	**$ 327.614.057**	**$ 178.127**	**$ 98.302.641**	**$ 3.499.752**	**$ (8.501.065)**	**$ 2.368.769.966**	**$ 3.558.341.607**	**$ 14.953**	**696.497.341**
Changes in equity												**$ 3.558.356.560**
Comprehensive income		-	-	-	-	-	-	-	753.505.276	753.505.277	11.203	
Net income		-	-	-	-	-	1.337.733	(9.934.229)	-	(8.596.496)	-	**753.516.479**
Other comprehensive income		-	-	-	-	-	1.337.733	(9.934.229)	753.505.276	744.908.781	11.203	**(8.596.496)**
Comprehensive income		-	-	-	-	-	-	-	(807.284.041)	(807.284.041)	-	**744.919.983**
Declared dividends		-	-	-	-	-	-	-	(1.718)	(1.718)	-	**(807.284.041)**
Increases (decreases) due to other changes in equity		-	-	(2.900)	-	78.171.355	-	-	(78.171.208)	(2.753)	-	**(1.718)**
Total increase (decrease) in equity		**-**	**-**	**(2.900)**	**-**	**78.171.355**	**1.337.733**	**(9.934.229)**	**(131.951.690)**	**(62.379.731)**	**11.203**	**(2.753)**
Final equity as of 31 December 2016		**$ 655.222.313**	**$ 113.255.816**	**$ 327.611.157**	**$ 178.127**	**$ 176.473.996**	**$ 4.837.485**	**$ (18.435.294)**	**$ 2.236.818.276**	**$ 3.495.961.876**	**$ 26.156**	**(62.368.529)**

See accompanying notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the affirmations contained in these financial statements and that they have been accurately taken from the Group's accounting books.

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Emgesa S.A. E.S.P. and its Affiliates
Statement of Cash Flows, Direct Method – Consolidated
(In thousands of pesos)

	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from (used in) operating activities:		
Types of collections by operating activity		
Collections from sales of goods and services	$ 3.719.663.464	$ 3.085.009.770
Collections from royalties, fees, commissions and other revenues from ordinary activities	23.282.542	16.222.603
Collections from bonuses and compensations, annuities and other benefits of subscribed policies	31.392.385	7.438.563
Types of cash payments from operating activities		
Payments to vendors for supply of goods and services	(1.483.395.906)	(1.285.916.199)
Payments to and on behalf of employees	(79.662.951)	(67.250.047)
Payments of bonuses and compensations, annuities and other benefits of subscribed policies	(26.001.460)	(18.354.007)
Other payments for operating activities	(67.763.716)	(61.698.910)
Net cash flows from operating activities	**2.117.514.358**	**1.675.451.773**
Paid income taxes	(464.394.713)	(483.353.006)
Other cash outflows	(71.963.588)	(77.498.569)
Net cash flows from operating activities	**1.581.156.057**	**1.114.600.198**
Cash flows from (used in) investment activities:		
Cash flows used in the capitalisation of subsidiaries and other businesses	-	77.464.998
Other collections for the sale of equity or debt instruments of other entities	(55.000.000)	-
Loans to related entities	(312.210.168)	(704.928.953)
Purchase of property, plant and equipment	(69.313.598)	(69.682.020)
Cash advance and loans to third parties	-	7.597.498
Payments from futures, forwards, option and swap contracts	55.000.000	-
Collections from related entities	224.323	-
Collections from futures, forwards, option and swap contracts	40.756.656	21.267.716
Interests received	**(340.542.787)**	**(668.280.761)**
Net cash flows used in investment activities		
F Cash flows from (used in) financing activities:		
Amounts from loans	825.000.000	1.185.148.413
Loan reimbursements	(487.852.747)	(837.628.999)
Dividends paid	(795.166.218)	(1.045.671.911)
Interests paid	(450.133.821)	(319.088.633)
Payments of finance lease liabilities	(719.865)	(114.520)
Other cash outflows	(10.494.409)	(10.494.409)
Net cash flows used in financing activities	**(919.367.060)**	**(1.027.850.059)**

Emgesa S.A. E.S.P. and its Affiliates
Statement of Cash Flows, Direct Method – Consolidated (Continued)
(In thousands of pesos)

	Year ended 31 December 2016	Year ended 31 December 2015
Net cash increase (decrease) and cash equivalents, before the effect of changes to the exchange rate	**321.246.210**	**(581.530.622)**
Effects of change in the exchange rate on cash and cash equivalents	(1.874)	5.387
Net cash increase (decrease) and cash equivalents	**321.244.336**	**(581.525.235)**
Cash and cash equivalents initial balance	299.393.415	880.918.650
Cash and cash equivalents final balance	**$ 620.637.751**	**$ 299.393.415**

See accompanying notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the affirmations contained in these financial statements and that they have been accurately taken from the Group's accounting books.

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Emgesa S.A. E.S.P. and its Affiliates
Notes to the Financial Statements – Consolidated
(In thousands of pesos)

Content of Notes to Financial Statements – Consolidated

(In thousands of pesos)

1. Overview

Economic Entity

Emgesa S.A. E.S.P. and its Affiliates (here in after the "Group") is a commercial stock group organised according to the Colombian laws as a public utility, regulated by Act 142/1994.

The Group was established on 23 October 1997 and registered with the Chamber of Commerce on 17 August 2007 under No. 01151755, with the contribution of generation assets from Empresa de Energía de Bogotá S.A. E.S.P. with 51.51% of common and preferred shares and cash contributions from other investors with 48.49% of shares.

The Group is of Colombian origin, has its domicile and main offices at Carrera 11 No. 82-76, Bogota D.C.

Emgesa S.A. E.S.P. and its Affiliates is controlled by Enel, S.P.A, through Enel Americas.

Corporate Purpose – The Group's main object is generation and trading of electrical power according to Acts 142 and 143 of 1994 and norms regulating, adding, amending, or derogating them. In development of its main object, the Group may acquire generation plants and project, build, operate, maintain, and commercially exploit electric generation stations, taking the necessary steps to protect the environment and the good relations with the community in the area of influence of its projects, performing work, designs, and consultancy services on electrical engineering and trading products in benefit of its clients. The Group may execute all activities related to exploration, development, investigation, exploitation, trading, storage, marketing, transport, and distribution of minerals and rock materials. The Group may also develop all types of activities related directly or indirectly to the fuel gas trading business. Its term is indefinite.

The Group has 11 hydraulic generation stations and 2 thermal stations, located in the departments of Cundinamarca, Huila and Bolívar:

Station	Technology	Installed capacity
Guavio	Hydraulic	1,213.0 MW
Betania	Hydraulic	540.0 MW
El Quimbo	Hydraulic	400.0 MW
Guaca	Hydraulic	324.6 MW
Paraíso	Hydraulic	276 MW
Charquito	Hydraulic	19.5 MW
Tequendama	Hydraulic	19.5 MW
Limonar	Hydraulic	19.5 MW
La Tinta	Hydraulic	19.5 MW
San Antonio	Hydraulic	19.5 MW
La Junca	Hydraulic	19.5 MW
Martín del Corral	Thermal	240.0 MW
Cartagena	Thermal	208.0 MW

Gas trading

In 2016, the Group continued to consolidate its presence in the Gas Marketing market in Colombia, entering the Atlantic Coast market with the attention of a major industrial customer since December, contributing 0.07% of the Variable Margin of the group during 2016, achieving sales totalling 87.9 Mm3 and obtaining a variable margin of $1,515,111, serving 9 industrial customers (Unregulated) in Bogota, Manizales and Cartagena and 12 customers at the wellhead (Secondary Market). The long-term (up to 2020) gas supply of the Cusiana-Cupiagua and Clarinete 1 fields has been secured and new sales contracts with end users for 2017 and 2018 have been signed.

Legal and Regulatory Framework

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

The Electric Act makes the constitutional approach viable, regulates power generation, transmission, distribution and marketing activities, creates the market and competition environment, and strengthens the sector and the State’s intervention. Taking into account the characteristics of each activity or business, as general guidelines for the development of such regulatory framework, it established the creation and implementation of rules that provide for free competition of power generation and marketing activities; while the guidelines for transmission and distribution focused on treating these activities as monopolies, seeking in any event competition conditions wherever possible.

Act 1715 was published in 2014, regulating integration of nonconventional renewable energies into the national energy system. It considers fiscal and tax incentives for those promoting projects associated to such technologies, without affecting the current wholesale market architecture. It also proposes the creation of a fund to investigate and develop nonconventional renewable energy projects, defining the general framework applicable to participation of self-generation in the market.

In 2016, the Ministry of Mines and Energy, through Resolution 41286, adopted the Indicative Action Plan 2017-2022 for the development of the Programme for the Rational and Efficient Use of Energy (PROURE), which defines goals and targets indicative of energy efficiency and actions And sectorial measures and strategies.

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

Sociedad Portuaria Central Cartagena SPCC S.A., (hereinafter the "Group").,is a commercial limited liability group, incorporated on September 18, 2009, by public deed No. 2643 of Notary 11 of Bogotá and registered in the Chamber of Deputies Of Commerce of Bogotá on November 18, 2009. Its legal duration extends until September 18, 2059.

The main purpose of this project is the investment, construction and maintenance of public and private docks and ports, the administration of ports, the provision of loading and unloading services, storage in ports and other services directly related to port activity, development And exploitation of piers and multipurpose ports, according to the law. In addition, provide port services, either as a port operator and allow the provision of services by other port operators; In the development of its main corporate purpose may be associated with other port companies or holders of special authorizations referred to in Article 4 of Law 01 of 1991, on a temporary or permanent basis, with the purpose of facilitating the use of marine areas Of common use adjacent to the port by carrying out works such as: dredging, landfill and ocean engineering works, among others, to provide the services of common benefit that are necessary, as well as to carry out other complementary activities.

On July 30, 2010, the Group signed the concession contract No. 006 of 2010, with the National Institute of Concessions - INCO today national infrastructure agency - ANI, modified by other No.001 subscribed on December 22, 2014. The most relevant aspects are described below:

Concession Agreement (See note 39)

Purpose - Right to occupy and use in a temporary and exclusive way the beaches, the low tide lands, accessory zones and the port infrastructure built, which is located in the sector of Mamonal, District of Cartagena, Department of Bolivar.

Value of the Contract - The value of the port concession contract is US $ 371,524, corresponding to the present value of the consideration for area of use and exclusive temporary enjoyment of beaches, low tide land and accessory areas for public use and consideration for infrastructure.

Form of Payment - Initially the payment method was agreed in 20 anticipated annuities, however in August 2011, the Group decided to cancel the debt to the National Institute of Ways and Treasury of Cartagena, with a loan granted by Emgesa of $ 569,144 to a term Of 7 years and
Method of payment 100% of principal plus interest at maturity.

Investment Plan - The contract establishes an investment plan to be developed by the Group in the public use area equivalent to US $ 327,009, and the execution of investments at the concessionaire's risk is also authorized for USD 1'673,646 in order to To build port infrastructure under the minimum operating and safety standards for the first half of 2016, the schedule of activities recorded in other No.001 of December 22, 2014, which indicates the general activities, amount of investment, duration and Programming for construction, testing and commissioning. In the event that the concessionaire requests modification of the approved investment plan, it must guarantee at least that the present value of the investments is equal to US $ 181,975.

Entity Branch - Emgesa Panamá S.A., is a group incorporated under the laws of the Republic of Panama on July 3, 2012. Its legal term is indefinite.

Social Purpose: The purchase, sale, import and export of electricity and sale of electric energy and its associated power, in addition, may be dedicated to industry and commerce in general being able to celebrate all transactions, operations, businesses, acts and activities allowed by Panamanian laws to corporations. This society is in the pre-operational stage.

In addition, the functional currency is the dollar, therefore, the Matrix Group recognizes the effect on translation as an item within equity.

2. Bases for Presentation

The Group presents its general-purpose financial statements in Colombian pesos and the values have been rounded up to the nearest thousand (COP $000), except as otherwise indicated.

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

2.1 Accounting Principles

The Group's general-purpose financial statements as of 31 December 2016, have been prepared in accordance with the Colombian Financial Reporting Standards (CFRS), which take into account all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the SIC Interpretations, the IFRIC interpretations and the conceptual framework for financial information, as applicable, issued and approved by the International Accounting Standards Board (IASB) as of 31 December 2012, and which were published in Spanish by such organisation in August 2013, and incorporated into the Colombian technical accounting framework by Act 1314 of 13 July 2009, regulated by Single Regulatory Decree 2420/2015, as amended by Decree 2496/2015 and Decree 2131/2016.

These decrees contained the following guidelines, which are exceptions to the IFRS as compared with those issued by the IASB:

Article 2.1.2, Part 1, Book 2 of Decree 2420/2015, as complemented by Decree 2496/2015, provides for the implementation of Article 35 of Act 222, which states that the interest in subsidiaries must be recognised in the Consolidated financial statements using the equity method, instead of recognising it as provided by IAS 27, i.e., at cost or fair value. As of January 2017, the amendment to this IAS will be effective, allowing the recognition of the equity method in the Consolidated financial statements.

Furthermore, article 4 of Decree 2131/2016 amended Part 2 of Book 2 of Decree 2420/2015, as complemented by Decree 2496/2015, allowing the determination of post-employment benefits for future retirement or disability pensions as of 31 December 2016, under the requirements of IAS 19; however, it requires the disclosure of the calculation of pension liabilities in accordance with the parameters provided in Decree 1625/2016, articles 1.2.1.18.46 onwards, and, for partial pension changes in accordance with the provisions of section 5 of article 2.2.8.8.31 of Decree 1833/2016, informing the variables used and the differences with the calculation made under the terms of the Technical Framework of the CFRS.

Emgesa S.A E.S.P and Sociedad Portuaria Central de Cartagena belongs to Group 1 for adoption according to the definitions of Decrees 2784 of 28 December 2012 and 3024 of 27 December 2013, according to which the Group issued the first comparative financial statements under CFRS as of 31 December 2015.

The general-purpose financial statements have been prepared following the going concern principle through the application of the cost method, with the exception, according to the CFRS, of such assets and liabilities registered at fair value.

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

2.2 Accrual Basis of Accounting

The Group prepares its Financial Statements using the accrual basis of accounting, except for cash flow information.

(In thousands of pesos)

2.3 Colombian Financial Reporting Standards Issued but not yet in Force

New standards, amendments and interpretations incorporated into the accounting framework accepted in Colombia whose effective application is from 1 January 2017 onwards

Decrees 2496 of 24 December 2015 and 2131 of 22 December 2016 introduced new standards, modifications or amendments issued or made by the IASB to the International Financial Reporting Standards between 2014 and 2015 to assess their implementation in financial years beginning on or after 1 January 2017, with earlier application being permitted.

Amendment to IFRS 11: Acquisition of an Interest in a Joint Operation

This amendment to IFRS 11 "Joint Arrangements" requires that the relevant accounting principles of business combinations contained in IFRS 3 and other standards, should be applied in accounting for the acquisition of an interest in a joint operation when the operation constitutes a business. The implementation of this amendment is from 1 January 2017.

IFRS Annual Improvements Cycle 2012-2014

Standard	Object of the modification
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Changes in methods of disposal.
IFRS 7 – Financial instruments: Disclosures	Applicability of the amendments to IFRS 7 to condensed interim financial statements.
IFRS 19 – Employee Benefits	Discount rate: regional market issue.

Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"

IAS 16 and IAS 38 establish the principle of the depreciation and amortisation basis being the expected pattern of the consumption of an asset's future economic benefits. In its amendments to IAS 16 and IAS 38 published in May 2014, the IASB clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenues generated by an activity that includes the use of an assets generally reflect factors other than the consumption of the economic benefits inherent to the asset. The IASB also clarified that revenues generally present an inappropriate basis for measuring the consumption of the economic benefits inherent to an intangible asset. However, this assumption may be rebutted in certain limited circumstances. The amendments will apply from January 1, 2017.

Amendment to IAS 27: Equity Method in Consolidated Financial Statements

This amendment to IAS 27 "Consolidated Financial Statements" allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their Consolidated financial statements. The purpose of this amendment is to minimise the costs of complying with the IFRS, especially for first-time application of IFRS, without reducing the information available to investors. This amendment applies as of January 1, 2017.

Amendment to IAS 1: Disclosure Initiatives

The IASB issued amendments to IAS 1 “Presentation of Financial Statements” as part of its main initiative to improve the presentation and disclosure of information in the financial statements. These modifications are designed to encourage companies to apply professional judgment to determine what information to disclose in their financial statements.

Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

These narrow scope modifications to IFRS 10 “Con-sol-i-dated Financial State-ments”, IFRS 12 “Dis-clo-sure of Interests in Other Entities” and IAS 28 “In-vest-ments in As-so-ci-ates and Joint Ventures” clarify the application of the consolidation exception for investment entities and their subsidiaries. The modifications also reduce the requirements in particular circumstances, thereby lowering the costs of the Standards’ application.

IFRS 9 “Financial Instruments”

It addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of this IFRS was published in July 2014. It supersedes the guidelines in IAS 39 on the classification and measurement of financial instruments. IFRS 9 maintains the varied measurement model and simplifies classification as it establishes three main measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis for classification depends on the entity’s business model and the characteristics of the contractual cash flows of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at the beginning of the presentation of changes in fair value in a non-recyclable other comprehensive income. There is now a new model of expected credit losses that replaces the model of impairment losses incurred provided in IAS 39. For financial liabilities there were no changes in the classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness. Under IAS 39, a hedge must be highly effective both prospectively and retrospectively. IFRS 9 replaces this line by requiring an economic relationship between the hedged item and the hedging instrument and that the hedged ratio be the same as the one actually used by the entity for its risk management. Contemporary documentation is still necessary but is different from the one being prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently evaluating the impacts that said standard may generate.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 – Revenue from Contracts with Customers, issued in May 2015, is a new standard applicable to all contracts with customers, except leases, financial instruments and insurance contracts. This is a joint project with the FASB to eliminate differences in revenue recognition between IFRS and US GAAP. This new standard aims to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. It provides a new model for revenue recognition and more detailed requirements for multiple-item contracts. It also requires more detailed disclosures. Its application is effective as of 1 January 2018 and early application is permitted. The Group is currently assessing the impacts at group level that said standard might generate.

IFRS 16 Leases

IFRS 16 – Leases was issued in January 2016. It establishes the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a maturity of more than 12 months, unless the underlying asset has a low value. A lessee is required to recognise a right-of-use asset that represents his right to use the underlying leased asset and a lease liability representing his obligation to make payments for the lease. IFRS 16 substantially maintains the accounting requirements of the lessor of IAS 17 – Leases. Therefore, a lessor will continue to classify its leases as operating leases or finance leases, and will account for these two types of leases differently. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. Early application is permitted for entities applying IFRS 15 – Revenue from Contracts with Customers prior to the initial application date of IFRS 16. IFRS 16 replaces IAS 17 – Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

This interpretation refers to the exchange rate to be used in foreign currency transactions, when the consideration is paid or received before recognising the related income, expense or asset. Its application will be effective as of 1 January 2018.

Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The purpose of the amendments to IAS 12 “Income Tax” is to clarify the accounting of deferred tax assets from unrealised losses related to debt instruments measured at fair value. Its application will be effective as of 1 January 2017.

Amendment to IAS 7: Disclosure Initiative

The amendments to IAS 7 “Statement of Cash Flows” are part of the IASB’s initiative to improve the presentation and disclosure of information in the financial statements. These modifications introduce additional disclosure requirements to the statement of cash flow. Its application will be effective as of 1 January 2017.

IFRS Annual Improvements Cycle 2012-2014

It corresponds to a series of minor amendments that clarify, correct or eliminate redundancy in the following standards: IFRS 1 “First-time Adoption of IFRS”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures.” The application is distributed as follows: IFRS 12: 1 January 2017; IFRS 1: 1 January 2018; IAS 28: 1 January 2018.

Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets

The amendment corrects an inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” with respect to the accounting treatment of the sale and contributions between an investor and its associate or joint venture.

The IASB decided to indefinitely defer the date of effective implementation of this amendment, pending the outcome of its research project on the equity method. The date of application of this amendment has yet to be determined.

The Group is evaluating the impact of IFRS 9, IFRS 15 and IFRS 16 on the date of their effective implementation. In addition, Management estimates that the remaining rules and amendments pending application will not have a significant impact on the Group's financial statements.

2.4 Relevant Estimates and Accounting Criteria

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

The estimates basically refer to:

- Hypotheses used in actuarial calculation of liabilities and obligations with the employees, such as discount rates, mortality rates, salary increases, etc.
- The useful life of property, plant and equipment and intangibles. (See Notes 3.5 and 3.4).
- The hypotheses used for the calculation of the fair value of the financial instruments. (See Note 3.11).
- Revenues and expenses arising from generation activities, which mainly come from energy sales through bilateral contracts to the regulated and unregulated market, the energy market, the Automatic Generation Control (AGC) service and the reliability rate, as well as the purchases of energy necessary to deal with such contracts.
- Probability of occurrence and amount or uncertain or contingent liabilities. (See Note 3.8).
- Future disbursements for environmental commitments arising from the environmental license mainly for new projects, as well as the discount rates to be used (see Note 3.5).
- Tax results, which will be declared to the respective tax authorities in the future, which have served as basis for recording the various balances related to income taxes in the current Financial Statements. (See Notes 3.9).

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

25. Subsidiary entities.

Subsidiaries are those companies controlled by Emgesa S.A. E.S.P., directly or indirectly. Control is exercised if and only if the following elements are present: i) power over the subsidiary, ii) exposure, or right, to variable returns of these companies, and iii) ability to use power to influence the amount of These yields.

Emgesa S.A. E.S.P. and its Affiliates Has power over its subsidiaries when it holds the majority of substantive voting rights or, if this is not the case, it has rights that give it the present ability to direct its relevant activities, ie activities that significantly affect subsidiary.

Emgesa S.A. E.S.P. and its Affiliates Reassess whether or not it has control in a subsidiary if the facts and circumstances indicate that there have been changes in one or more of the control elements mentioned above.

2.6 Associated companies and joint agreements

An associate is an entity on which Emgesa S.A. E.S.P. Has significant influence over financial and operating policy decisions, without having control or joint control.

Joint entities are those entities in which Emgesa S.A. E.S.P. and its Affiliates It exercises control through the agreement with and with third parties, that is to say, when decisions on its relevant activities require the unanimous consent of the parties that share the control. Joint agreements are classified into:

Joint venture: An entity that the Group controls jointly with other participants, where they have a contractual agreement that establishes joint control over the relevant activities of the entity; The parties are entitled to the entity's net assets. At the date of acquisition, the excess of the acquisition cost over the fair value of identifiable assets, liabilities and contingent liabilities assumed by the associate or joint venture is recognized as goodwill. Goodwill is included in the carrying amount of the investment, is not amortized and is individually tested for impairment.

Joint operation: agreement by which the parties exercising joint control are entitled to the assets and liabilities with respect to the liabilities related to the agreement.

Emgesa S.A. E.S.P. Currently has jointly-controlled joint ventures represented in trusts and recognized in their individual financial statements taking into account that a joint venture must recognize in relation to its participation in a joint operation: (a) its assets, including its ownership In assets held jointly; (B) its liabilities, including its share of the liabilities incurred jointly; (C) its ordinary income from the sale of its interest in the proceeds of the joint operation; (D) its share of revenue from ordinary activities arising from the sale of the product carrying out the joint operation; And (e) your expenses, including your share of expenses incurred jointly.

As of the date of issuance of these financial statements, the Group has not registered any goodwill generated in investments in associates and joint agreements.

Investments in associates or joint ventures are measured in the individual financial statements at cost. For the case of the joint agreement of the type of jointly controlled operation represented in trusts is measured at fair value.

2.7 Principles of consolidation.

Subsidiaries are consolidated and all of their assets, liabilities, income, expenses and cash flows are consolidated in the consolidated financial statements once the corresponding adjustments and eliminations of the reciprocal transactions have been made.

The full results of subsidiaries are included in the consolidated statement of comprehensive income from the date on which the parent group obtains control of the subsidiary until the date on which it loses control of the subsidiary.

The consolidation of the operations of Emgesa S.A. E.S.P. and its Affiliates Parent companies and subsidiaries has been carried out in accordance with the following basic principles:
1. The value of non-controlling interest in equity and comprehensive income of subsidiaries is presented under the heading "Total equity: non-controlling interests" in the consolidated statement of financial position and "Gain (Loss) attributable to non-controlling interests "and" Comprehensive income attributable to non-controlling interests "in the consolidated statement of comprehensive income.

2. The financial statements of foreign companies with a functional currency other than the Colombian peso are translated as follows:

to. Assets and liabilities, using the exchange rate in force on the closing date of the financial statements.

B. The items of the comprehensive income statement using the average exchange rate for the period.

C. Equity is maintained at the historical exchange rate at the date of its acquisition or contribution and at the average exchange rate at the generation date for the case of retained earnings.

D. The exchange differences arising on the translation of the financial statements are recognized under "Gains (losses) on currency translation differences" in the consolidated statement of comprehensive income: Other comprehensive income.

3. Balances and Transactions of Balance Sheet and Results between the consolidated companies have been eliminated in their entirety in the consolidation process.

4. Changes in the interest in subsidiaries that do not result in a loss or loss of control are recorded as equity transactions, adjusting the carrying amount of controlling interests and non-controlling interests to reflect the changes In their relative shares in the subsidiary. The difference between the value of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in the equity attributable to the owners of the parent group.

3. Accounting Policies

The main accounting policies applied when preparing the acgrouping general-purpose Financial Statements are the following:

3.1 Financial Instruments

3.1.1 Cash and Cash Equivalents

This item in the Financial Statement includes cash, bank balances, term deposits and other short-term investments less than or equal to 90 days after the date of investment, with high liquidity rapidly realised in cash and which have a low risk of change in value.

3.1.2 Financial Assets

The Group classifies its financial assets in the following measurement categories: measured at fair value and measured at amortised cost. The classification depends on whether the financial asset is a debt or equity instrument.

3.1.2.1 Debt Instrument

(a) Financial Assets at Amortised Cost

A debt instrument is classified as measured at “amortised cost” only if it meets the following criteria: the purpose of the business model of the Group is to keep the asset to obtain contractual cash flows, and the contractual terms give rise, on specified dates, to receiving cash flows that are only principal and interest payments on the unpaid balance.

The nature of the derivatives implicit in a debt investment is taken into account to determine whether the cash flows of the investment are only principal and interest payments on the unpaid balance and, in such event, these are not accounted for separately.

(b) Financial Assets at Fair Value

If none of the two criteria for financial assets at amortised cost are met, the debt instrument is classified as measured at "fair value through profit or loss."

3.1.2.2 Equity Instrument

All equity instruments are measured at fair value. Equity instruments held to negotiate are measured at fair value through profit or loss. For other equity instruments, the Group can make an irrevocable election in the initial recognition to recognise changes in fair value through other comprehensive income in equity.

3.1.2.3 Derivative Financial Instruments and Hedging Activities

Derivatives are recognised initially at their fair value on the date the contract is executed and are constantly revised at fair value.

If derivative financial instruments are not qualified for recognition through the hedging accounting treatment, they are registered at fair value through profit or loss. Any change in the fair value of the derivatives is immediately recognised in profit or loss as "other gains/losses, net". If they are designated for hedging, the method to recognise the gain or loss resulting from the changes in fair value of the derivatives depends on the nature of the risk and the item being hedged.

The Group designates certain derivatives as:

a) fair value hedging of recognised assets or liabilities (fair value hedges);
(b) hedging of a particular risk associated with a recognised asset or liability or a highly likely expected transaction (cash flow hedges); or
(c) hedging of net investments in an overseas operation (net investment hedges).

The Group documents, at the beginning of the hedging, the relationship of the hedging instruments and the hedged items, as well as their objectives and risk management strategy supporting the hedging transactions. The group also documents its assessment, both at the beginning of the hedging and periodically, on whether the derivatives used in the hedging transactions are highly effective to compensate the changes in fair values or cash flows of the hedged items.

The total fair value of the derivatives used as hedging is classified as non-current asset or liability when the maturity of the remaining hedged item is greater than 12 months, and classified as current asset or liability when the maturity of the remaining hedged item is less than 12 months. The derivatives that are not used for hedging or that are held for negotiation are classified as current assets or liabilities.

(a) Fair value hedging

Changes in fair value of derivatives designated and qualified as fair value hedges are registered in the income statement, and the gain or loss of the hedged item attributable to the hedged risk adjust the book value of the hedged item and is recognised in profit or loss. The gain or loss related to the cash portion of the derivatives is recognised in the income statement as "financial expenses", as well as the non-cash portion, which is also recognised in the income statement but as "other gains/(losses), net".

If the hedging no longer meets the criteria to be recognised through the hedging accounting criteria, the adjustment of the book value of the hedged item is amortised in profit or less using the effective interest method in the remaining period until its maturity.

(b) Cash flow hedges

The cash portion of the changes in fair value of the derivatives designated and qualified as cash flow hedges are recognised in equity. The gain or loss relative to the non-cash portion is recognised immediately in the income statement as “other gains/ (losses), net”.

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

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

(c) Net investment hedges abroad

Net investment hedges of operations abroad are accounted for in a similar manner as the cash flow hedges. Any gain or loss of the hedging instrument related to the cash portion of the hedging is recognised in equity. The gain or loss related to the non-cash portion of the hedging is immediately recognised in the income statement as “other gains/(losses), net”.

Accrued gains and losses in equity are transferred to the income statement when the operation abroad is sold or partially written-off.

As of the date of these financial statements, the Group does not have investment hedges abroad.

3.1.3 Debts (Financial Obligations)

Debts are initially recognised at fair value, net of costs incurred in the transaction. Debts are subsequently registered at their amortised cost; any difference between the funds received (net of the costs of the transaction) and the redemption value is recognised in the income statement during the loan period using the effective interest method.

The costs incurred to obtain the debts are recognised as transaction costs to the extent that it is likely that the debt will be received in whole or in part. In such case, the fees are deferred until the loan is received. If there is no evidence of the likelihood that part or all of the debt will be received, the fees are capitalised as prepaid costs paid for services to obtain liquidity and are amortised in the respective loan period.

Loans are classified in current liabilities, unless the group has the unconditional right of deferring the payment of the obligation at least 12 months from the date of the balance sheet.

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

3.1.4 Financial Assets and Financial Liabilities with Related Parties

Loans and debts with related parties are initially recognised at the fair value of the transaction plus the directly attributable transaction costs. After the initial recognition, these loans and debts are measured at their amortised cost, using the effective interest method. The amortisation of the interest rate is recognised in the income statement as revenues or financial costs or as other operating revenues or expenses, depending on the nature of the asset or liability that generates it.

3.1.5 Commercial Accounts Payable

Commercial accounts payable are payment obligations for goods or services that have been acquired from vendors in the ordinary course of business. Accounts payable are classified as current liabilities if the payment is to be made within a one-year term or less. If the payment is to be made over a period greater than one year, these are then presented as non-current liabilities.

Commercial accounts payable are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

3.1.6 Recognition and Measurement

Conventional purchases and sales of financial assets are recognised on the date of negotiation, which is the date when the group undertakes to purchase or sell the asset. Financial assets are written-off when the right to receive cash flows have expired or have been transferred and the group has substantially transferred all risks and benefits inherent to the property.

In the initial recognition, the Group measures financial assets at fair value plus, in the case of a financial asset that is not measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the financial asset. The financial asset transaction costs that are measured at their fair value through profit or loss are directly accounted for in the profit and loss account.

The gain or loss in a debt instrument that is subsequently measured at its fair value and which is not part of a hedging operation is recognised in profit or loss and presented in the income statement as “other (losses)/gains - net” in the period in which they are accrued.

The gain or loss in a debt instrument that is subsequently measured at its amortised cost and which is not part of a hedging operation is recognised in profit or loss of the period when the financial asset is written-off or impaired through the amortisation process using the effective interest method.

Subsequently, the Group measures all equity instruments at fair value. When Management has opted for presenting unrealised and realised fair value gains or losses, and losses in equity instruments in other comprehensive income, such fair value gains and losses cannot be registered in profit or loss. Dividends from equity instruments are recognised in profit or loss, provided they represent a return on investment.

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

3.1.7 Offsetting of Financial Instruments

Financial assets and liabilities are offset and their net value is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and Management has the intention of liquidating the net amount or realise the asset and pay for liabilities simultaneously.

3.1.8 Fair Values of Investments

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

3.2 Inventories

The stock in inventories includes materials on which the risks and benefits of the property have been acquired; these classifications include materials.

The inventories are shown in the current asset of the financial statements, even if accounted for after 12 months, insofar as it is considered that they belonged to the ordinary operating cycle.

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

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

The weighted average cost must include additional charges, for example: sea freight cost, customs duties, insurance etc., chargeable and acquired during the period.

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

Obsolete materials are understood as those not expected to be sold or used during the Group's ordinary operating cycle, such as scrap and technologically out-dated materials. Surplus at a stock level that can be considered reasonable, in accordance with the regular use expected in the ordinary operating cycle, are considered of slow movement. Obsolete and slow movement inventories have the possibility of being used or realised, which in some cases represent their cost as scrap sales.

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

As of the presentation date of the financial statements, the amount of inventories does not exceed its recoverable amount.

3.3 Non-current Assets Held for Sale and Discontinued Activities

The Group classifies as non-current assets those held for sale of property, plant and equipment, intangibles, investments in associates, joined ventures and groups subject to disposal (group of assets that will be sold together with their associated liabilities), relative to which on the closing date of the statement of financial position active processes for their sale have started and it is estimated that such sale is highly likely.

These assets or groups subject to disposal are accounted for at the lowest value of either the book value or the fair value, less costs until the sale, and are no longer amortised from the moment they are classified as non-current assets held for sale.

Non-current assets held for sale and the components of groups subject to disposal classified as held for sale are presented in the statement of financial position as follows: Assets on a single line item that reads "Non-current assets or group of assets for disposal, classified as held for sale" and liabilities also on a single line item that reads "Liabilities included in groups of assets for disposal, classified as held for sale."

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

Gains or losses after taxes of discontinued activities are presented on a single line item of other comprehensive income called "gain (loss) of discontinued operations".

As of the presentation date of the financial statements, the group does not have any non-current assets held for sale or discontinued activities.

3.4 Intangible Assets

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

Intangible assets are amortised linearly throughout their life, from the moment when they are in usable condition.

The criteria for recognising impairment losses of these assets and, in each case, the recovery of impairment losses registered in previous years are explained in the asset value impairment policy.

(a) Research and Development Expenses

The Group applies the policy of recording as intangible assets in the statement of financial position the cost of projects in their development phase, provided that their technical viability and economic profitability are reasonably assured. Research costs are recognised directly in profit or loss.

(b) Other Intangible Assets

These assets correspond mainly to IT software and rights. Their accounting recognition is done initially at the cost of acquisition or production and are subsequently measured at net cost of the respective cumulative amortisation and impairment losses that, in each case, have been caused.

Useful life for amortisation:

Item	Years of estimated useful life December 2016	December 2015
Studies and Projects	1	1
Licenses	3	3
Software	3	3
Rights *	50	50

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The life used for the amortization of the concession is 20 years.

(*) Refer to the rights that the Group has registered to obtain the usufruct of the greater flow of useful water from the Chingaza and Río Blanco projects. Its amortisation is recognised by the straight-line method.

3.5 Property, Plant and Equipment

Property, plant and equipment are measured at acquisition cost, net of accumulated depreciation and impairment losses. In addition to the price paid for the acquisition of each item, the cost also includes, if applicable, the following items:

- The costs of general and specific interests directly attributable to the acquisition, construction or production of suitable assets, which are those necessarily requiring a given substantial time before they are ready for the expected use or sale, are added to the cost of said assets until the time the assets are substantially ready for their intended use or sale. The Group defines substantial period as a term exceeding twelve months. The interest rate used corresponds to the specific financing or, if unavailable, the average financing rate of the group making the investment.
- Personnel expenses related directly to constructions underway.
- Future disbursements that the Group will have to make with respect to the closing of its facilities are incorporated into the asset value for the updated value, recognising from an accounting standpoint the respective provision for dismantling or restoration. The Group annually reviews its estimates on the aforementioned future disbursements, increasing or decreasing the asset value based on the results of said estimation.
- Components of property, plant and equipment are the spare parts that meet the recognition characteristics; these spare parts are not part of that material inventory.

Constructions underway are transferred to assets in operation once the trial period ends, i.e., when they are available for use and in the conditions provided by Management.

The costs for expansion, modernising or improvement representing an increase in productivity, capability, efficiency or extension of useful life are capitalised as greater cost of the respective goods.

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

Periodical maintenance, conservation and repair costs are registered directly in the income statement as costs in the corresponding period.

(In thousands of pesos)

Based on the process of the impairment testing, the Group considers that the book value of the assets does not exceed their recoverable value thereof.

Property, plant and equipment, in this case net of its residual value, is depreciated distributing linearly the cost of the variable components during their estimated useful life, which constitutes the time during which the Group expects to use them. The estimated useful life and residual value are revised periodically and, if applicable, adjusted prospectively. On the presentation date of these financial statements, the Group did not consider significant the residual value of its fixed assets.

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

	Years of estimated useful life	
Types of property, plant and equipment	**December 2016**	**December 2015**
Constructions and buildings	68	68
Plant and ducts and tunnels	75	75
Machinery and equipment	19	19
Communication equipment	11	11
Furniture, fittings and office equipment	9	9
Computer equipment	5	5
Transport, traction and lifting equipment	6	6

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Types of Property, plant and equipment	**December 2016**
Machinery and equipment submerged	5
Machinery and equipment outside	10
Furniture, fittings	10

The Group defined that the flooded plots located in the hydroelectric generation plants are depreciable because they do not have a specific use after the end of the useful life of the plant, therefore the cost is depreciated within the line of plants, pipelines and tunnels to 75 years. In addition, based on the environmental requirements of the El Quimbo project, there is a decommissioning obligation for the engine room 50 years after the start-up, for which the Group records in its financial statements the corresponding dismantling provision at present value (see note 16 provisions).

The excess of the tax depreciation over the accounting depreciation generates a tax effect that is registered as a deferred tax liability. The Group has also established a reserve in equity equivalent to 70% of the higher depreciation value fiscally requested, in accordance with article 130 of the Tax Code.

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

3.6 Asset Impairment

(1) Non-financial Assets (Except Inventories and Deferred Tax Assets).

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

In Emgesa S.A. E.S.P. and its Affiliates all assets operate integrally and cash flows of a plant cannot be considered independently from the rest of the generation assets; therefore, the Group as a whole is taken as the CGU Cash-Generating Unit.

The recoverable value is the greater of the fair value less the cost required for its sale and the value in use, the latter being the current value of estimated future cash flows. To calculate the recovery value of property, plant and equipment, capital gain, and intangible assets, the value in use is the criterion used by the Group in nearly every case.

To estimate the value in use, the Group prepares the projections of cash flows before taxes based on the most recent budget available. These budgets incorporate the best estimates of the Management regarding revenues and costs of the Cash-Generating Units, using sector projections, past experience and future expectations.

These projections generally cover the next ten years, estimating cash flows for coming years by applying reasonable growth rates, which are neither growing nor exceeding the average long-term growth rates for the respective sector. These flows are deducted to calculate its current value at a rate before taxes, which reflects the business capital costs. This calculation takes into account the current cost of money and risk premiums generally used among business analysts.

In the event the recoverable value of the CGU is less than the net book value of the asset, the respective provision for the impairment loss is registered for the difference, debited to the item “Impairment loss (Reversal)” in the income statement. Said provision is allocated, first, to the added value of the CGU, if any, and then to the other assets that make it up, by prorating on the basis of the accounting value of each of them, with a cap of their fair value less the sales cost, or its use value, with no possibility of a negative value.

Impairment losses recognised in an asset in previous years are reversed when there is a change in the estimates of the recoverable amount, increasing the value of the asset, crediting profit or loss with the cap of the book value that the asset would have had should the accounting adjustment not be made. With respect to capital gain, accounting adjustments that could have been made are not reversible.

(2) Financial Assets

The Group assesses at the end of each period whether there is objective evidence of impairment on value of a financial asset or group of financial assets measured at amortised cost. A financial asset or a group of financial assets is impaired and the impairment losses have been incurred if there is objective evidence of impairment resulting from one or more events that have occurred after the initial recognition of the asset (a “loss event”), and the loss event (or events) has an impact on future estimated cash flows of the financial asset or group of financial assets that can be reliably calculated.

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

1) For assets with commercial origin, the Group has defined a policy for registering impairment provisions depending on the seniority of the balance due, which is generally applicable, except in cases where there is a special characteristic that makes the specific analysis of collectability advisable.

The Group performed an analysis based on the nature, impairment and payment behaviour by type of portfolio, having established the following:

Energy and Gas Portfolio

<table>
<tr><th>% Impairment</th><th>Type of Portfolio and Age</th></tr>
<tr><td>100%</td><td>Portfolio over 360 days in default</td></tr>
<tr><td>Percentage determined according to analysis</td><td>An individual monthly assessment of the energy and gas portfolio that is individually significant and showing impairment indicators will be carried out. In the case of the portfolio that is not individually significant, the impairment will be assessed collectively based on historical behaviour.
<u>Individual Portfolio Analysis from 0 to 30 Days:</u>
The individual analysis will be based on objective evidence of impairment, which is generated as a consequence of one or more events that occurred after the initial recognition of the asset including the following observable information:
Amount at risk May at $100 Million.
Analysis of the financial impairment of the following aspects:
Credit Risk Factor (crf) under 5 in the last two years: this index seeks to reflect the capacity of a customer to respond with their payment obligations. This assessment measures the credit risk that corresponds to the possibility of default or inability to pay a counterparty. It is determined by a financial, accounting and performance evaluation of the counterparty.
Portfolio rating classified as D during the last 6 months.
Reports on early alerts in the last 6 months.
Observable customer criteria such as the following:
Guarantees held by the group.
Admission to processes such as concordat, restructuring agreement, reorganisation, grounds for dissolution from losses or private, compulsory or judicial liquidation.
Legal processes, lawsuits, legal opinions, etc.
Resolutions or administrative acts of regulatory bodies, which resolve and compel the Group to freeze collections.
The percentage to be provisioned will be determined based on the analysis above.
<u>Individual Portfolio Analysis Greater than 30 and Less than 360 Days:</u>
An individual monthly assessment process will be carried out on the energy and gas portfolio greater than 30 days and less than 360 days, based on the objective evidence that takes into account observable information from our customers, such as:</td></tr>
</table>

	• Annual credit risk factor (CRF) assessment: The credit risk assessment is mainly based on quantitative aspects from the customers' balance sheets and financial statements. These balances and statements will allow the calculation of financial ratios, which are weighted to obtain a unique value that measures a customer's ability to respond to their payment commitments. Credit risk factor (crf): equals the weighted sum of several indices (acid-test ratio, interest coverage, indebtedness, ROI, business seniority, payment behaviour, judicial history), each of which measures financial, accounting or performance attributes of a group. The crf varies in a range of -2 to 10, and according to its value implies the requirement of guarantees to the customer group. • Guarantees held by the group. • Admission to processes such as concordat, restructuring agreement, reorganisation, grounds for dissolution from losses or private, compulsory or judicial liquidation. • Legal processes, lawsuits, legal opinions, etc. • Resolutions or administrative acts of regulatory bodies, which resolve and compel the Emgesa to freeze collections. The registration of the corresponding provision will be determined based on the analysis above. A portfolio of over 360 days is provisioned.

Other debtors

The following provision percentages will be applied to other debtor portfolios of the Group:

Provision	Age
100%	Portfolio greater than 360 days

In addition to the above percentages established for each business, there could be special cases indicating the inability to collect amounts due, which will be evaluated by the responsible area by establishing the applicable treatment.

3.7 Leases

To determine whether a contract is, or contains, a lease, the Group analyses the economic background of the agreement, evaluating if the performance of the contract depends on the use of a specific asset and if the agreement transfers the right of use of the asset. If both conditions are met, at the beginning of the contract, based on their fair values, payments and considerations related to the lease are consolidated from those corresponding to other items incorporated in the agreement.

Leases where all risks and benefits inherent to the property are substantially transferred are classified as financial. The rest of the leases are classified as operating.

Financial leases under which the group acts as lessee, are recognised at the beginning of the contract, registering assets according to its nature and liabilities for the same amount and equal to the fair value of the leased good, or at present value of the minimum payments for the lease, should it be less. Subsequently, the minimum payments for the lease are divided between financial expense and debt reduction. The financial cost is recognised as expense and is distributed among the periods that constitute the term of the lease, thus obtaining a constant interest rate in each period on the balance of the debt pending amortisation. The asset is depreciated with the same terms as the rest of similar depreciable assets, should there be reasonable certainty that the lessee will acquire the property at the end of the lease. If there is no such certainty, the asset is depreciated in the shortest of either the useful life of the asset or the lease term.

In the case of operating leases, the instalments are recognised as expense if lessee and as revenues if lessor, linearly during the term of the lease, except if there is another systematic distribution basis that is more representative.

3.8 Provisions, Contingent Liabilities and Contingent Assets

The obligations existing on the date of the financial statements, resulting from past events or that may generate equity damage of likely materialisation for the Group, whose amount and type of payment are uncertain, are registered in the statement of financial position as provisions for the real value that is estimated as most likely for the group to cancel the obligation.

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

As part of the provisions, the Group includes the best estimates on risk of civil and labour lawsuits; therefore, it is not expected that additional liabilities will be derived therefrom other than those registered. Given the characteristics of the risks covered by these provisions, it is not possible to determine a certain payment date for of the estimated obligation. When assessing the loss probability, the available evidence should be considered, as well as case law and juridical evaluation.

The risks of civil and labour lawsuits that are considered contingent are disclosed in the Notes to the Financial Statements.

A contingent asset is caused by the occurrence, or non-occurrence, of one or more uncertain events in the future, which are not fully controlled by the group. The likely occurrence of benefits is disclosed and, if the realisation of revenues is almost certain, recognised in the financial statements. The Group will refrain from recognising any contingent asset.

3.9 Taxes

Includes the cost of generally mandatory taxes in favour of the State and payable by the Group on account of private calculations that are determined on the taxable basis of the fiscal year, in accordance with tax regulations of national and territorial order governing the locations where the Group operates.

3.9.1 Income Tax, Income Tax for Equality (CREE) and Deferred Tax

The income tax expense for the period includes income tax, income tax for equality (CREE), CREE surtax and deferred tax, resulting from the application of the type of levy on the period's taxable base, after applying the deductions that are fiscally permitted, plus the variation of assets and liabilities for deferred taxes and tax credits. Differences between the book value of assets and liabilities and their tax base generate the balance of deferred tax assets or liabilities, which are estimated using the tax rates expected to be valid when assets and liabilities are realised, considering for such purpose the rates that at the end of the reporting period have been approved or for which the approval process is close to an end.

The provision for income tax is calculated at the official rate as of 31 December 2016 of 40%. This rate includes the 25% income tax, the income tax for equality CREE, and the 15% surtax, using the accrual method, determining it based on the commercial profit in order to properly connect the revenues of the period with their respective costs and expenses, registering the amount of the estimated liabilities.

According to Act 1739/2014, the rate of the income tax for equality (CREE) in the taxable year 2016 is 9%, which is levied on the taxable income obtained during each year; additionally, the same Act established the CREE surtax of 6% for 2016. Furthermore, Act 1819/2016, made changes in the income tax and repealed the Income Tax for Equality (CREE) as of 1 January 2017.

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

(a) is not a business combination, and;

(b) at the time it was realised, it did not affect either the accounting guarantee or the tax gain (loss).

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

Deferred tax liabilities are recognised for all temporary differences, except for those derived from the initial recognition of capital gain and those whose origin stems from the valuation of investment in subsidiaries, associates and joint ventures, where the group can control their reversion and it is likely that there will be no reversions in a foreseeable future.

The effects of temporary differences that imply payment of a lower or higher income tax in the current year are accounted for as deferred tax credit or debit respectively at the current tax rate when the differences are reversed, based on the rates established in the tax reform Act 1819/2016 (40% for 2017, 37% for 2018 and 33% for the following years), provided there is a reasonable expectation that such differences will be reversed in the future and, also for assets, that at that moment sufficient taxable income will be generated.

The income tax expense is accounted for pursuant to IAS 12 “Income Taxes”.

The current tax and the variations in deferred tax assets or liabilities are registered in profit or loss or in Total Equity lines in the statement of financial position, according to where the gains or losses that give rise to them have been registered.

The discounts that can be applied to the amount determined as current tax liability are charged to profit or loss as a “Income tax expense”, except if there are doubts about tax realisation, in which case they are not recognised until their effective materialisation, or if they correspond to specific tax incentives, which will then be registered as grants.

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

Income tax is presented net, after deducting early payments made and withholdings in favour.

Deferred tax assets and liabilities are presented net in the statement of financial position if there is a legal right to offset current tax assets against current tax liabilities, and only if such deferred taxes are related to income taxes corresponding to the same tax authority.

3.9.2 Wealth Tax

Act 1739 of December 2014 created the wealth tax for the years 2015 to 2017 for legal entities. The tax is determined at the rate of 1.15%, 1% and 0.4% for the years 2015, 2016 and 2017, respectively, for assets in excess of $5,000,000; and is calculated annually on net equity on 1 January of each taxable year minus $5,000,000.

The legal obligation of the wealth tax is caused for taxpayers who are legal entities as of 1 January 2015, 2016 and 2017.

In January 2015 the Group recognised the tax liability of 2016 with effect on the income statement.

3.9.3 Sales Tax

The generation of electric energy is not taxed with the sales tax (VAT). The treatment of the sales tax (VAT) in the purchase of goods and services are recorded as the higher value of cost or expense. Additionally, Tax Reform Act 1819/2016 amended the rate of this tax from 16% to 19% as of 1 January 2017.

3.10 Employee Benefits

a. Pensions

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

b. Other Obligations Subsequent to the Workplace Relationship

The Group grants to its employees retired with pension, educational, electric energy and health benefits. The right to these benefits depends usually on the employee having worked until the age of retirement. The costs expected for such benefits are accrued during the employment term, using a methodology similar to that of the defined benefits plans. Actuarial losses and gains arise from adjustments based on experience and changes in actuarial assumptions, and are debited or credited to other comprehensive income in the period they occur. These obligations are measured annually or as required by the parent group, by qualified independent actuaries.

The retroactivity of severance pay, considered as post employment benefits, is paid to employees belonging to the labour regime previous to Act 50/1990 and who decided not to benefit from the regime change, calculating this social benefit for the whole time worked, based on the last earned salary. In the latter case, only a reduced number of employees and actuarial gains and losses derived from adjustments from experience and changes in actuarial assumptions are debited or credited to other comprehensive income.

The Group implemented a voluntary retirement plan, which included in its benefits a temporary income for the qualifying employees having less than 10 years left to be entitled to the old age pension. The benefit consists in a monthly payment of between 70% and 90% of the salary, from the moment of contract termination by mutual agreement until 4 months after the worker meets the age requirement pursuant to the Law to access the old age pension (62 years for men, 57 for women). These payments will be made using resources placed by the Group in a private fund, assigned to each employee included in the plan. It has been treated as a post- employment benefit as the Group is responsible for providing additional resources required to meet this obligation or receive a reimbursement in case of excess. The benefit obligation is calculated by independent actuaries using the projected unit credit method.

c. Long-term Benefits

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

The actuarial gains or losses arising from adjustments for experience and changes in actuarial assumptions are debited to or credited to profit or less of the period in which they occur. These obligations are measured annually or as required by the parent group, by qualified independent actuaries.

d. Benefits of Employee Loans

The Group grants its employees loans at below-market rates, and therefore their present value is calculated discounting future flows at market rates, recognising as early paid benefit the difference between the market rate and the rate granted, through accounts receivable. The benefit is amortised during the term of the loan as the higher value of personnel expenses, and the accounts receivable are updated at the amortised cost, reflecting its financial effect on the income statement.

3.11 Fair Value Estimate

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

The measurement at fair value supposes that the transaction for selling an asset or transferring a liability takes place in the main market, i.e., the market with the greatest volume and level of activity for the asset or liability. In absence of a main market, the transaction is supposed to take place in the most beneficial market to which the entity has access, i.e., the market that maximises the price that would be received for selling the asset or that minimises the price that would be paid for transferring the liability.

In order to establish the fair value, the Group uses valuation techniques, including those used for financial obligations entered at fair value at the time of their payment, as contractually defined, according to an active liabilities market with similar characteristics. In both cases (assets and liabilities) with sufficient information to make the measurement, maximising the use of observable relevant input data and minimising the use of non-observable input data.

Considering the hierarchy of input data used in the measurement techniques, the assets and liabilities measured at fair value can be classified into the following levels:

Level 1: Quoted prise (not adjusted) in an active market for identical assets and liabilities.

Level 2: Input data other than quoted prices that are included in level 1 and which are evident for assets or liabilities, whether directly (i.e., as price) or indirectly (i.e., derived from price). The methods and hypotheses used to determine level 2 of fair values, by type of financial assets or financial liabilities, take into account the estimated future cash flows, deducted with the zero-coupon curves of the type of interest of each currency. All the described measurements are carried out through external tools such as “Bloomberg”.

Level 3: Input data for assets or liabilities that are not based on observable market information (non-observable inputs).

When measuring fair value, the Group takes into account the characteristics of the asset or liability, particularly:

- For non-financial assets, a measurement of the fair value takes into account the capacity of the market participant to generate economic benefits by using the asset at its highest and best use, or through its sale to other market participants who want to use the asset at its highest and best use.

- For liabilities and equity instruments, the fair value supposes that the liability will not be liquidated and that the equity instrument will not be cancelled or otherwise extinguished on the measurement date. The fair value of the liability reflects the effect of the default risk, i.e., the risk of an entity failing to meet an obligation, which includes, but is not limited to, the Group’s own credit risk.

- With respect to financial assets and financial liabilities with offset positions in market risk or credit risk of the counterpart, fair value is measured on a net base, consistent with the way in which market participants could set the price of net risk exposure on the measurement date.

3.12 Foreign Currency Conversion

1. Functional Currency and Presentation Currency

The line items included in the financial statements are valued using the currency of the main economic environment where the entity operates (Colombian pesos).

The financial statements are presented in “Colombian pesos”, which, in turn, is the Group’s functional currency and presentation currency. Its figures are expressed in thousands of Colombian pesos, except for the net profit per share and the representative exchange rate, which are expressed in Colombian pesos, while the foreign currency (for example dollars, euros, sterling pounds, etc.) are expressed in units.

2. Transactions and Balances in Foreign Currency

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

In addition, at each year-end closing, the conversion of balances receivable or payable in a currency other than the functional currency for each group is performed at the type of exchange in force on the closing date. The valuation differences produced are registered as exchange differences in the statement of comprehensive income.

Balances denominated in foreign currency are expressed in Colombian pesos at the representative exchange rates on 31 December 2016 and 2015 of $3,000.71 and $3,149.47 for US $1 and $3,165.44 and $3.437.64 for 1 Euro.

3.13 Classification of Balance as Current and Non-current

The Group presents in its financial statements the assets and liabilities as current and non-current, after excluding the assets and liabilities available for sale; cash and cash equivalents are classified as current, as the intent is to realise, sell or use them during the Group’s ordinary operating cycle or within the 12 months following the reporting period, all other assets are classified as non-current. Current liabilities are those the Group expects to liquidate during the ordinary operating cycle or within the 12 months following the report, all other assets being classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities in all events.

3.14 Recognition of Revenues

Revenues are booked according to the accrual criterion.

Ordinary revenues are recognised whenever there is gross inflow of economic benefits generated during the Group’s ordinary course of business during the period, provided that such inflow generates an increment in the total equity that is not related to the contributions made by the owners of such equity and those benefits can be valued reliably. Ordinary revenues are measured at fair value of the consideration received or to be received, derived therefrom and booked based on the accrual criterion.

The following criteria are followed for recognition of ordinary revenues:

Revenues and expenses arising from generation activities, which mainly come from energy sales through bilateral contracts to the regulated and unregulated market, the energy market, the Automatic Generation Control (AGC) service and the reliability rate. Revenues from the sale of energy are recognised in the month the energy is delivered, regardless of the billing date. Therefore, at the end of each month energy sales not yet billed are entered as estimated revenues.

Similarly, for the gas trading business, revenues are recognised in the month the gas is delivered to the end user, regardless of the billing date.

The Group registers the net amount of purchase or sale agreements of non-financial items that are calculated by the net cash or other financial instrument. Agreements that have been executed and maintained for the purpose of receiving or delivering said non-financial items are registered in accordance with the contractual terms of purchase, sale or use requirements expected by the entity.

Gains or losses derived from changes in the fair value of the category financial assets at fair value through profit or loss are presented in the profit and loss account under Other (losses)/gains- net in the period in which they arise.

Revenues from dividends of financial assets at fair value through profit or loss are recognised in the profit and loss account as part of other revenues upon establishing the Group's right to receive payments. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

3.15 Recognition of Costs and Expenses

The Group recognises its costs and expenses insofar as the economic events occur so that they are registered systematically in the corresponding accounting period, regardless of the monetary or financial resource flow. Expenses are made up of payments not qualified to be registered as cost or investment.

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

Expenses include maintenance of assets, costs of the transmission system, taxes, utilities, etc., all of which are incurred by processes for sale or service provision.

Investment includes costs directly related to the creation or acquisition of an asset that requires a substantial period to get it into use or sale condition. Costs of personnel directly related to the construction of projects, interest costs on debt destined to finance projects, and major maintenance costs that extend the useful life of the existing assets, among others, are capitalised as construction underway.

3.16 Capital Stock

Common shares, with or without preferred dividend, are classified under equity.

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

3.17 Reserves

Registered as reserves are the appropriations authorised by the General Shareholders' Meeting, through profit or loss, to comply with legal provisions or to cover expansion plans or financing needs.

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

- Article 130 of the Tax Code, which sets out the appropriation of net profits at 70% of the higher value of tax depreciation over accounting depreciation, calculated pursuant to local accounting standards. This reserve can be released insofar as the accounting depreciations subsequently exceed those requested annually for tax purposes, or the assets that generated the higher deducted value are sold.
- The Code of Commerce requires the Group to appropriate 10% of its annual net profits determined as legal reserve pursuant to local accounting standards until the balance of such reserve is equivalent to 50% of the subscribed capital. The mandatory legal reserve cannot be distributed before the Group's liquidation, but it can be used to absorb or reduce annual net losses. The balance of the reserve exceeding 50% of the subscribed capital are freely available for shareholders.

3.18 Earnings per Share

The basic earning per share is calculated as the quotient between the net gain of the period attributable to Group shareholders and the average weighted number of ordinary outstanding shares in said period, after making the appropriation for preferred dividends corresponding to 20,952,601 shares as of 31 December 2016 and 2015 of Empresa de Energía de Bogotá S.A. E.S.P. Preferred dividends have a value of US $0.1107 per share.

3.19 Distribution of Dividends

Commercial laws in Colombia stipulate that, once making the appropriations for legal reserve, statutory reserve or other reserves and tax payments, the remainder will be distributed among the shareholders, in accordance with the share distribution project presented by the Group Management and approved by the General Shareholders' Meeting. The dividend payment will be made in cash on the dates set out by the General Shareholders' Meeting to those qualifying as shareholders at the time the payments are payable.

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

As of the year-end closing, the amount of the obligation with the shareholders is determined net of the provisional dividends approved in the course of the period, and it is accounted for under the line item "commercial accounts payable and other payables" and under "accounts payable to related entities", as applicable, through total equity. Provisional and definitive dividends are registered as the lower "total equity" at the time of its approval by the competent body, which in first instance is the Group's Board of Directors, while in the second instance is the General Shareholders' Meeting's responsibility.

3.20 Operating Segments

An operating segment is a component of an entity:

(a) that develops business activities from which it may derive ordinary activity revenues and incur in expenses (including revenues from ordinary activities and expense for transactions with other components of the same entity);

(b) whose operating results are reviewed regularly by the maximum operations decision making authority, to decide on resources that are to be allocated to the segment and to evaluate their performance; and

(c) over which there is differentiated financial information.

(In thousands of pesos)

The Group, for all purposes, in accordance with the guidelines of IFRS 8, only has one operating segment associated with the electric energy business; however, to date the value of such transactions is not representative, so it is not considered an independent segment.

4. Cash and Cash Equivalents

	As of 31 December 2016	As of 31 December 2015
Bank balance	$ 456.867.921	$ 180.695.985
Short-term deposits (1)	101.100.000	60.000.000
Other cash and cash equivalents (2)	62.620.564	58.684.245
Cash	49.266	13.185
	$ 620.637.751	**$ 299.393.415**

The equivalent detail in pesos by type of currency of cash and cash equivalents above is as follows:

(1) As of December 31 of 2016 the Group has the following term deposits, with maturities of less than 90 days:

Detail per Money	As of 31 december 2016	As of 31 december 2015
Colombian Pesos	$ 618.851.459	$ 298.897.005
USD	1.780.307	494.900
Euros	5.985	1.510
	$ 620.637.751	**$ 299.393.415**

(1) As of December 31 of 2016 the Group has the following term deposits, with maturities of less than 90 days

Banco	Monto	Tasa	Días	Inicio	Vencimiento
Corpbanca	101.100.000	8,35%	90	27-oct-2016	27-01-2017

As of December 31 of 2015 the Group has the following term deposits, with maturities of less than 90 days:

Bank	Amount	Rate	Days	Start	Maturity
Corpbanca	60,000,000	6.55%	89	23-Dec-15	22-Mar-16

(1) Trust accounts and collective portfolios correspond mainly to the following:

Financial entity	As of 31 December 2016	As of 31 December 2015
Collective portfolio QB (*)	$ 47.182.957	$ 47.645.756
Corredores Asociados	14.472.428	10.888.352
Corredores Asociados Derivex	548.190	101.570
Collective Portfolio Bancolombia	286.400	-
Fiduciaria Bogotá	58.236	3.426
Fondo de Inversión Fonval	50.633	3.368
BBVA Fiduciaria	15.048	32.103
Fondo Abierto Alianz	4.336	7.465
Fiduciaria Corficolombiana	2.336	2.205

(In thousands of pesos)

	$ 62.620.564	$ 58.684.245

(*)Portfolio established to respond to obligations related to construction of the perimeter road for the El Quimbo area of influence.

As of 31 December 2016, the Group has $4,403,766 in authorised credit lines not used jointly with Codensa and re-assignable between the two companies, for which, if required, financial institutions will perform an update of the terms for their approval and disbursement. In addition, an Intergroup credit line has been approved with Codensa S.A. E.S.P., for USD $ 100 million for general purposes of the Group.

As of 31 December 2016, the Group has restricted cash (see Note 33 - Energy Derivatives Market)

5. Other Financial Assets

	As of 31 December 2015		As of 31 December 2016	
	Current	Non-current	Current	Non-current
Trusts (1)	$ 11.502.292	$ -	$ 12.102.749	$ -
Guarantees energy derivatives markets	2.298.018	-	-	-
Other assets	1.466.899	-	101.572	-
Hedging and non-hedging derivative instruments (2)	26.523	-	1.180.802	-
Financial investments available for sale – companies not listed or with low liquidity (3)	-	5.698.661	-	2.740.235
	$ 15.293.732	$ 5.698.661	$ 13.385.123	$ 2.740.235

(1) As of 31 December of 20156, the value of trusts corresponds mainly to:

Trusts	As of 31 December 2016	As of 31 December 2015
Trusts Tominé Reservoir	$ 7.478.016	$ 7.199.474
Trusts Proyecto Quimbo	2.384.752	3.860.454
Trusts Muña Reservoir	1.639.524	1.042.821
	$ 11.502.292	$ 12.102.749

The balance as of 31 December of 2016, corresponds mainly to a trust with BBVA FIDUCIARIA, for $9,103,761, distributed as follows: trust No. 31636 for $5,132,221, trust No 31555 for $2,345,704 and trust No 31683 for $1.625.836 for administration, operation, maintenance, and optimisation of the Tominé and Muña reservoirs according to resolution issued by CAR, joint arrangement with Empresa de Energía de Bogotá S.A. E.S.P.

Additionally, the El Quimbo trust was created to respond to commitments arising from the El Quimbo hydroelectric station construction.

(In thousands of pesos)

Trusts existing in the Group have specific destinations and support obligations assumed in key business projects.

(2) As of 31 December 2016, the Group has a forward contract with BBVA of active valuation for the obligations contracted with Seguros Mapfre, covering all risk corporate insurance policies for material damages between 1 November 2016 and 1 November 2017, as follows:

Derivative	Underlying	Risk factor	Active notional	Currency	Fixed rate	MTM	Derivative interest	MTM + Int
FORWARD	Insurance coverage	Exchange rate	$ 5,833	USD	$ 2,988,60	$ 26,523	$ -	$ 26,523
Total valuation						**$ 26,523**	**$ -**	**$ 26,523**

As of December 31 of 2015, the Group had four derivatives with active validation for obligations assumed in foreign currency with Banco de Crédito del Perú, as follows:

Type	Underlying	Risk factor	Active notional	Currency	Fixed rate	MTM	Derivative interest	MTM + Int
SWAP	Debt hedging equivalent 30 MUSD	Exchange rate	$ 97,020	PEN	$ 957,70	$ -	$ 505,338	$ 505,338
SWAP	Debt hedging equivalent 20 MUSD	Exchange rate	64,550	PEN	947,51	-	249,759	249,759
SWAP	Debt hedging equivalent 15 MUSD	Exchange rate	50,385	PEN	924,23	367,372	56,344	423,716
SWAP	WHT debt equivalent 15 MUSD	Exchange rate	413	PEN	924,23	1,989	-	1,989
						$ 369,361	**$ 811,441**	**$ 1,180,802**

(3) Financial investments in non-listed companies are:

Share Certificates	Economic activity	Ordinary shares	% Interest	Value 31/12/16	Value 31/12/15
Electrificadora del Caribe S.A. E.S.P.	Energía	109,353,394	0,22%	5,698,661	2,740,235

As of 31 December 2016, shows an increase in the investment in Electricaribe S.A. E.S.P. as a result of the valuation calculated by the multiples method, for $ 2,958,425

6. Other Non-Financial Assets

	As of 31 December 2016		As of 31 December 2015	
	Current	Non-current	Current	Non-current
Other debtors (1)	$ 14.888.060	$ -	$ 18.233.710	$ -
Prepayments for the purchase of goods (2)	6.921.428	-	10.608.354	-
Employee benefits for loans (3)	349.722	6.397.436	364.046	4.864.712
Accounts receivable insurers (4)	25.803	-	15.773.152	-
Prepaid expenses (5)	74.790	-	20.407.602	-
	$ 22.259.803	**$ 6.397.436**	**$ 65.386.864**	**$ 4.864.712**

(1) As of 31 December 2016, the other debtors consist mainly of:

a. The account receivable from the Ministry of Finance for payments made by the Group, as a result of the judgments against Betania corresponding to the processes in force on the date of the agreement for the purchase of shares in 1997, for $ 5,808,491.
b. Accounts receivable for the accrual of debt with Corpbanca Bank for $ 1,455,984.

Within the balance of other debtors for the years ended 31 December 2016 and 2015, the balance in favour generated in the 2003 income tax return of $ 5,549,564, which was requested by DIAN, is included. This process was in first instance in the Administrative Court of Huila, nevertheless, it was sent to the decongestion tribunals in Bogota.

(In thousands of pesos)

As of 31 December 2015, the other debtors consist mainly of:

a. The account receivable from the Ministry of Finances on account of payments made by the Group as a result of rulings against Betania under processes existing on the date of the shares purchase agreement in 1997, for $2,178,621.
b. Accounts receivable on account of corrections to the liquidation according to Act 99/1993 for $799,701.
c. Accounts receivable from Petróleos del Milenio according to the commercial discount agreement from fuel purchases, for $8,578525.

(2) Prepayments made for the purchase of goods consist of:

a. Prepayments made for the purchase of goods in local currency:

	As of 31 December 2016	As of 31 December 2015
Collateral deposits XM	$ 3.999.358	$ 4.938.396
Vansolix S A In restructuring	612.283	676.830
P Van Der Wegen Gears	382.126	427.301
Mechanical Dynamics & Analysis, Ltd	301.814	-
Empresa de Energía del bajo Putumayo S.A.	269.515	-
Agencia de Aduanas Suppla S.A.S.I	227.000	61.504
Electrificadora del Meta S.A. E.S.P	183.899	-
Centrales Eléctricas del Norte	174.917	-
Electrificadora de Santander S.A. E.S.P.	174.330	-
Empresa de Energía de Casanare S.A.	147.981	-
Empresa de Energía de Pereira S.A.	122.308	-
Central Hidroelectrica de Caldas S.A.	102.583	-
Companía Energética del Tolima	99.065	-
Patrimonios Autónomos Fiduciaria	67.847	-
Others	59.288	64.885
Electrificadora del Huila S.A. E.S.P	39.005	-
Exchange difference not realised	(55.652)	4.122.670
Pegasus Bleng International	13.761	148.101
Almaviva S.A.	-	147.654
Siemens S.A.	-	21.013
	$ 6.921.428	**$ 10.608.354**

(3) Employee loan benefits are awarded at rates between 0% and 7%, which is why the Group deducts future cash flows at the market rate, recognising as a prepaid benefit the difference between the Market rate and the rate awarded, and amortising them over the life of the loan.

(4) In February, payment of the outstanding balance of compensation for the landslide of the dam at El Quimbo Hydroelectric Plant for $15,747,350 (USD $5,000,000) was received, the balance receivable from insurers corresponds to indemnities on demand.

(5) Expenses paid in advance correspond to:

	As of 31 December 2016	As of 31 December 2015
All risk policy	$ -	$ 19.256.421
Civil liability policy	74.790	1.141.134
	74.790	**20.397.555**
Others (prepaid healthcare)	-	10.047
	$ 74.790	**$ 20.407.602**

As of December 31, 2016, the group presents expenses paid in advance, corresponds to maritime and civil liability policies correlative to compliance for $ 15,160 and acquisition of Central Emergency Services, which will be executed from January to December 2017 for $ 59,640.

(In thousands of pesos)

7. Commercial Accounts Receivable and Other Receivables, Net

	As of 31 December 2016		As of 31 December 2015	
	Current	Non-current	Current	Non-current
Commercial accounts, gross * (1)	$ 196.007.845	$ -	$ 277.989.579	$ -
Commercial financed portfolio, gross (2)	56.681.996	3.425.525	32.392.377	-
Portfolio Thermal Compensation, gross (3)	17.343.748	21.066.435	17.335.372	-
Other accounts receivable, gross	3.661.559	10.214.174	4.804.795	8.686.009
Employees financed portfolio, gross	318.287	-	775.396	-
Total commercial accounts and other accounts receivable, gross	**274.013.435**	**34.706.134**	**333.297.519**	**8.686.009**
Provision for impairment of financed portfolio	(56.681.996)	(3.425.525)	-	-
Provision for impairment of commercial accounts	(45.767.346)	-	(3.546.893)	-
Provision for impairment of other accounts receivable	(2.049.510)	-	(2.111.221)	-
Total provision for impairment	**(104.498.852)**	**(3.425.525)**	**(5.658.114)**	**-**
Commercial accounts, net	150.240.499	-	274.442.686	-
Financed portfolio, net	-	-	32.392.377	-
Other accounts receivable, net	17.343.748	21.066.435	17.335.372	-
Employees financed portfolio, net	1.612.049	10.214.174	2.693.574	8.686.009
Portfolio Thermal Compensation, net	318.287	-	775.396	-
Total commercial accounts and other accounts receivable, net	**$ 169.514.583**	**$ 31.280.609**	**$ 327.639.405**	**$ 8.686.009**

(*) The generation and transmission portfolio, presents the following scheme during each period:

As of 31 December 2016, the composition of commercial accounts is as follows:

Generation and transmission portfolio at Dec. 31/16	Current portfolio	Past due portfolio 1-180 days	Past due portfolio >360 days	Total current portfolio
Commercial accounts, gross	**$ 155.501.199**	**$ 38.042.568**	**$ 2.464.078**	**$ 196.007.845**
- Large customers	145.516.459	38.032.567	2.464.078	186.013.104
- Institutional customers	9.984.740	-	-	9.984.740
- Others	-	10.001	-	10.001
- Provision for impairment	(8.620.111)	(34.683.157)	(2.464.078)	(45.767.346)
Commercial accounts and financed portfolio, net	**$ 146.881.088**	**$ 3.359.411**	**$ -**	**$ 150.240.499**

As of 31 December 2015, the composition of commercial accounts is as follows:

Generation and transmission portfolio at Dec. 31/15	Current portfolio	Past due portfolio 1-180 days	Past due portfolio >360 days	Total current portfolio
Commercial accounts, gross	**$ 270.152.266**	**$ 5.336.665**	**$ 2.500.648**	**$ 277.989.579**
- Large customers	261.917.229	5.336.665	2.500.648	269.754.542
- Institutional customers	8.235.037	-	-	8.235.037
- Provision for impairment	-	(1.046.245)	(2.500.648)	(3.546.893)
Commercial accounts and financed portfolio, net	**$ 270.152.266**	**$ 4.290.420**	**$ -**	**$ 274.442.686**

(1) The variation of the commercial portfolio mainly corresponds to:

As of 31 December 2016, the portfolio by commercial accounts shows a change that corresponds to the decrease in the portfolio for the wholesale market during this period for the following customers: Electrificadora del Huila for $9,610,495, Compañía Energética del Tolima for $7,511,515, Centrales Eléctricas del Norte for $7,022,524, Electrificadora del Meta for $4,662,892, Empresa de Energía de Boyacá for $3,371,466, Vatia S.A. for $1,536,100 and Electrificadora del Caqueta for $1,052,053. In addition, a lower estimate of energy sales per invoice is presented for $ 79,514,966, generated by the billing of 29 consumption contracts in November and December, collected in the same period, and a lower stock price.

(In thousands of pesos)

As of 31 December 2015, the change corresponds mainly to the increase in the wholesale market portfolio for the following clients: Electrificadora del Caribe for $8,850,896; Compañía Energética del Tolima for $8,387,346; Electrificadora del Huila for $7,863,635; Centrales Eléctricas del Norte de Santander for $7,022,526; Isagen for $4,187,232; Empresa de Energía de Boyacá for $3,371,466; in addition, a greater estimate of energy sales pending invoicing for $55,439,763, resulting from the increase in pool prices, the wholesale market, and the number of firm sales contracts.

(2) As of 31 December 2016, the commercial financed portfolio had a modification in its previous contract, covered under the other number EDCC-136-2013 / EM-13-213 signed on January 14, 2016, with The customer of the wholesale market, Electrificadora del Caribe SA ESP, which due to internal cash flow difficulties, it is agreed to increase the payment of invoices in an additional month, paying the last business day of the second month immediately following the month of consumption and in which an interest of the IBR (3M) + 2.54% additional points, which are recognised as a financial income, and the Group classifies this additional interest as a funded portfolio that has a balance of $ 55,747,757. In addition, on June 3, 2016, the agreement of creditors between Termocandelaria and its creditors is signed, in which the Group acts as operator of the transactions on the stock exchange, through the representation of XM, in which the terms and Conditions under which Termocandelaria will fulfil its obligations; At the end of the period, the portfolio has a current balance of $ 934,239 and non current for $ 3,425,525.

As of 31 December 2015, the commercial financed portfolio corresponds to reclassification of the commercial portfolio related to energy supply agreements No. EDCC-111-2012 and EDCC-154- 201 executed with the wholesale market client Electrificadora del Caribe S.A. ESP, which due to internal cash flow difficulties agreed to extend the invoices' due date to the 1st day of the 3rd month following the consumption month, resulting in an annual effective interest rate of 6%, recognised as financial revenues. The Group classifies this portfolio as a financed portfolio.

(3) On 27 October 2015, the Energy and Gas Regulatory Commission, CREG, issued Resolution 178 "By which it establishes the measures to guarantee the provision of the public electricity service in the event of extraordinary Put at risk, "this Resolution seeks to recover a portion of the cost not covered by the shortage price in thermal power plants that operate with liquid fuel, in order to ensure its operation during the critical condition, the Group as a generator and Operating with the Central Cartagena under these conditions, since November 4, it manifests to this regulatory body to avail itself of the option contemplated in the resolution. During the year, the Group classified the portfolio for thermal offsets under international standards, which, as of 31 December 2016, is presented as a current and non-current portfolio for $17,343,748 and $21,066,435, respectively.

As of 31 December 2015, it corresponds to $10,792,717 for the generation of the Central Cartagena in November and a portfolio estimated for December for $6,542,655.

Portfolio Impairment

The movements in the provision for impairment of current commercial accounts and other accounts receivable as of 31 December 2016 are as follows:

Debtors from expired and unpaid sales, with impairment	Current	Non-current
Balance as of 31 December 2015	**$ (5.658.114)**	**$ -**
Period increases (decreases)	(98.894.945)	(3.425.525)
Written–off amounts	54.207	-
Balance as of 31 December 2016	**$ (104.498.852)**	**$ (3.425.525)**

The changes in the provision for impairment of current commercial accounts and other accounts receivable as of 31 December 2015 are as follows:

(In thousands of pesos)

Debtors from expired and unpaid sales, with impairment as of 31 December 2015	
Balance as of 1 January 2014	**$ 3.029.914**
Period increases (decreases)	2.760.071
Written–off amounts	(574.596)
Balance as of 31 December 2014	**$ 5.215.389**
Period increases (decreases)	457.689
Written–off amounts	(14.964)
Balance as of 31 December 2015	**$ 5.658.114**

The delinquent debtors' write-off it is made once all collection possibilities, legal actions, and demonstration of the debtors' insolvency have been exhausted.

During the period of 2016, the Group performed an individual assessment of the portfolio, where it determined to record the provision mainly for customers Electrificadora del Caribe S.A. E.S.P., and Termocandelaria S.C.A. E.S.P, as detailed below:

Customer	Provisioned balance
Electrificadora del Caribe S.A. E.S.P.	**$ 99.263.875**
- Financed Portfolio	56.035.823
- Wholesale Market	42.499.344
- Energy Spot	728.708
Termocandelaria S.C.A. E.S.P.	**$ 4.399.972**
- Financed Portfolio	4.399.972

Guarantees granted by Debtors:

For energy and gas customers depending on the outcome of the credit risk assessment and the final decision of the lines of business, when necessary, the portfolio is backed with a security.

8. Investments in Subsidiaries, Joint Ventures and Associates

Accounts receivable from Related Entities

The detail of the recognised investments are as follows:

Name Related Group	Relation Ship	Country of Origin	Transaction Type	As of 31 December 2016	As of 31 December 2015
Codensa	Vinculado	Colombia	Other services	$ 202.479	$ 184.624
Codensa (1)	Vinculado	Colombia	Sales Energy	-	26.663.641
Enel Green Power Colombia (2)	Vinculado	Colombia	Other services	80.865	4.375.000
Enel Chile S.A (3)	Vinculado	Chile	Other services	24.176	24.176
Energía Nueva Energía Limpia México (3)	Vinculado	México	Other services	14.226	-
Endesa Energía SAU (3)	Vinculado	España	Other services	2.204	2.204
EEC (Ahora Codensa) (1)	Vinculado	Colombia	Sales Energy	-	1.397.221
EEB	(*)	Colombia	Other services	-	525.532
			Total	**$ 323.950**	**$ 33.172.398**

(In thousands of pesos)

(*) Empresa de Energía de Bogotá is a Group shareholder (See note 19).

(1) Corresponds to the estimated portfolio of energy sales, the decrease at December 31, 2016 is due to the fact that December energy sales were invoiced and collected in the same month.
(2) Corresponds to the sale of assets associated with the wind power generation project.
(3) Corresponds to the provision for expatriate staff costs in Spain, Chile and Mexico. As of December 2015, we had the receivable with Enersis for $ 24,176, currently Enel Chile S.A.

Accounts Payable to Related Entities

ame of related group	Country of origin	Relationship	Type of transaction	As of 31 December 2016	As of 31 December 2015
				Current	Current
Enel Américas S.A(1)	Chile	Associate	Dividends	$ 96.986.181	$ 90.159.368
Codensa (2)	Colombia	Associate	Purchase of energy	10.801.224	9.133.840
Codensa	Colombia	Associate	Other services	-	93.249
Enel Italia Service (3)	Italy	Associate	Studies and projects	3.547.333	-
Enel Produzione Spa (4)	Italy	Associate	Other services	1.779.948	824.621
Enel SPA (4)	Italy	Associate	Other services	663.644	-
Enel SPA	Italy	Associate	Studies and projects	318.750	-
Enel Trade (4)	Italy	Associate	Other services	457.254	-
Enel Latinoamérica (4)	Spain	Associate	Other services	415.969	183.018
Enel Iberoamérica (5)	Spain	Associate	Other services	383.130	211.901
Enel Ingegnieria e Ricerca (4)	Italy	Associate	Other services	166.088	-
Enel Ingegnieria e Ricerca	Italy	Associate	Studies and projects	-	862.848
Enel Generación Chile S.A. (4)	Chile	Associate	Other services	134.334	314.723
Enel Chile S.A. (4)	Chile	Associate	Other services	59.698	132.471
EEC (Ahora Codensa) (6	Colombia	Associate	Purchase of energy	-	624.273
EEB	Colombia	(*)	Dividends	103.051.317	97.751.172
EEB	Colombia	(*)	Other services	50.402	47.345
			Total	**$ 218.815.272**	**$ 200.338.829**

(*) Empresa de Energía de Bogotá is a Group shareholder (See note 20).

(1) As of 31 December 2015, outstanding dividend balances were issued to Enersis for $40,182,866 and Endesa Chile for $49,976,502, in 2016 these companies changed their name to Enersis Américas and Endesa Américas respectively in December year merged into Enel Americas SA, presenting a balance of dividends payable for $96,986,181.
(2) The balance consists of tolls, regional transmission system (STR), local distribution system (SDL) and energy billing.
(3) Corresponds to the E4E project, implementation of the convergence of SAP systems that support the accounting, asset management and operating models of the Group.
(4) Provision for costs of expatriate personnel from Spain, Italy and Chile in Colombia. As of December 2015, we had the account payable with Endesa Chile for $ 314,723, currently Enel Generación Chile S.A for $ 134,334, Enersis for $ 132,471 and Enel Chile S.A., for $ 59,698.
(5) Corresponds to the provision for IT expenses with respect to support, maintenance, software licenses.
(6) As of December 2015, it corresponds to billing by areas of distribution (ADDs) and energy purchase estimates. In October 2016, the EEC merged with Codensa.

Emgesa S.A. E.S.P. and its Affiliates
Notes to the Financial Statements – Consolidated
(In thousands of pesos)

Most significant transactions and the corresponding effect on profit or loss:

Group	Purpose of transaction	As of 31 December 2016	As of 31 December 2015
Revenues			
Codensa	Sale of energy	642.784.272	291.633.327
Codensa	Other services	435.272	408.517
Codensa	Sale of fixed assets	202.479	99.573
Codensa	Financial revenues	195.109	-
EEC (now Codensa)	Sale of energy	27.691.953	17.793.092
EEB	Operation services	730.196	448.681
Enel Ingeneria E Ricerca S.P.A	Exchange difference	41.069	127.212
Enel Generación Chile S.A	Exchange difference	28.287	228.234
Energía Nueva Energía Limpia México	Other services	14.226	-
Enel Chile S.A (1)	Exchange difference	11.504	4.259
Enel Chile S.A (1)	Other services	-	24.176
Enel Latinoamérica	Exchange difference	10.924	3.108
Enel Iberoamérica	Exchange difference	1.720	4.817
Enel Green Power Colombia	Sale of fixed assets	-	4.375.000
Endesa Energía SAU	Other services	-	2.204
Endesa Energía SAU	Exchange difference	-	475
		$ 672.147.011	**$ 315.152.675**
Costs and expenses			
Codensa	Energy transport	119.339.729	106.745.607
Codensa	Energy and lighting	468.369	590.134
Codensa	Other services	319.985	8.338
Codensa	Financial expenses	-	54.335
EEC (now Codensa)	Energy transport	3.819.886	4.517.464
EEC (now Codensa)	Other services	456	572
EEB	Other services	-	985.025
Enel Produzione SPA	Other services	989.546	824.621
Enel SPA	Other services	629.425	-
Enel SPA	Studies and projects	318.750	-
Enel Italia Service	Studies and projects	589.096	-
Enel Trade	Other services	457.254	-
Enel Iberoamérica	Computer services	388.328	247.511
Enel Iberoamérica	Exchange difference	8.493	1.610
Enel Latinoamérica	Other services	388.152	373.825
Board of Directors	Fees	327.546	260.782
Enel Ingeneria E Ricerca S.P.A.	Other services	166.088	-
Enel Ingeneria E Ricerca S.P.A.	Studies and projects	41.435	862.848
Enel Ingeneria E Ricerca S.P.A.	Exchange difference	13.879	19.109
Enel Generación Chile S.A.(1)	Exchange difference	19.333	-
Enel Generación Chile S.A. (1)	Other services	422	215.487
Enel Chile S.A. (1)	Exchange difference	7.801	-
Enel Chile S.A. (1)	Other services	195	84.120
Endesa Energía SAU	Other services	-	28.887
Endesa Energía SAU	Exchange difference	-	261
		$ 128.294.168	**$ 115.820.536**

(1) Revenues and expenses related to services by expatriate personnel that were held with Endesa Chile and Enersis in December 2015, which in 2016 changed their name to Enel Generación Chile S.A and Enel Chile S.A., respectively.

(In thousands of pesos)

Sales and purchases between related parties are carried out under conditions equivalent to those existing for transactions between independent parties (see note 18).

Board of Directors and Key Management Personnel

Board of Directors

The Group has a Board of Directors made up of seven (7) principal members, each of whom has a personal alternate, elected by the General Shareholders' Meeting by the electoral quotient system. In accordance with the corporate bylaws, while the group has the quality of issuer of securities, 25% of the board members will be independent as provided for by the law. The appointment of board members will be for two (2) years, and they can be re-elected indefinitely and without prejudice to the power of the Shareholders' Meeting to remove them freely at any time.

The Board of Directors current as of 31 December 2016 was elected by the General Shareholders' Meeting in ordinary session held on 28 March 2016. The Group appoints a Chairman, who is elected by the Board of Directors among its members for a given period, and may be re-elected indefinitely or removed freely before the expiry of the period. In addition, the Board of Directors has a Secretary, who may or may not be a member of the Board. The appointment of the Chairman was approved by the Board of Directors in a meeting held on 26 May 2015. The Secretary of the Board of Directors was appointed on 11 November 2008.

In accordance with the provisions in Article 55 of the corporate bylaws, the General Shareholders' Meeting must set the remuneration of the Board members. The current remuneration as of 31 December amounts to USD $1,000, after taxes, for attendance to each session of the Board of Directors, approved by the General Shareholders' Meeting in ordinary session held on 28 March 2016.

Below is the list of fees paid to members of the Board of Directors:

Name	As of December 31 2016	As of December 31 2015
Herrera Lozano Jose Alejandro	$ 41,541	$ 20,558
Riga Bruno	38,144	25,974
Rubio Diaz Lucio	37,991	37,594
Vargas Lleras Jose Antonio	34,604	37,594
Lafaurie Luisa Fernanda	31,303	31,446
Álvarez Hernández Gloria Astrid	31,165	-
Araujo Castro María Consuelo	27,528	-
Romero Raad Richard Ernesto	10,267	-
Lopez Valderrama Andres	10,238	3,436
Gutierrez Medina Fernando	6,937	8,494
Vivas Munar Diana Margarita	6,630	-
Bonilla Gonzalez Ricardo	3,746	37,594
Caprini Daniele	3,550	-
Jimenez Rodriguez Diana Marcela	3,397	3,126
Roa Barragán Ricardo	-	34,768
Maldonado Copello Maria Mercedes	-	17,035
Torres Macías Alvaro	-	2,825
Total general	**$ 287,041**	**$ 260,444**

(In thousands of pesos)

Key Management Personnel

Below is a list of key Management personnel:

Name	Position
Bruno Riga	Emgesa CEO
Lucio Rubio Díaz	CEO Colombia
Danielle Caprini	Administration and Finance Manager
Aurelio Bustillo Oliveira	Administration and Finance Manager

The fees earned by key management personnel amount to $ 2,905,904 in December 2016. These salaries include short-term salaries and benefits (annual bonus for meeting objectives).

	As of 31 December 2016		As of 31 December 2015	
Fees	$	2.406.348	$	1.893.498
Short-term benefits		498.746		420.207
	$	**2.905.094**	**$**	**2.313.705**

Incentives Plans for Key Management Personnel

The Group has established for its executives an annual bonus for meeting objectives and level of individual contribution to the Group. These bonuses correspond to a specific number of gross monthly remunerations.

As of 31 December 2016 and 2015, the Group does not have payment benefits based on actions of key management personnel, nor has it established warranties in their favour.

As of December 31, there are no severance payments for contract termination.

9. Inventories

	As of 31 December 2016		As of 31 December 2015	
Coal (*)	$	23.083.747	$	10.994.370
Energy items and accessories (1)		10.460.814		11.361.974
Fuel Oil (*)		10.447.760		12.206.531
Total inventories	**$**	**43.992.321**	**$**	**34.562.875**

(*)Corresponds to the inventories of fuels used by the thermal generation plants for commissioning during 2016, to December 2016 presents an increase associated with the low thermal generation especially with coal.

1) Items and accessories consist of:

	As of 31 December 2016		As of 31 December 2015	
Spares and materials (a)	$	10.738.520	$	11.644.519
Provision of materials (b)		(277.706)		(282.545)
Total other inventories	**$**	**10.460.814**	**$**	**11.361.974**

(In thousands of pesos)

a. Spares and materials correspond to elements that will be used in the repairs and / or maintenance of the plants, according to the maintenance plan defined by the production area..

b. As of 31 December 2016, inventories have an obsolescence provision of $ 277,706 to be used during the 2017 period. The variation compared to 2015 is a result of the inventory debugging processes carried out in 2016.

10. Intangible Assets Other than Goodwill, Net

Intangible assets	As of 31 December 2016	As of 31 December 2015
Rights (1)	$ 58.099.975	$ 54.961.578
Development costs (2)	24.384.010	25.729.367
Licenses (3)	11.904.716	4.634.553
Software	825.714	1.190.334
Other identifiable intangible assets	5.414.549	3.744.263
Constructions and work in progress	4.405.324	2.690.832
Other intangible resources	1.009.225	1.053.431
Intangible assets, net	**$ 100.628.964**	**$ 90.260.095**
Cost		
Rights (1)	83.322.027	78.664.639
Development costs (2)	34.555.565	35.636.887
Licenses (3)	20.712.441	11.363.839
Software	12.211.180	11.795.593
Other identifiable intangible assets	9.158.851	7.444.359
Constructions and work in progress	4.405.324	2.690.832
Other intangible resources	4.753.527	4.753.527
Intangible assets, gross	**$ 159.960.064**	**$ 144.905.317**
Amortisation		
Rights (1)	(25.222.052)	(23.703.061)
Development costs (2)	(10.171.555)	(9.907.520)
Licenses (3)	(8.807.725)	(6.729.286)
Software	(11.385.466)	(10.605.259)
Other identifiable intangible assets	(3.744.302)	(3.700.096)
Intangible assets cumulative amortisation	**$ (59.331.100)**	**$ (54.645.222)**

1) Within rights, the Group recognised as intangible the expenditures to obtain the usufruct of the greater amount of useful water, coming from the projects Chingaza and Rio Blanco for the production of the Central Pagua. The balance as of 31 December 2016, includes the cost of $65,364,594 amortisation is recognised by the straight-line method over a period of 50 years, with a cumulative value of $22,139,598.

   This line item also classifies the legal stability premium for the El Quimbo project for $ 20,573,613, with an accumulated amortisation at December 31, 2016 of $ 3,082,456. This premium has a useful life of 20 years according to the validity of the tax benefits.

2) Corresponds mainly to the costs associated with expansion projects; Minors Sumapáz for $ 13,560,646, Guaicaramo for $ 9,445,277, Campohermoso for $ 6,410,682, Canoas $ 610,127, Zipa 6 $ 435,774 and other projects in smaller plants for $ 13,163, which will begin their amortisation when they are in production stage. The amortisation mainly includes projects carried out to the expense; Conversion Termocartagena for $ 6,930,045, alternative energy costs for $ 655,899, Sumapáz for $ 614,440, Guaicaramo for $ 568,356, Termosinifaná for $ 402,780, Cuenca Oriente for $ 78,853, Oporapa for $ 16,268, Chapasia for $ 2,359, and Guaitiquia for $ 1,458, other amortisations development costs for $ 901,907.

3) It consists mainly of developments for the new ERP - E4E system for $ 9,248,966, developments of SAP ISU $ 4,309,825 and developments of SAP SIE 2000A $ 555,572.

(In thousands of pesos)

The composition and movements of the intangible asset are as follows:

Movements in intangible assets as of 31 December 2016	Development costs	Rights	Patents, trademarks and other rights	Other identifiable intangible assets			Intangible assets
			Licenses	Software	Constructions and Works in progress	Other intangible resources	
Initial balance 31/Dec/15	**$ 25.729.367**	**$ 54.961.578**	**$ 4.634.553**	**$ 1.190.334**	**$ 2.690.832**	**$ 1.053.431**	**$ 90.260.095**
Movements in intangible assets							
Additions (*)	2.520.635	4.657.388	9.842.860	-	1.644.556	-	18.665.439
Transfers	8.735	-	(494.259)	2.198.342	(1.712.818)	-	-
Removals (**)	(3.610.692)	-	-	-	-	-	(3.610.692)
Amortisation	(264.035)	(1.518.991)	(2.078.438)	(780.208)	-	(44.206)	(4.685.878)
Other increases (decreases)	-	-	-	(1.782.754)	1.782.754	-	-
Total movements in intangible identifiable assets	**(1.345.357)**	**3.138.397**	**7.270.163**	**(364.620)**	**1.714.492**	**(44.206)**	**10.368.869**
Final balance 31/Dec/16	**$ 24.384.010**	**$ 58.099.975**	**$ 11.904.716**	**$ 825.714**	**$ 4.405.324**	**$ 1.009.225**	**$100.628.964**

(*) During 2016, the increase is mainly generated by developments for the new ERP - E4E system for $ 9,248,966, software development Olympus for $ 404,832 and Microsoft SO CORE CALL for $ 296,891.

(**) In 2016, the Group decided to terminate the Termocesar, Termoboyacá and Termosantander projects for $ 3,610,692, since thermoelectric projects have a large impact on CO2 emissions from fossil fuels.

Movements in intangible assets as of 31 December 2015	Development costs	Rights	Patents, trademarks and other rights	Other identifiable intangible assets			Intangible assets
			Licenses	Software	Constructions and Works in progress	Other intangible resources	
Initial balance 01/Jan/15	$ 22.228.774	$ 57.143.427	$ 5.939.950	$ 853.122	$ 2.806.535	$ 1.097.637	**$ 90.069.445**
Movements in intangible assets							
Additions	17.547.695	-	897.324	1.449.502	-	-	**19.894.521**
Transfers	-	-	22.829	(22.829)	-	-	**-**
Removals (*)	(3.982.898)	-	-	-	(172.244)	-	**(4.155.142)**
Amortisation (see note 25)	-	(2.181.849)	(2.225.550)	(1.089.461)	-	(44.206)	**(5.541.066)**
Other increases (decreases)	(10.064.204)	-	-	-	56.541	-	**(10.007.663)**
Total movements in intangible identifiable assets	**3.500.593**	**(2.181.849)**	**(1.305.397)**	**337.212**	**(115.703)**	(44.206)	**(190.650)**
Final balance 31/Dec/15	**$ 25.729.367**	**$ 54.961.578**	**$ 4.634.553**	**$ 1.190.334**	**$ 2.690.832**	**$ 1.053.431**	**$ 90.260.095**

(In thousands of pesos)

11. Property, Plant and Equipment, Net

	As of 31 December 2016	As of 31 December 2015
Plants and equipment (1)	$ 7.424.945.002	$ 7.381.204.500
Construction in progress (2)	159.306.414	156.042.415
Lands	268.950.793	275.680.415
Buildings	44.219.117	44.442.206
Fixed installations and others	20.075.590	20.651.666
Finance leases (3)	6.772.669	581.767
Property, plant and equipment, net	**$ 7.924.269.585**	**$ 7.878.602.969**
Plants and equipment	10.286.726.643	10.070.657.112
Hydroelectric generation plants	9.485.351.764	9.353.656.299
Thermoelectric generation plants	801.374.879	717.000.813
Construction in progress	159.306.414	156.042.415
Lands	268.950.793	275.680.415
Buildings	76.135.326	75.275.642
Fixed installations and others	88.846.518	85.217.359
Fixed installations and fittings	34.514.429	34.786.551
Other installations	54.332.089	50.430.808
Finance leases	8.093.197	707.522
Property, plant and equipment, gross	**$ 10.888.058.891**	**$ 10.663.580.465**
Plants and equipment	(2.861.781.641)	(2.689.452.613)
Hydroelectric generation plants	(2.578.856.343)	(2.435.458.478)
Thermoelectric generation plants	(282.925.298)	(253.994.135)
Fixed installations and others	(68.770.928)	(64.565.693)
Fixed installations and fittings	(26.761.086)	(25.802.141)
Other installations	(42.009.842)	(38.763.552)
Buildings	(31.916.209)	(30.833.436)
Finance leases	(1.320.528)	(125.755)
Cumulative depreciation	**$ (2.963.789.306)**	**$ (2.784.977.497)**

(1) During 2016 inventories were transferred to plant and equipment inventories for $ 674,802, corresponding to security inventories for the plants.

The item plants and equipment consists of the following:

THERMAL POWER PLANTS
As of 31 December 2016

Plant	Gross cost	Cumulative Dep.	Net Cost
CC – Termozipa	606.004.192	(205.898.182)	400.106.010
CF – Cartagena	195.370.687	(77.027.116)	118.343.571
Total Thermal Power Plants	**801.374.879**	**(282.925.298)**	**518.449.581**

HYDRAULIC POWER PLANTS
As of 31 December 2016

Plant	Gross cost	Cumulative Dep.	Net Cost
CH – Quimbo (*)	3.337.543.174	(50.011.295)	3.287.531.880
CH – Guavio	3.201.766.211	(1.039.487.422)	2.162.278.789
CH – Betania	1.902.584.348	(950.666.904)	951.917.444
CH – Pagua	791.566.867	(415.792.866)	375.774.001
CH – Minor stations (Rio Bogotá)	161.995.174	(91.801.799)	70.193.375
CH – Salaco	89.895.990	(31.096.057)	58.799.932
Total Hydraulic Power Plants	**9.485.351.764**	**(2.578.856.343)**	**6.906.495.421**
Total plants and equipment	**10.286.726.643**	**(2.861.781.641)**	**7.424.945.002**

CH – Hydraulic Power Plant *CC – Coal Power Plant* *CF – Fuel Oil Power Plant*

(*)Includes the capitalised values corresponding to the Quimbo Power Plant

(In thousands of pesos)

(2) Corresponds to investments made by the Group as of December 31, 2016, in the different plants, the main assets under construction are improvements, refurbishments and modernisations of the following plants:

POWER PLANT	As of 31 December 2016
CC – Termozipa	$ 67.980.812
CH – Quimbo	23.271.423
CF – Cartagena	22.153.246
CH - Salaco	14.885.160
CH - Pagua	9.397.288
CH - Guavio	7.311.352
CH - Minor stations (Rio Bogotá)	7.246.849
Other investments	3.532.947
CH - Betania	3.527.337
Total constructions in progress	**$159.306.414**

CH- Hydraulic Power Plant CF- Fuel Oil Power Plant CC - Coal Power Plant

Corresponds to investments made by the Group as of December 31, 2015, in the different plants, the main assets under construction are improvements, refurbishments and modernisations of the following plants:

Project	As of 31 December 2016
CT. Termozipa	$ 37.996.565
CT. Cartagena	24.364.333
CH. Quimbo (*)	17.400.809
CH. Laguneta	16.468.149
CT. Betania	12.563.105
CH. Guaca	12.209.773
CH. Guavio	12.045.675
CH. Paraíso	7.371.466
Other projects	3.878.430
CH. Dario Valencia	3.420.388
CH. Muña 3	2.996.508
CH. Salto 2	1.813.959
CH. El Limonar	1.336.708
CH. Tequendama	1.155.189
CH. Charquito	438.196
CH. La Tinta	243.851
CH. San Antonio	199.076
CH. Muña 2	140.235
Total general	**$ 156.042.415**

CH- Hydroelectric Power Plant CT- Thermoelectric Power Plant

The composition and movements of property, plant and equipment are:

Movement in property, plant, and equipment as of 31 December 2016	Constructions in progress	Lands	Buildings	Plants and equipment		Fixed installations and accessories		Finance leases	Property, plant, and equipment
				Hydroelectric generation plants	Thermoelectric generation plants	Fixed facilities and accessories	Other facilities		
Initial balance 31/Dec/2015	**$ 156.042.415**	**$ 275.680.415**	**$ 44.442.206**	**$ 6.918.197.820**	**$ 463.006.679**	**$ 8.984.410**	**$ 11.667.256**	**$ 581.767**	**$ 7.878.602.968**
Movement in property, plant and equipment									
Additions	229.113.238	302.363	222.550	1.392.365	1.439.109	45.466	1.816.725	6.546.073	**240.877.889**
Transfers	(225.849.239)	(7.031.985)	1.478.378	141.016.182	88.077.892	126.472	2.182.300	-	**-**
Removals	-	-	(1.355)	(3.755.273)	(4.136.100)	(104.064)	(4.696)	-	**(8.001.488)**
Depreciation expense	-	-	(1.922.662)	(150.355.673)	(29.937.999)	(1.298.941)	(3.339.338)	(355.171)	**(187.209.784)**
Other increases (decreases)	-	-	-	-	-	-	-	-	-
Total movements	3.263.999	(6.729.622)	(223.089)	(11.702.399)	55.442.902	(1.231.067)	654.991	6.190.902	**45.666.617**
Final balance 31/Dec/16	**$ 159.306.414**	**$ 268.950.793**	**$ 44.219.117**	**$ 6.906.495.421**	**$ 518.449.581**	**$ 7.753.343**	**$ 12.322.247**	**$ 6.772.669**	**$ 7.924.269.585**

(In thousands of pesos)

Movement in property, plant, and equipment as of 31 December 2015	Constructions in progress	Lands	Buildings	Plants and equipment: Hydroelectric generation plants	Plants and equipment: Thermoelectric generation plants	Fixed installations and accessories: Fixed facilities and accessories	Fixed installations and accessories: Other facilities	Finance leases	Property, plant, and equipment
Initial balance 1/Jan/2015	$ 2.425.029.996	$ 51.314.209	$ 47.629.060	$ 3.723.934.196	$ 426.850.610	$ 9.520.558	$ 14.061.888	$ 425.057	**$ 6.698.765.574**
Movement in property, plant and equipment									
Additions	1.113.657.176	213.508.113	529.146	339.119	247.224	85.369	672.103	282.466	**1.329.320.716**
Transfers	(3.392.708.961)	10.858.093	876.594	3.314.351.823	65.336.204	735.743	550.504	-	**-**
Removals	-	-	(2.851)	(786.220)	-	(30.921)	3.822	-	**(816.170)**
Deterioration	-	-	-	-	-	-	-	-	**-**
Depreciation expense	-	-	(4.589.743)	(119.584.559)	(29.427.359)	(1.326.339)	(3.621.061)	(125.756)	**(158.674.817)**
Other increases (decreases)	10.064.204	-	-	(56.539)	-	-	-	-	**10.007.665**
Total movements	**(2.268.987.581)**	**224.366.206**	**(3.186.854)**	**3.194.263.623**	**36.156.070**	**(536.148)**	**(2.394.632)**	**156.710**	**1.179.837.394**
Final balance 31/Dec/15	**$ 156.042.415**	**$ 275.680.415**	**$ 44.442.206**	**$ 6.918.197.820**	**$ 463.006.679**	**$ 8.984.410**	**$ 11.667.256**	**$ 581.767**	**$7.878.602.968**

Additional information on property, plant and equipment, net

Main investments

During 2016, the main additions to property, plant and equipment correspond to the investments made in the adaptation, modernisation, expansion, improvements in efficiency and quality of service in the different plants, together with the completion of the construction of the El Quimbo Hydroelectric Power Plant, the most important of the period:

Station	Main projects	From 1 January to 31 December 2016
CH - Betania	Recovery of main equipment	$ 1.934.884
CF - Cartagena	Environmental management plan and equipment recovery to increase reliability	32.482.192
Minor stations (Rio Bogotá)	Modernisation of equipment and recovery of auxiliary facilities	9.686.927
CH – Guavio	Constructions and recoveries in the tunnel of the Rio Chivor and modernisation of speed regulators	26.353.392
CH – Pagua	Recovery of stator windings and acquisitions of spare parts, equipment and impellers	21.329.508
CH - Quimbo	Update of environmental provision and construction, major maintenance for 4000 operating hours	52.527.141
CH – Salaco	Acquisition of hydraulic equipment and recovery of auxiliary facilities	4.451.913
Other investments	Investments in adjustments and improvements	127.418
CC - Termozipa	Modernisation of boilers, turbines, control boilers and works for the recirculation of water mitigating environmental impact in the Bogotá river	90.639.223
Total		**$ 239.532.598**

CH- Hydraulic Power Plant CF- Fuel Oil Power Plant CC - Coal Power Plant

Main transfers to operation

In 2016, the transfers of assets from course to operation were mainly carried out at the following plants, corresponding to improvements in equipment, major maintenance and upgrades to improve plant performance, reliability and efficiency:

(In thousands of pesos)

From 1 January to 31 December 2016	
Station	**Total activation**
CC - Termozipa	**$ 57.762.364**
CH - Quimbo	45.149.527
CF - Cartagena	32.625.332
CH - Guavio	30.561.769
CH - Pagua	30.117.800
CH - Salaco	12.285.761
CH - Minor stations (Rio Bogotá)	7.984.002
CH - Betania	7.107.625
Other investments	2.087.707
Total	**$ 225.681.887**

CH- Hydraulic Power Plant CF- Fuel Oil Power Plant CC - Coal Power Plant

Fully depreciated assets in use

As of 31 December 2016, fully depreciated assets correspond to plant equipment for $ 29,308,343.

Finance Lease

They correspond to the lease agreements of vehicles established mainly with the Business Consortium and Specialised Transport JR S.A.S destined to support the operation of the Group; Mareauto Colombia S.A.S., Banco Corpbanca and Equirent S.A. Destined to the transport of the managers of the organisation.

The average term of the agreements is between 36 and 48 months, during which period the recognised assets are amortised.

55% of the vehicle fleet is contracted with Transportes Especializados JR S.A.S and 36% with Equirent S.A., which will be amortised over a maximum period of 48 instalments.

The present value of the future payments derived from these contracts are as follows:

Minimum Payments for leases, obligations for finance leases	As of 31 December 2016			As of 31 December 2015		
	Gross	Interest	Present value	Gross	Interest	Present value
Less than one year	$ 2.815.849	$ 698.786	$ 2.117.063	$ 266.671	$ 68.989	$ 197.762
Over one year but less than five years	4.815.162	556.839	4.258.323	529.692	126.032	403.660
Total	**$ 7.631.011**	**$ 1.255.625**	**$6.375.386**	**$ 796.363**	**$ 195.021**	**$ 601.422**

Operating Lease

The income statement as of 31 December 2016 and 2015, includes $ 3,694,879 and 3,417,926, respectively, corresponding to the accrual of operating leases mainly of real estate, including:

	Initial date	Final date	Purchase option
Administrative offices			
Offices Q93	Jun-14	May-19	No

As of 31 December, 2016, the related contracts are adjusted annually by the Consumer Price Index (CPI), thus applying to the offices of Q93 CPI + 1.5 points.

As of 31 December 2016, future payments arising from these contracts are as follows:

Minimum future payments for non-payable leases, Lessees	As of 31 December 2016	As of 31 December de 2015
Less than one year	$ 906.761	$ 675.831
Over one year but less than five years	1.312.285	978.077
	$ 2.219.046	**$ 1.653.908**

- The above information does not include VAT

Insurance policies

Below are the policies for the protection of Group property:

Insured property	Risks covered	Insured value *(In thousands)*	Maturity	Insurance group
Group equity	Non-contractual civil liability	USD $20,000	1/11/2017	Generali Colombia
	Non-contractual civil liability (tier of USD 200 million in excess of USD 20 million)	USD $200,000	1/11/2017	Mapfre Seguros Colombia
	Non-contractual civil liability (tier of EUR 300 million in excess of EUR 200 million)	€ 500,000	1/11/2017	Mapfre Seguros Colombia
Civil works, equipment contents, stores and profit loss	All risk material damage, earthquake, seaquake HMACC – AMIT, profit loss and machinery breakdown	USD 1,094,600	1/11/2017	Mapfre Seguros Colombia
Vehicles	Non-contractual civil liability	Limit $800,000 per vehicle, $ 900,000 per vehicle (2017)	31/12/2017	Seguros Mundial

(*)The Group's policy agreements are executed in dollars and euros

Claims to insurers as of 31 December 2016 for casualties are as follows:

Casualty	Date of casualty	Insurer	Protection affected	Value of claim (in USD)
Auxiliary Dam Quimbo	12/03/2014	Mapfre	All Risk Construction and Assembly	$ 5,050,000
Fire transformer C.H. Guaca	8/02/2016	Mapfre	Fire	$ 1,153,151

In 2016 the Group formalised with the insurer Mapfre the income of USD 12,050,000 in payment to the claim for damage in the auxiliary dam of the El Quimbo plant, USD 7,000,000 of which were received in 2015 and the remaining USD 5,050,000 in 2016.

(In thousands of pesos)

12. Deferred Taxes

The detail of the deferred tax asset at 31 December 2016 is as follows:

	Initial balance as of 31 December 2015	Increases (decreases) for deferred tax in profit or loss	Increases (decreases) for deferred tax in other comprehensive income	Final balance as of 31 December 2016
Depreciation and adjustments for inflation of property, plant and equipment	$ 198.354.875	($ 155.721.780)		$ 42.633.095
Other provisions (1)	14.496.762	34.659.793		49.156.555
Defined contribution obligations	2.576.532	($ 221.974)	5.210.224	7.564.782
Deferred taxes assets	**215.428.169**	**($ 121.283.961)**	**$ 5.210.224**	**$ 99.354.432**
Excess tax depreciation on book value	**(132.710.293)**	$ 132.710.293		**0**
Forward and swap	**(1.402.169)**		($ 788.220)	**($ 2.190.389)**
Deferred tax liabilities	**(134.112.462)**	**$ 132.710.293**	**($ 788.220)**	**($ 2.190.389)**
Deferred taxes assets, net	**$ 81.315.707**	**$ 11.426.332**	**$ 4.422.004**	**$ 97.164.043**

(1) As of 31 December 2016, the detail of deferred tax assets relative to other provisions corresponds to:

	Initial balance as of 31 December 2015	Increases (decreases) for deferred tax in profit or loss	Final balance as of 31 December 2016
Provisions for works and services	$ 9.452.010	($ 3.628.967)	$ 5.823.043
Provision for Labour Obligations	2.366.713	26.891	2.393.604
Provision for Quality Compensation	1.793.368	(257.510)	1.535.858
Others	-	1.788.438	$ 1.788.438
Provision for Uncollectible Accounts	677.815	36.860.949	37.538.764
Provision of Industry and Trade	206.856	(130.008)	76.848
	$ 14.496.762	**$ 34.659.793**	**$ 49.156.555**

The deferred tax as of 31 December 2016 per rate is as follows:

	Income	2016 CREE and surtax	2017 Surtax	2018 Surtax	2019 Surtax
Fixed assets	$ 127.331.238	$ -	$ 19.350.644	$ 17.719.007	$ 90.261.587
Provisions and estimated liabilities	16.813.482	11.053.124	9.751.195	2.709.663	(6.700.500)
Defined contribution obligations	22.923.576	-	-	-	22.923.576
Portfolio	102.029.892	-	36.566.032	32.731.930	32.731.930
	269.098.188	**11.053.124**	**65.667.871**	**53.160.600**	**139.216.593**
Cree and surtax rate		15%	6%	4%	0%
Income rate		25%	34%	33%	33%
Cree tax and surtax		1.657.969	3.940.072	2.126.424	-
Income tax	88.574.831	2.763.281	22.327.076	17.542.998	45.941.476
Occasional earnings	8.647.473				
Rate	10%				
Tax	864.747				
Total deferred taxes debit	**$ 97.164.043**				

La The recovery of deferred tax asset balances depends on obtaining sufficient future taxable income. Management believes that future earnings projections cover what is necessary to recover these assets.

(In thousands of pesos)

The asset deferred tax asset at 31 December 2015 is as follows:

	Initial balance as of 31 December 2014	Increases (decreases) for deferred tax in profit or loss	Increases (decreases) for deferred tax in other comprehensive income	Final balance as of 31 December 2015
Depreciation and adjustments for inflation of property, plant and equipment (1)	$ 213.322.266	$ (14.967.391)	$ -	$ 198.354.875
Other provisions (1)	12.383.213	2.113.549	-	14.496.762
Deferred Quimbo	5.684.826	(5.684.826)	-	-
Defined contribution obligations	1.873.861	629.213	73.457	2.576.532
Others	77.897	(77.897)	-	-
Deferred taxes assets	**233.342.063**	**(17.987.352)**	**73.457**	**215.428.169**
Excess tax depreciation on book value (2)	(44.059.819)	(88.650.474)	-	**(132.710.293)**
Forward and swap	(3.310.934)	-	1.908.766	**(1.402.169)**
Deferred tax liabilities	**(47.370.753)**	**(88.650.474)**	**1.908.766**	**(134.112.462)**
Deferred taxes assets, net	**$ 185.971.310**	**$ (106.637.826)**	**$ 1.982.223**	**$ 81.315.707**

(1) As of 31 December 2015, the detail of the deferred tax asset for other provisions corresponds to:

	Initial balance as of 31 December 2014	Increases (decreases) for deferred tax in profit or loss	Final balance as of 31 December 2015
Provisions for works and services	$ 6.233.152	$ 3.218.858	$ 9.452.010
Provision for Labour Obligations	2.381.643	(14.930)	2.366.713
Provision for Quality Compensation	1.761.127	32.241	1.793.368
Others	1.300.069	(1.300.069)	-
Provision for Uncollectible Accounts	651.953	25.862	677.815
Provision of Industry and Trade	55.269	151.587	206.856
	$ 12.383.213	**$ 2.113.549**	**$ 14.496.762**

(2) As of 31 December 2015, corresponds to the technical revaluation of fixed assets for ($ 42,642,560).

On 26 March 2015, according to Act No. 92, the General Shareholders' Meeting approved, for fiscal purposes, the use of the depreciation method for reduction of balances beginning in 2014. As of 31 December, the effect of implementing the method mentioned above amounts to $ 89,521,642.

The deferred tax as of 31 December 2015 by rate is presented below:

	Income	2015 CREE and surtax	2016 CREE and surtax	2017 CREE and surtax	2018 CREE and surtax	Onwards CREE and surtax
Fixed assets	$ 179.504.922	$ -	$ 13.437.737	$ 11.299.903	$ 11.203.817	$ 143.615.466
Provisions and estimated liabilities	35.296.691	20.489.382	12.210.330	3.032.264	-	(435.285)
Defined contribution obligations	5.621.449	-	-	-	-	5.621.449
Portfolio	1.653.208	-	826.604	826.604	-	-
	222.076.270	20.489.382	26.474.671	15.158.771	11.203.817	148.801.630
Rate	25%	14%	15%	17%	18%	9%
	55.519.068	2.868.513	3.971.201	2.576.991	2.016.687	13.392.147
Occasional earnings	9.711.004					
Rate	10%					
Tax	971.100					
Total deferred taxes debit	**$ 81.315.707**					

The recovery of deferred tax asset balances depends on obtaining sufficient future taxable income. Management believes that future earnings projections cover what is necessary to recover the assets.

(In thousands of pesos)

13. Other Financial Liabilities

	As of 31 December 2016			As of 31 December 2015		
	Current			Current		
	Capital	Interests	Non-current	Capital	Interests	Non-current
Bonds issued (1)	$ 170.000.000	$ 119.989.589	$ 3.735.015.353	$ -	$113.969.527	$3.080.242.533
Club Deal (2)	40.666.667	875.042	244.000.000	20.333.333	824.875	284.666.667
Bank Loans (2)	130.000.000	622.916	-	462.551.809	5.487.509	130.000.000
Lease obligations (3)	2.117.063	-	4.258.323	197.682	-	403.660
Derivatives (4)	-	-	-	3.146.538	-	-
	$ 342.783.730	**$ 121.487.547**	**$ 3.983.273.676**	**$ 486.229.362**	**$120.281.911**	**$3.495.312.860**

(1) The movement from December 2015 to December 2016 of bonds is mainly summarised as follows:

Non-current bonds: (i) Issuance of ordinary bonds on February 11, 2016, of the seventh tranche B3 for $ 234,870,000 and tranche B7 for $ 290,130,000, with a total transaction costs of the issue for ($ 688,450), maturities 11 February 2019 and 11 February 2023 respectively, and the allocation of funds for general purposes of the Group. Ii) Issuance of $ 300,000,000 bonds for the eighth tranche, 1st lot, transaction costs ($ 416,411), maturity 24 September 2022 and destination of resources for refinancing of financial obligations. In turn, non-current bonds varied by the short-term classification mentioned below.

Current Bonds: i) Reclassification of the short-term portion of B103 Bond $ 170,000,000, due on 20 February 2017.

In financial debt, the Group has eight (8) bond issues in the local market under the Group's bond issuance and placement programme and one (1) bond issue in the international market.

The main financial characteristics of the bonds issued since 2005 and in force as of 31 December 2016 are as follows:

Emgesa Issue and Placement Programme for the Local Market

The Group has a bond issue and placement programme that allows it to issue successive issues of such securities under the global quota that is authorised and available, and during the period of validity thereof. As of December 31, 2015, the Group had offered and placed six (6) bond issues (also referred to as "Tranches" in accordance with the terminology set forth in the programme prospectus) charged to the program, which were in effect at The date mentioned. All issues of bonds under the Emgesa Programme are rated AAA (Triple A) by Fitch Ratings Colombia S.C.V., and are dematerialised under the management of Deceval S.A.

The following describes the general financial conditions of the Group's bond issue and placement programme in the local market:

(In thousands of pesos)

Class of title	Ordinary bonds
Financial Superintendence initial approval	Resolution No. 1235 of 18 July 2006
Global amount initially approved	$700,000,000
Approval of 1st amount expansion and term extension:	Resolution No. 0833 of 16 June 2009
First increase to the authorised global amount:	In an additional $ 1,200,000,000
1st term extension	Until 26 June 2012
Approval of the 2nd term extension:	Resolution No. 1004 of 29 June 2012
2nd placement term extension	Until 18 July 2015
Approval of the 2nd amount increase:	Resolution No. 0398 of 12 March 2014
Second increase to the authorised global amount:	In an additional $ 850,000,000
Approval of the 3rd placement amount increase:	Resolution No. 1980 of 6 November 2014
Third increase to the authorised global amount:	In an additional $ 315,000,000
Approval of 4th amount expansion and term extension:	Resolution No. 1235 of 8 September 2015.
Fourth increase to the authorised global amount:	In an additional $ 650,000,000
Third placement term extension:	Until 14 September 2018
Total authorised global amount as of 31 Dec 2016	$3,715,000,000
Amount issued under the programme as of 31 Dec 2016	$3,315,000,000
Global amount available as of 31 Dec 2016:	$400,000,000
Management	Deceval S.A.

The Group has issued 8 tranches under the above program, as follows:

First Tranche:

Total value placed:	$170,000,000
Balance as of 31 December 2016:	Subseries B10: $170,000,000
Nominal value per bond:	$10,000
Issue term:	10 years
Issue date:	20 February 2007
Expiry date:	20 February 2017
Coupon rate:	CPI + 5.15% E.A.

Second Tranche:

Total value placed:	$265,000,000 as follows: Subseries A5: $49,440,000 Subseries B10: $160,060,000 Subseries B15: $55,500,000
Balance as of 31 December 2016:	$215,560,000
Nominal value per bond:	$10,000
Issue term	Subseries A5: 5 years Subseries B10: 10 years Subseries B15: 15 years
Issue date:	11 February 2009, for all subseries
Expiry date:	Subseries A 5: 11 February 2014 Subseries B10: 11 February 2019 Subseries B15: 11 February 2024
Coupon rate:	Subseries A 5: DTF A.R. + 1.47% Subseries B10: CPI + 5.78% E.A.

(In thousands of pesos)

	Subseries B15: CPI + 6.09% E.A.

On 11 February 2014, the payment of the Subseries A5 bonds for the maturity of $ 49,440,000 was made.

Third Tranche:

Total value placed:	$400,000,000 as follows:	
	Subseries E5:	$92,220,000
	Subseries B9:	$218,200,000
	Subseries B12:	$89,580,000
Balance as of 31 December 2016:	$307,780,000	
Nominal value per bond:	$10,000	
Issue term	Subseries E5: 5 years	
	Subseries B9: 9 years	
	Subseries B12: 12 years	
Issue date:	2 July 2009 for all subseries	
Expiry date:	Subseries E5: 2 July 2014	
	Subseries B9: 2 July 2018	
	Subseries B12: 2 July 2021	
Coupon rate:	Subseries E5: Fixed-Rate 9,27% E.A.	
	Subseries B9: CPI + 5.90% E.A.	
	Subseries B12: CPI + 6.10% E.A.	

On 2 July 2014, the payment of the sub-series E5 bonds for a maturity of $ 92,220,000 was made.

Fourth Tranche:

Total value placed:	$500,000,000 as follows:	
	Subseries B10:	$ 300,000,000
	Subseries B15:	$ 200,000,000
Costs of transaction as of 31 December 2016	$399,385	
Balance as of 31 December 2016:	$499,600,615	
Nominal value per bond:	$10,000	
Issue term	Subseries B10: 10 years	
	Subseries B15: 15 years	
Issue date:	13 December 2012	
Expiry date:	Subseries B10: 13 December 2022	
	Subseries B15: 13 December 2027	
Coupon rate:	Subseries B10: CPI + 3.52% E.A.	
	Subseries B15: CPI + 3.64% E.A.	

Fifth Tranche:

Total value placed:	$565,000,000, as follows:	
	Subseries B6:	$201,970,000
	Subseries B12:	$363,030,000
Costs of transaction as of 31 December 2016	$368,758	
Balance as of 31 December 2016:	$564,631,242	
Nominal value per bond:	$10,000	
Issue term	Subseries B6: 6 years	
	Subseries B12: 12 years	
Issue date:	11 September 2013	
Expiry date:	Subseries B6: 11 September 2019	
	Subseries B12: 11 September 2025	
Coupon rate:	Subseries B6: CPI + 4.25% E.A.	
	Subseries B12: CPI + 5.00% E.A.	

(In thousands of pesos)

Sixth Tranche:

Total value placed:	$590,000,000, as follows: Subseries B6: $241,070,000 Subseries B10: $186,430,000 Subseries B16: $162,500,000
Costs of transaction as of 31 December 2016	$507,781
Balance as of 31 December 2016:	$589,492,219
Nominal value per bond:	$10,000
Issue term	Subseries B6: 6 years Subseries B10: 10 years Subseries B16: 16 years
Issue date:	16 May 2014
Expiry date:	Subseries B6: 16 May 2020 Subseries B10: 16 May 2024 Subseries B16: 16 May 2030
Coupon rate:	Subseries B6: CPI + 3.42% E.A. Subseries B10: CPI + 3.83% E.A. Subseries B16: CPI + 4.15% E.A.

Seventh Tranche:

Total value placed:	$525,000,000, as follows: Subseries B3: $234,870,000 Subseries B7: $290,130,000
Costs of transaction as of 31 December 2016	$583,565
Balance as of 31 December 2016:	$524,416,435
Nominal value per bond:	$10,000
Issue term	Subseries B3: 3 years Subseries B7: 7 years
Issue date:	11 February 2016
Expiry date:	Subseries B3: 11 February 2019 Subseries B7: 11 February 2023
Coupon rate:	Subseries B3: CPI + 3.49% E.A. Subseries B7: CPI + 4.69% E.A.

Eighth Tranche:

Total value placed:	$300,000,000 as follows: Subseries E6: $300,000,000
Costs of transaction as of 31 December 2016	$401,660
Balance as of 31 December 2016:	$299,598,340
Nominal value per bond:	$10,000
Issue term	Subseries E6: 6 years
Issue date:	27 September 2016
Expiry date:	Subseries E6: 27 September 2022
Coupon rate:	Subseries E6: 7.59% E.A.

Global International Bonds in Pesos

On 20 January 2011, the Group placed its first bond issue in the international capital market for $

(In thousands of pesos)

736,760,000, within 10 years. The bonds issued by the Group, denominated in pesos and payable in dollars, have a fixed rate coupon of 8.75%.

Pursuant to the Offering Memorandum, the Group pays the interest that is necessary so that once the withholding tax has been deducted (at December 31, 2016, 14% according to Art. 408 of the ET), the bondholder receives 8.75% . According to the above, the final interest rate for this bond is 10.1744%.

The operation is part of the financial structure of the El Quimbo hydroelectric project and allowed to obtain pre-financing resources from the project needs for 2011 and part of 2012 and to refinance other financial obligations.

Registration form	144 A/ Reg S
Total value of the issue in pesos	$736,760,000
Transaction costs as of 31 December 2016	$2,823,498
Balance as of 31 December 2016	$733,936,502
Use of funds	Financing of new projects such as El Quimbo and refinancing of other financial obligations, in addition to other general uses of the Group.
Nominal value	$5,000 each bond
Term	10 years, with amortisation upon maturity.
Interest frequency	Annual
Day count	365/365
Issue Manager, payment agent, calculation and transfer agent	The Bank of New York Mellon
Yield	8.75% E.A.
International rating	BBB (stable) by Fitch Ratings and Standard & Poor's

The detail of the debt bond obligations as of 31 December 2016 is as follows:

Description	EA Rate (*)	Total current Less tan 90 days	Non-current 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	over 10 years	Total non-current
First Tranche B103	11,4169%	$ 186.805.847	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Second Tranche B104-10	12,0845%	2.588.489	-	160.060.000	-	-	-	-	160.060.000
Second Tranche B104-15	12,4130%	920.897	-	-	-	-	55.500.000	-	55.500.000
Third Tranche B105-9	12,2116%	6.359.811	218.200.000	-	-	-	-	-	218.200.000
Third Tranche B105-12	12,4236%	2.654.290	-	-	-	89.580.000	-	-	89.580.000
External bond Z47	10,1744%	8.554.859	-	-	-	90.000.000	-	-	90.000.000
External bond Z58	10,1744%	61.477.114	-	-	-	643.936.502	-	-	643.936.502
Fourth Tranche B10	9,6898%	1.460.910	-	-	-	-	299.778.726	-	299.778.726
Fourth Tranche B15	9,8169%	986.269	-	-	-	-	-	199.821.890	199.821.890
Fifth Tranche B12	11,2580%	2.257.780	-	-	-	-	362.755.283	-	362.755.283
Fifth Tranche B6-1	10,4633%	884.099	-	152.458.663	-	-	-	-	152.458.663
Fifth Tranche B6-2	10,4633%	286.566	-	49.417.296	-	-	-	-	49.417.296
Sixth Tranche B16	10,3573%	2.043.600	-	-	-	-	-	162.348.899	162.348.899
Sixth Tranche B10	10,0183%	2.270.438	-	-	-	-	186.244.241	-	186.244.241
Sixth Tranche B6-2	9,5838%	1.529.325	-	-	130.976.019	-	-	-	130.976.019
Sixth Tranche B6-1	9,5838%	1.283.480	-	-	109.923.060	-	-	-	109.923.060
Seventh Tranche B3-16	9,6580%	3.061.906	-	234.634.163	-	-	-	-	234.634.163
Seventh Tranche B7-16	10,9295%	4.260.625	-	-	-	-	289.782.272	-	289.782.272
Eighth Tranche E6-16	7,5900%	303.284	-	-	-	-	299.598.339	-	299.598.339
Total bonds		**$ 289.989.589**	**$ 218.200.000**	**$ 596.570.122**	**$ 240.899.079**	**$ 823.516.502**	**$ 1.493.658.861**	**$ 362.170.789**	**$ 3.735.015.353**

(In thousands of pesos)

The detail of the debt bond obligations as of 31 December 2015 is as follows:

Description	EA Rate	Current	Non-current						
		Less tan 90 days	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	over 10 years	Total non-current
First Tranche B103	11,8691%	$17.413.433	$169.982.201	$ -	$ -	$ -	$ -	$ -	$ 169.982.201
Second Tranche B104-10	12,5393%	2.681.743	-	-	160.043.242	-	-	-	160.043.242
Second Tranche B104-15	12,8692%	953.263	-	-	-	-	55.494.189	-	55.494.189
Third Tranche B105-9	12,6670%	6.586.647	-	218.177.152	-	-	-	-	218.177.150
Third Tranche B105-12	12,8798%	2.747.504	-	-	-	-	89.570.621	-	89.570.621
External bond Z47	10,1744%	61.477.114	-	-	-	-	90.000.000	-	90.000.000
External bond Z58	10,1744%	8.554.859	-	-	-	-	643.387.310	-	643.387.310
Fourth Tranche B10	10,1349%	1.525.846	-	-	-	-	299.754.189	-	299.754.189
Fourth Tranche B15	10,2626%	1.029.591	-	-	-	-	-	199.813.840	199.813.840
Fifth Tranche B12	11,7095%	2.345.062	-	-	-	-	362.738.381	-	362.738.381
Fifth Tranche B6-1	10,9116%	920.671	-	-	152.436.996	-	-	-	152.436.996
Fifth Tranche B6-2	10,9116%	298.420	-	-	49.409.903	-	-	-	49.409.903
Sixth Tranche B16	10,8052%	2.128.669	-	-	-	-	-	162.342.325	162.342.325
Sixth Tranche B10	10,4647%	2.367.941	-	-	-	-	186.231.530	-	186.231.530
Sixth Tranche B6-2	10,0285%	1.597.809	-	-	-	130.955.479	-	-	130.955.479
Sixth Tranche B6-1	10,0285%	1.340.955	-	-	-	109.905.177	-	-	109.905.177
Total bonds		**$ 113.969.527**	**$169.982.201**	**$218.177.152**	**$361.890.141**	**$240.860.656**	**$ 1.727.176.220**	**$ 362.156.165**	**$ 3.080.242.533**

(2) Club Deal loans have capital amortisation in 15 equal half-yearly instalments as of December 2016 and bear an IBR + 2.20% MV interest rate for Banco Bogotá and IBR + 2.17% TV For BBVA, given the above on December 19, 2016, the first share of capital was cancelled for $ 20,333,333 and during 2016 there were two reclassifications of portions of LP to CP for a total of $ 40,666,667 of instalments payable in June and December 2017.

Furthermore, treasury credits were paid for ($ 266,873,749) from banks AV Villas, Citibank, Davivienda, Bogotá and BBVA. A short-term loan repayment with Bank of Tokyo was reclassified for $ 130,000,000, due on June 7, 2017 and cancelled between October and November 2016 Bank of Peru credits whose balance to December 2015 was ($ 195,678,060) and at maturity presented a difference in exchange for lower debt for $ 10,545,971.

The detail of Club Deal obligations and bank loans as of 31 December 2016 is as follows:

Description	EA Rate	Current								
		Less than 90 days	Over 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	Total non-current
Banco Bogotá	9,4581%	$ 230.083	$ 10.666.667	$ 10.896.750	$ 10.666.667	$ 10.666.667	$ 10.666.667	$ 10.666.667	$ 21.333.332	$ 64.000.000
Banco BBVA	9,4260%	644.959	30.000.000	30.644.959	30.000.000	30.000.000	30.000.000	30.000.000	60.000.000	180.000.000
Total Club Deal		**$ 875.042**	**$ 40.666.667**	**$ 41.541.709**	**$ 40.666.667**	**$ 40.666.667**	**$ 40.666.667**	**$ 40.666.667**	**$ 81.333.332**	**$ 244.000.000**
The Bank Of Tokyo	7,0190%	622.916	130.000.000	130.622.916	-	-	-	-	-	-
Total bank loans		**$ 622.916**	**$ 130.000.000**	**$ 130.622.916**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

The detail of Club Deal obligations and bank loans as of 31 December 2015 is as follows:

Description	EA Rate	Current			Non-current		
		Less than 90 days	Over 90 days	Total Current	1 to 2 years	5 to 10 years	Total non-current
Banco Bogotá	8,3016%	$ 216.963	$ 5.333.333	$ 5.550.296	$ -	$ 74.666.667	$ 74.666.667
Banco BBVA	8,2697%	607.912	15.000.000	15.607.912	-	210.000.000	210.000.000
Total Club Deal		**$ 824.875**	**$ 20.333.333**	**$ 21.158.208**	**$ -**	**$ 284.666.667**	**$ 284.666.667**
Banco Avvillas	6,0600%	49.371.121	-	49.371.121	-	-	-
Banco Citibank	5,5700%	23.122.871	-	23.122.871	-	-	-
Banco Davivienda	6,3000%	13.070.135	-	13.070.135	-	-	-
Banco Bogotá	6,8380%	59.269.218	-	59.269.218	-	-	-
Banco Bbva	6,3038%	1.618.930	122.873.749	124.492.679	-	-	-
Banco de Crédito del Perú	5,8700%	-	90.875.104	90.875.104	-	-	-

(In thousands of pesos)

Banco de Crédito del Perú	5,9300%	-	60.422.590	60.422.590	-	-	-
Banco de Crédito del Perú	5,6500%	-	46.792.683	46.792.683	-	-	-
The Bank Of Tokyo	7,0200%	-	622.918	622.918	130.000.000	-	130.000.000
Total bank loans		**$ 146.452.275**	**$ 321.587.044**	**$ 468.039.319**	**$ 130.000.000**	**$ -**	**$ 130.000.000**

(3) The detail of the Commercial Lease Obligations as of 31 December 2016 is as follows:

Description	Rate	Type of rate	Current			Current			
			Less than 90 days	Over 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	Total non-current
Banco Corpbanca	8,40%	Fixed	$ 24.619	$ 62.604	$ 87.223	$ 61.005	$ -	$ -	$ 61.005
Equirent S.A	7,70%	Fixed	184.539	572.004	756.543	732.030	749.646	50.469	1.532.145
Mareauto Colombia S.A.S	10,08%	Fixed	23.896	75.964	99.860	101.670	105.816	67.657	275.143
Transportes Especializados JR S.A.S.	11,69%	Fixed	266.461	866.666	1.133.127	1.227.520	1.132.767	-	2.360.287
Business Consortium	7,08%	Fixed	9.812	30.498	40.310	29.743	-	-	29.743
Total leases			**$ 509.327**	**$ 1.607.736**	**$ 2.117.063**	**$ 2.151.968**	**$ 1.988.229**	**$ 118.126**	**$ 4.258.323**

Description	Rate	Type of rate	Current			Current			
			Less than 90 days	Over 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	Total non-current
Banco Corpbanca	8.40%	Fixed	$ 20,480	$ 63,664	$ 84,144	$ 90,347	$ 88,643	$ -	$ 178,990
Equirent S.A	7.70%	Fixed	24,259	75,117	99,376	106,080	87,875	-	193,955
Mareauto Colombia S.A.S	10.08%	Fixed	3,554	10,608	14,162	16,325	14,390	-	30,715
Total leases			**$ 48,293**	**$ 149,389**	**$ 197,682**	**$ 212,752**	**$ 190,908**	**$ -**	**$ 403,660**

The detail of the Commercial Lease Obligations as of 31 December 2015 is as follows:

(4) As of 31 December 2016, the group has no current liabilities, since during the year it cancelled the SWAPs it had for the underlying companies with the Credit Bank of Peru, as the credits expired and the forwards that covered the purchase of equipment For El Quimbo Hydroelectric Plant were also cancelled.

14. Commercial Accounts Payable and Other Payables

	As of 31 December 2016	As of 31 December 2015
Commercial accounts payable	$ 42.791.475	$ 30.343.761
Other payable (1)	294.870.362	253.379.279
Commercial accounts payable and other payables	**$ 337.661.837**	**$ 283.723.040**

1) The detail of trade accounts payable and other accounts payable is as follows:

	As of 31 December 2016	As of 31 December 2015
Accounts payable goods and services (1)	$ 239.115.851	$ 198.643.557
Suppliers for energy purchases (2)	42.791.475	30.343.761
Other accounts payable	22.352.461	24.728.576
Taxes other than income tax	27.049.334	24.050.580
Provision for tax payments	17.081.243	15.786.824
Territorial taxes, contributions, municipal and related	9.968.091	8.263.756
Prepayments from clients and positive balances	6.332.797	5.893.432
Fees	19.919	63.134
Total commercial accounts payable and other payables	**$ 337.661.837**	**$ 283.723.040**

(1) The variation between December 2016 and December 2015 corresponds to higher turnover mainly with suppliers Isagen S.A E.S.P $ 12,797,335, Alstom Energías Renovais LTDA for $ 11,128,123 and Credicorp Capital Colombia SA $ 3,107,243.

(In thousands of pesos)

(2) The variation as of 31 December corresponds to the increase in the estimate by variable margin liabilities associated with energy generation costs of $ 12,447,854.

15. Provisions

Provisions	As of 31 December 2016 Current	Non-current	As of 31 December 2015 Current	Non-current
Other provisions (*)	$ 84.023.026	$ 180.341.134	$ 323.186.623	$ 141.251.664
Environmental and Quimbo works (1)	76.720.927	-	300.051.486	-
Quimbo restoration plan (2)	7.302.099	180.341.134	23.135.137	141.251.664
Other		-		299.100
Provision for legal claims (3)	-	11.677.255	-	4.193.295
Civil and others	-	10.677.255	-	3.193.295
Labour	-	1.000.000	-	1.000.000
Dismantling	-	3.936.873	-	374.683
Total Provisions	**$ 84.023.026**	**$ 195.955.262**	**$ 323.186.623**	**$ 146.118.742**

(*)Includes provision, environmental investment programme 1% Quimbo

(1) Mainly correspond to obligations for the replacement of infrastructure, liquidation of contracts associated with works executed and minor works necessary for the operation of the plant, which are expected to be executed within the project schedule proposed by the project between 2017 and 2019 (See claim Impregilo Consortium).

(2) The restoration plan includes the works necessary to mitigate the environmental impact at the time of filling the reservoir and involving estimated flows of execution in 30 years. Among the main activities of this obligation are the restoration of forests, creation of a strip of protection, fish and fishery programs and monitoring programs of fauna and flora.

(3) As of December 31, 2016, the amount of claims in the claims to the Group for administrative, civil, labour and constitutional actions amounts to $ 3,638,643,629. Based on the evaluation of the probability of success in the defence of these cases, a provision of $ 4,889,080 has been made to cover probable losses from these contingencies. Management believes that the outcome of lawsuits relating to the un provisioned portion will be favourable to the Group's interests and would not cause significant liabilities to be accounted for or that, if they do so, would not materially affect the Group's financial position Group.

As 31 December 2016, the value of claims for administrative, civil, labour and contractual litigation is as follows:

Processes	Qualification	No. of processes	No of processes (undetermined amount)	Value of contingency (a)	Value of provision
Floods before 1997	Probable	14	-	3.792.642	3.739.581
	Possible	21	-	19.291.783	-
Total floods before 1997		**35**	**-**	**23.084.425**	**3.739.581**
Floods after 1997	Probable	9	-	431.501	149.499
	Possible	23	1	1.954.016	-
Total floods after 1997		**32**	**1**	**2.385.517**	**149.499**
Labour	Probable	1	-	1.000.000	1.000.000
	Possible	37	15	3.815.059	-
	Remote	9	-	21.931.000	-
Total Labour		**47**	**15**	**26.746.059**	**1.000.000**
Others	Possible	41	28	55.520.490	-

(In thousands of pesos)

	Remote	70	45	171.026.702	-
Total Others		**111**	**73**	**226.547.192**	**-**
Quimbo	Possible	58	35	58.172.784	-
	Remote	2	1	-	-
Total Quimbo		**60**	**36**	**58.172.784**	**-**
Total Processes		**285**	**125**	**336.935.977**	**4.889.080**

(*) The value of the contingency corresponds to the amount by which, according to the experience of lawyers, it is the best estimate to pay if the judgment were against the Group. The provision is determined by lawyers as the amount of loss in the event that the judgment may be probable; The processes classified as probable are provisioned at one hundred per cent of the actual value of the contingency.

Additionally, the penalties of the El Quimbo Hydroelectric Power Station have been provisioned, which are detailed in note 30. Penalties, success premiums and a fiscal process of Compensation which is also disclosed in “The main tax disputes that the Group has as of 31 December 2016 qualified as probable”:

Item	Value
Penalty ANLA- Quimbo, Res. 0381	2.503.259
Penalty CAM- Quimbo, Res. 2239	758.864
Penalty CAM- Quimbo, Res. 3590	50.670
Penalty CAM- Quimbo, Res. 3653	50.670
Success premiums of legal processes	2.745.070
Fiscal process (Compensation)	679.642
Total provision	**6,788,175**

Below are the main processes against the Group considered probable as of 31 December 2015:

Plaintiff: **Yohana Farley Rodriguez Berrio**
Start date: 2014
Claim: $ 300,000
Provisioned: $1.000,000

Object of claim: Compensation for damages caused by the death of an employee.

Current status of process: The process is under appeal in the first instance filed by the Group with the Superior Court of Neiva.

Plaintiff: **Abundio Carrillo y Edgar Antonio Sánchez Guarnizo**
Start date: 2008
Claim: $ 62,917
Provisioned: $ 350,157

Object of claim: Charge for damage to banana crops due to flooding from the Magdalena River from 1 to 5 April 1994 in La Manga and Bocas de Cajon Vereda Tinajas.

Current status of process: Pending date for hearing and ruling in Court Art. 327 Section 2 CGP.

Plaintiff: **Ángel Antonio Díaz Leyton, Aparicio Ibarra Pichina, José Adriano Torres Ibarra y Enemesio Useche Useche**
Start date: 2009
Claim: $ 189,437

Provisioned: $ 1,054,285

Object of claim: Charge for damage to plantain, cocoa, and cotton crops as a result of the floods of the Magdalena River from 1 to 5 April 1994 on the lands of 8 Diamante, Guampano, Barranca La Esmeralda, Casa de Zinc, 8 Noni and Barranca No. 1 Of the Velu Village of the Municipality of Natagaima.

Current status of process: Pending date for hearing and ruling in Court Art. 327 Section 2 CGP.

Plaintiff: **Diomedes Lozano Apache y Ananías Ortiz Vásquez**
Start date: lawsuit filed 21 July 2008
Claim: $ 63,649
Provisioned: $ 354,229

Object of claim: Charge for damages to lemon and cotton crops due to flooding of the Magdalena River from 1 to 5 April 1994 in the lands of Cachira, San Judas Tadeo and 8 Aceituno in Velu Village of Natagaima.

Current status of process: Pending date for hearing and ruling in Court Art. 327 Section 2 CGP.

Plaintiff: **Hernán Useche Culma**
Start date: 2010
Claim: $ 100,000
Provisioned: $ 556,534

Object of claim: Charge for damages to papaya crops of 10 hectares due to floods of the Magdalena River from 1 to 5 April 1994 in the lands of Horizonte Mercadillo Village of Natagaima.

Current status of process: Pending date for hearing and ruling in Court Art. 327 Section 2 CGP.

Plaintiff: **María Gladys Guzmán Ramírez, Transito Vásquez De Rodríguez-, Santos Ramón Sánchez Sánchez, José Del Carmen Álvarez Niño, Alejandro Ramírez Molano, Julia Arias De Álvarez, Mercedes Rodríguez De Arias, Victorino Calderón Sánchez, Martina Rodríguez De Rodríguez, Damián Calderón Ramírez, Álvaro Rodríguez Guzmán, Lucrecia Molano De Rodríguez Y María Luisa Rodríguez De Bolaños**
Start date: 2002
Claim: $ 577,402
Provisioned: $ 251,060

Object of claim: Charge for damages to banana and cotton crops caused by flooding of the Magdalena River from 1 to 5 April 1994 on the 8 Desagüe, El Diamante, Santa María, Vega del Guineo, Lot 2, Los Panes, Mouth Of Luisa, Las Angustias, La Esperanza, Los Cauchos, La Ceiba, Los Espinos Vega del Guineo, La Fortuna, El Recuerdo and the Lot of Rincón Santo del Guamo.

Current status of process: Pending date for hearing and ruling in Court Art. 327 Section 2 CGP.

Plaintiff: **Ramiro Tovar Coronado, Argemiro Torres, Juan E Méndez Ana Luisa Silvestre y Alejandro Sánchez Guarnizo**
Start date: 2005
Claim: $ 604,762
Provisioned: $ 609,477

(In thousands of pesos)

Object of claim: Charge for damages to crops caused by flooding of the Magdalena River from 1 to 5 April 1994.

Current status of process: Pending date for hearing and ruling in Court Art. 327 Section 2 CGP.

The main tax litigations that the Group has as of 31 December 2016 classified as probable are:

Plaintiff: **Compensar**
Start date: 2016
Claim: $ 679,642
Provisioned: $ 679,642

Object of claim: Compensar filed a claim against Emgesa in order to obtain a refund of $ 679,641,826, arising from the delay in payment of the solidarity contribution from May 2009 to July 2012. Compensar claims that it is excluded Of the contribution in three of its headquarters for being a non-profit entity that develops welfare activities in these venues. Emgesa granted the exclusion and subsequently revoked said concession and made the retroactive charge to Compensar under the Commercial Offer subscribed by the Parties.

Current status of process: On 2 August 2016, Emgesa filed a response to the claim. On 2 September 2016, the objections filed by Emgesa were notified to plaintiff. On 5 September 2016, Compensar filed an objection to the objections filed by Emgesa.

The movement of provisions as of 31 December 2015 and 2016 is as follows:

	Environmental and restoration plan provision	Provision for legal claims	Dismantling, restoration and recovery costs	Other provisions	Total
Initial balance as of 1 January 2015	$ 26.242.789	$ 1.821.635	$ -	$ 68.488.667	**$ 96.553.091**
Increase (decrease) in provisions	438.351.826	1.582.072	374.683	-	440.308.581
Used provision	-	(1.383.085)	-	(68.185.110)	(69.568.195)
Financial effect update	(459.885)	-	-	-	(459.885)
Recovery	-	(273.299)	-	-	(273.299)
Other increases (decreases)	303.557	2.445.972	-	(4.457)	2.745.072
Total movement of provisions	**438.195.498**	**2.371.660**	374.683	**(68.189.567)**	**372.752.274**
Final balance as of 31 December 2015	**$ 464.438.287**	**$ 4.193.295**	**$ 374.683**	**$ 299.100**	**$ 469.305.365**
Increase (decrease) in provisions	50.769.313	8.088.385	25.625	-	58.883.323
Used provision	(262.939.253)	(473.419)	-	-	(263.412.672)
Financial effect update	12.095.813	-	3.536.565	-	15.632.378
Recovery	-	(131.006)	-	-	(131.006)
Other increases (decreases)	-	-	-	(299.100)	(299.100)
Total movement of provisions	**(200.074.127)**	**7.483.960**	3.562.190	**(299.100)**	**(189.327.077)**
Final balance as of 31 December 2016	**$ 264.364.160**	**$ 11.677.255**	**$ 3.936.873**	**$ -**	**$ 279.978.288**

The movement of the provision of legal claims in 2016 corresponds mainly to:

(In thousands of pesos)

Type of proceeding	Plaintiff	Object of claim	Value	Date
Civil ordinary	Ramiro Tovar and Others Roque Tapia Olaya	Ordinary extra-contractual civil liability for events of 1994	23.223	Jun-16
Civil ordinary	Argemiro Torres and Others	Ordinary extra-contractual civil liability for events of 1994	249.369	Jun-16
Civil ordinary	Quiterio Trujillo and Others	Ordinary extra-contractual civil liability for events of 1994	123.268	Jun-16
Civil ordinary	Emiliano Romero Candia and Others	Ordinary extra-contractual civil liability for events of 1994	68.986	Jun-16
Civil ordinary	Rosa Maria Morales de Rodríguez and Others	Ordinary extra-contractual civil liability for events of 1994	183.274	Jun-16
Civil ordinary	Maria Gladyz Guzman and Others	Ordinary extra-contractual civil liability for events of 1994	605.371	Jun-16
Civil ordinary	Hernan Useche Culma	Ordinary extra-contractual civil liability for events of 1994	492.197	Jul-16
Civil ordinary	Abundio Carrillo	Ordinary extra-contractual civil liability for events of 1994	309.678	Jul-16
Civil ordinary	Angel Antonio Diaz Leyton	Ordinary extra-contractual civil liability for events of 1994	932.406	Jul-16
Civil ordinary	Luis Felipe Vanegas	Ordinary extra-contractual civil liability for events of 1994	-135.980	Oct-16
Civil ordinary	Laura Patricia Ayerbe Cortes	Ordinary extra-contractual civil liability for events of 1994	-69.436	Oct-16
Civil ordinary	Eduardo Sanchez Rojas	Ordinary extra-contractual civil liability for events of 1994	47.251	Nov-16
Civil ordinary	Pastor Aroca Ibarra	Ordinary extra-contractual civil liability for events of 1994	96.403	Nov-16
Fiscal	Compensar	Return of energy contribution	679.642	Aug-16
Penalty	ANLA	on-compliance with environmental license Hyd. El Quimbo	2.503.259	Apr-16
Penalty	CAM	Opening of unlicensed road, illegal forest exploitation of wild flora, inappropriate handling of material, among others, Hyd. El Quimbo	758.864	Aug-16

Impregilo Consortium Claim

During 2015, the Impregilo OHL Consortium submitted to the Group a series of claims and exchange order notes (Noc's) due to the works carried out under agreement CEQ-21 civil works main Hydroelectric project El Quimbo.

In ordinary board meeting No. 436 held on 19 October 2016, technical and legal analyses of the agreement entered into between the Group and Impregilo Consortium were carried out as a result of the previous negotiation tables held between September 2015 and March 2016. The group, in order to avoid a future arbitration process, decided to close the negotiation with the contractor during the last quarter of 2016. The contractor's initial claim amounted to $ 224,560 million pesos between claims and exchange order notes as a result of the agreement reached for $ 57,459 million pesos plus $ 2,800 million for the contract closing act, and a readjustment to claims for $ 14,541 million pesos, for a total of $ 74.8 billion pesos, these values were authorised by the Group to be included in agreement CEQ 021 through addendum 17 signed in January 2017.

In November 2016, the Group, as part of the analysis of the activities included in the provision constituted to ensure the fulfilment of the obligations derived from the construction of the plant, made recoveries for activities that were considered unnecessary and including the readjustments to the contract prices agreed by the board of directors and formalised in addendum 17, which was signed and agreed to be paid in the first quarter of 2017.

Provision Environmental Investment Programme 1%

In accordance with Resolution 0899 of May 15, 2009, whereby the National Authority of Environmental Licenses (ANLA) granted an Environmental License for the Hydroelectric Project El Quimbo, the Group as of 31 December 2016 has registered as part of the total provisioned $ 14,972 million corresponding to the 1% investment programme presented under the license, for the use of the surface water resource of the Magdalena River source, in accordance with the provisions of the paragraph of article 43 of the Act 99/1993, as regulated by decree 1900 of 12 June 2006. On 31 August 2016, a partial liquidation of $ 9,703 million was executed and presented to ANLA for their review and approval with a closing date on 30 June 2016, which will be re-liquidated after determining the final cost of the project in accordance with paragraph 2 of article 4 of decree 1900/2006.

(In thousands of pesos)

16. Provisions for Employee Benefits

	As of 31 December 2016		As of 31 December 2015	
	Current	Non-current	Current	Non-current
Social benefits and contributions to social security	$ 20,022,664	$ -	$ 17,927,212	$ -
Obligations for post-employment and long-term defined benefits (1)	8,746,382	80,315,258	8,565,114	65,565,306
Retirement plan benefits (2)	333	-	2,305,202	545,051
	$ 28,769,379	**$ 80,315,258**	**$ 28,797,528**	**$ 66,110,357**

(1) The Group grants different defined benefits plans; post-employment obligations and long-term benefits to its active or pensioned employees; all these in accordance with the fulfilment of previously defined requirements, which refer to:

Retirement Pensions

The Group has a defined benefit pension plan on which it does not present specific assets, except for all resources derived from the performance of its operating activity. The pension benefit plans establish a pension benefit amount that an employee will receive upon retirement, which usually depends on one or more factors such as age of employee, years of service and compensation.

The recognised liability in the statement of financial position, with respect to defined benefit pension plans, is that present value of the obligation of the defined benefit on the date of the statement of financial position, together with adjustments for unrecognised actuarial gains or losses. The obligation for the defined benefit is calculated by independent actuaries using the projected unit credit method. The present value is the defined benefit obligation and is determined by deducting the estimated cash outflows, using interest rates based on the yield curve of the Public Debt Bonds of the Colombian Government (TES), expressed in real value units (UVR), whose terms are close to those of that pension obligation until maturity.

Actuarial losses and gains derived from adjustments based on experience and changes in actuarial hypothesis are debited or credited to the net equity in other comprehensive income, in the period of occurrence.

The obligation of retirement pensions includes the effects of the application corresponding to the new mortality rates authorised by the Financial Superintendence through Decree 1555 of 30 July 2010.

The pensioner base for the recognition of this benefit corresponds to:

Item	As of 31 December 2016	As of 31 December 2015
Pensioner	299	313
Average age	64.40	63.44

Other post – employment benefits

Pensioner benefits

The group provides the following aids to pension-retired employees: (i) education aid, (ii) electric energy aid, in accordance with the provisions of the collective bargaining agreement.

(In thousands of pesos)

The right to the aforementioned benefits is generally granted to employees, regardless of whether or not they have worked until the retirement age. The costs expected from these benefits are acquired during the time of employment using a methodology similar to that of the defined benefits plans. The actuarial gains and losses derived from the adjustments for experience and changes in the actuarial assumptions are debited or credited to other comprehensive income in the period of occurrence. These obligations are measured annually by qualified independent actuaries.

The pensioner base for the recognition of this benefit corresponds to:

	As of 31 December 2016	As of 31 December 2015
Education aid		
Pensioner	62	85
Average age	19.44	18,78
Energy aid		
Pensioner	293	298
Average age	64,40	63,45
Health service (*)		
Pensioner	111	-
Average age	52,25	-

(*) In 2016 the health benefit was recognised in THE GROUP, a benefit that consists of the contracting of an operator to provide medical and dental services to family members (basic family group) of Emgesa pensioners (121 beneficiaries currently). This benefit was under the administration of the Trade Union Organisation (Sintraelecol) until March 31, 2016. As of April 1, 2016, the administration of this benefit was paid by Emgesa, and a contract was signed with The group MEDPLUS Prepaid Medicine to continue guaranteeing this benefit. This benefit covers the beneficiaries of pensioners and in case of death of the holder, the benefit is maintained 6 more months on the beneficiaries of the pensioner, term in which the benefit ends. The Group recognised, from May onwards, this benefit, which was valued by an actuary of the group AON.

Retroactive severance pay

Retroactive severance pay, which is considered a post-employment benefit, is liquidated for employees belonging to the labour regime that was in force prior to Act 50/1990 and who decided not to benefit from this regime change. The social benefit is liquidated for the whole time worked based on the last salary earned and is paid regardless of the employee being dismissed or retiring voluntarily. The actuarial gains and losses of the adjustments for experience and changes in actuarial assumptions are debited or credited to other comprehensive income.

The employee base for the recognition of this benefit corresponds to:

Item	As of 31 December 2016	As of 31 December 2015
Employees	91	105
Average age	51.52	51.35
Seniority	23.00	22.32

Long-term benefits

The Group recognises to its active employees benefits associated to seniority, such as five-year periods, consisting in making an additional payment for every 5 years of uninterrupted service to employees whose hiring date was before 21 September 2005 and accrues as of the second year in accordance with the provisions of the collective bargaining agreement.

The costs expected from these benefits are accrued during the employment period, using a methodology similar to that used for the defined benefits plan. The actuarial gains and losses derived from adjustments for experience and changes in the actuarial assumptions are debited or credited to profit or loss of the period of occurrence. These obligations are measured by qualified independent actuaries.

(In thousands of pesos)

The employee base for the recognition of this benefit corresponds to:

Item	As of 31 December 2016	As of 31 December 2015
Employees	149	169
Average age	50,50	50,43
Seniority	21,50	20,78

As of 31 December 2016 and 2015, the actuarial calculation of post-employment benefits was performed by the firm Aon Hewitt Mexico, which used the following set of hypotheses:

Financial Hypothesis:

Type of Rate	As of 31 December 2016	As of 31 December 2015
Discount rate	6.54%	7.44%
Salary increase rate (active personnel)	4.50%	4.20%
Pension increment rate	3.50%	3.20%
Estimated inflation	3.50%	3.20%
Health service inflation	9.00%	8.00%

Demographic Hypotheses:

Biometric base	
Mortality rate	2008 Colombian mortality rate (valid annuitant)
Disabled mortality rate	Enel internal table
Total and permanent disability	EISS
Turnover	Enel internal table
Retirement	Men: 62 Women: 57

The movement of obligations for benefits defined as of 31 December 2016 is the following:

	Retired personnel		Active personnel		
	Pensions (a)	Benefits	Retroactive severance pay	Five-year term	Defined benefits plan
Initial balance as of 31 December 2015	**$62.820.259**	**$3.825.876**	**$4.009.538**	**$ 3.474.747**	**$74.130.420**
Cost of current service	-	-	192.107	172.265	364.372
Cost for interests	4.615.998	272.080	296.398	246.804	5.431.280
Contributions paid	(6.927.592)	(504.613)	(1.319.267)	(462.245)	(9.213.717)
Increase from business combination	-	3.288.421	-	-	3.288.421
Actuarial (Gains) losses from changes in financial assumptions	8.102.223	1.096.437	594.985	147.830	9.941.475
Actuarial (Gains) losses from changes in adjustments for experience	2.621.432	356.559	1.185.326	956.072	5.119.389
Final balance as of 31 December 2016	**$71.232.320**	**$8.334.760**	**$4.959.087**	**$ 4.535.473**	**$89.061.640**

(In thousands of pesos)

As of 31 December 2016 and 2015, the post-employment benefit liability for future retirement pensions valued by the parameters established in Decree 2783/2001 amounts to $ 58,710,707 and $ 61,271,406, respectively. The sensitivity was mentioned by the firm Aon Hewitt México, which used the following set of hypotheses:

Type of Rate	As of 31 December 2016	As of 31 December 2015
Discount rate	9.96%	7.82%
Technical interest	4.80%	4.80%
Estimated inflation	4.93%	2.88%

The movement of obligations for benefits defined as of 31 December 2015 is the following:

	Retired personnel		Active personnel		Defined benefits plan
	Pensions	Benefits	Retroactive severance pay	Five-year term	
Initial balance as of 31 December 2014	**$ 67.104.800**	**$ 3.920.553**	**$3.937.398**	**$ 2.674.455**	**$77.637.206**
Cost of current service	-	-	197.174	132.550	**329.724**
Cost for interests	4.506.163	264.021	276.348	178.004	**5.224.536**
Contributions paid	(5.992.290)	(313.722)	(676.891)	(557.759)	**(7.540.662)**
Actuarial (Gains) losses from changes in financial assumptions	(1.386.361)	(70.889)	(30.526)	(28.875)	**(1.516.651)**
Actuarial (Gains) losses from changes in adjustments for experience	(1.412.053)	25.913	306.035	1.076.372	**(3.733)**
Final balance as of 31 December 2015	**$ 62.820.259**	**$ 3.825.876**	**$4.009.538**	**$ 3.474.747**	**$74.130.420**

The following chart shows the behaviour in the present value of the obligation for each of the defined benefits, related to the per cent variation in 100 basic points above or below the Discount Rate used for the current calculation.

	Retired personnel		Active personnel		
Changes in discount rate	Pensions	Benefits	Retroactive severance pay	Five-year term	Defined benefits plan
- 100 basic points	79.779.089	9.255.117	5.472.072	4.789.100	99.295.377
+ 100 basic points	64.233.893	7.559.256	4.506.783	4.418.270	80.718.202

Collective Bargaining Agreements

Collective Bargaining Agreement 2015 – 2018

On 5 August 2015, the direct settlement stage between the Group and the Colombian Energy Workers' Union (hereinafter Sintraelecol) was closed with a total agreement between the parties. The Collective Bargaining Agreement was signed on 13 August 2015 and filed with the Ministry of Labour on the same date, being enforceable thereupon. Among the main agreed aspects is a 3-year term for the Collective Agreement (2015-2018), maintaining the same scope of application of the current agreement (beneficiary workers), increasing the value of current conventional benefits and recognition of prerogatives in terms of savings, free investment and health.

Collective Agreement Emgesa - ASIEB

On 1 June 2016, the Collective Bargaining Agreement with the ASIEB Trade Union Organisation was signed. This Collective Agreement applies to all the Group's employee engineers affiliates of the trade union of engineers to the services of energy companies - ASIEB. The term of the Agreement is from 1 June 2016 to 31 December 2019.

(In thousands of pesos)

(2) On November 2015, the Group began the notification and implementation of the voluntary retirement plan "San José". During the implementation of the voluntary retirement plan, the plan was presented to 56 employees hired through indefinite term employment contracts who met the characteristics described in the following Groups:

Group 1: Unionised employees who: (i) joined the Group before 1 January 1992; (ii) did not meet the conventional pension requirements as of 31 July 2010 (Legislative Act 01/2015); (iii) as at the date of the San Jose Plan have 0 and 10 years to reach the retirement age pursuant to the Law.

Group 2: Full-time and unionised employees who currently have 0 to 2 years to reach the retirement age pursuant to the Law.

Group 3: Full-time and conventional employees selected in accordance with the new Group structure.

Taking into account that the level of acceptance of the offers was lower than expected for the closing date, the Group extended the acceptance period until 31 March 2016 in order to provide a prudent period for workers to analyse and consult their decision individually and with their social environment.

As of 31 December 2016 and 2015, the actuarial calculation of temporary income was prepared by the firm Aon Hewitt Mexico, which used the hypotheses described in the post-employment benefit plans.

Retirement Bonus: Consists of a one-time payment to the employee at the time of signing the respective settlement act, whereby the employment contract is terminated upon mutual agreement and will be liquidated based on the salary of the employees and their seniority. This benefit was offered to employees meeting the characteristics of Group 3. As of 31 December 2015, the proposal was accepted by 17 employees from 35 offers.

For employees who accepted, the Group recognised effects on the income statement in accordance with the liquidation and payment of the retirement bond.

In addition, the Group made a provision in accordance with the probability of acceptance of the workers pending acceptance under the extension period.

Other Benefits: In addition to the above-described benefits, the Group offered benefits to unionised and full-time employees following the termination of the employment contract by mutual agreement and until 31 December 2016, including prepaid healthcare and insurance benefits, among others.

	Temporary income	Retirement bonus	Other benefits	Total voluntary retirement plan benefits
Period cost for accepted offers	$ 2.254.749	1.643.163	$ 34.037	**$ 3.931.949**
Employer contributions	(1.709.697)	(1.643.163)	-	(3.352.860)
Provision cost for expected acceptance	1.736.183	534.982	-	2.271.165
Final balance 31 December 2015	**$ 2.281.235**	**$ 534.982**	**$ 34.037**	**$ 2.850.254**
Period cost (recovery) for accepted offers	101.833	-	11.910	113.743
Period financial cost	13.273	-	-	13.273
Employer contributions	(2.825.468)	(952.644)	(45.614)	(3.823.726)
Actuarial (gains) losses	846.789	-	-	846.789
Other movements	(417.662)	417.662	-	-
Final balance 31 December 2016	**$ -**	**$ 0**	**$ 333**	**$ 333**

The San José plan ended in 2016 and the obligations arising from this plan are updated annually within the actuarial calculation.

(In thousands of pesos)

17. Taxes payable

Income tax

	As of 31 December 2016	As of 31 December 2015
Current income tax (1)	493.360.946	$ 455.822.363
Income prepayment	(218.833.008)	(222.017.188)
Tax deductions and withholdings	(6.667.905)	(6.925.988)
Self-withholdings	(73.699.967)	(57.230.575)
CREE self-withholdings	(49.626.517)	(41.919.342)
Others Tax	40.022	-
(Assets) liabilities from current taxes	**$ 144.573.571**	**$ 127.729.270**

(1) As of 31 December 2016 and 2015, liabilities for current income tax payable consist of:

	As of 31 December 2016	As of 31 December 2015
Income tax relative to the results of the period (See note 26)	$ 493.020.244	$ 452.726.399
Income tax relative to components of other comprehensive income (See Note 28)	340.702	3.095.964
	$ 493.360.946	**$ 455.822.363**

Equity Reconciliation

	As of 31 December 2016	As of 31 December 2015
Accounting equity	**$ 3.495.961.735**	**$ 3.558.356.560**
Estimated liabilities	56.363.485	46.726.412
Payroll taxes and pensions contributions	326.136	68.695
Tax adjustment to assets	93.411.122	199.851.928
Tax adjustment to deferred charges	14.944.864	6.456.006
Debtors provision	104.079.205	3.764.429
Tax adjustment to investments	2.846.161	7.796.843
Deferred tax	(97.164.043)	(81.315.707)
Tax equity	**$ 3.670.768.665**	**$ 3.741.705.166**

Transfer Pricing

Taxpayers of income tax who execute operations with economic associates or related parties abroad are bound to determine, for income tax purposes, their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, considering for these operations the prices and profit margins that would have been used in comparable operations with independent entities. For 2015, the external advisors performed the update of the transfer pricing and supporting documentation study, as required by tax provisions, in order to prove that operations with economic associates abroad were carried out at market prices in 2015, and therefore adjustments in tax returns for the same year are not necessary. The information statement and supporting documentation were presented on 19 July 2016. For 2016, the external advisors validated the operations to be performed with each economic associate. The study and supporting documentation will begin in 2017, and expire in July of the same year.

Legal Stability Agreement

The main aspects of the legal stability agreement entered into by and between the Nation (Ministry of Mines and Energy) and the group Emgesa S.A.S. E.S.P., executed on 20 December 2010, are described below:

Purpose: The Group undertakes to build the hydroelectric station "El Quimbo"

Investment Amount and Deadlines: The Group's investments relative to the El Quimbo project were $ 1,922,578 million. In the first half of the year, an increase in the budget of $ 583,184 million was approved which, together with the financial expense incurred and projected to be incurred to finance the project ($ 450,712 million), represents a higher investment value. In accordance with paragraph 2 of clause 2 of the legal stability agreement, the highest value of the investment meant the payment in December 2014 of $ 6,299 million by means of adjustment of the premium established in the stability contract agreement. In March 2016, a second adjustment was paid in the amount of $ 4,657 million on account of the increase in the amount of the investment.

Key standards subject to Legal Stability (with favourability):

a. Income rate (33%), exclusion of calculation of presumptive rent and special deductions for investments in scientific development and for investments in the environment, among others.
b. Ensures the stability of the special deduction for investment in productive real fixed assets (30%), which were dismantled since 1 January 2011.

Obligations of Parties

a. Obligations of the Group:

- Comply with the amount of investment planned for the construction and start-up of the El Quimbo hydroelectric project.
- Pay the legal stability premium of $ 9,617 million (recorded on 23 December 2010) .- *(Note 11)* and adjust it in the event that increases are made in the amount of the investment, as was done according to previous explanation. In December 2014, the Group paid $ 6,299 million for premium adjustment on account of the largest proven investment. In March 2016, the Group paid $ 4,657 million for a second premium adjustment for the largest investment.
- Pay taxes in a timely manner.
- Hire an independent audit to review and certify the fulfilment of the commitments acquired under the agreement. For this purpose, the Group hired a third party specialist who issued an unqualified opinion in March 2015. The Group's management estimates that it will obtain the same opinion as the audit performed in compliance with the obligations for 2014. Confidentiality in the information.

b. Obligations of the Nation:

- Ensure for 20 years the stability of the standards included in the agreement (with favourability) for the Quimbo project.

(In thousands of pesos)

18. Other Non-financial Liabilities

	As of 31 December 2016		As of 31 December 2015	
Deferred revenues (1)	$	3,814,849	$	3,824,724

(1) Corresponds to revenues received in advance from partial sales of land properties. The revenue is activated once the third-party pays in full, reducing the deferred revenues account and eliminating the land property.

19. Equity

Capital

The authorised capital is comprised of 286,762,927 shares with a par value of $4,400 each. The subscribed and paid-in capital is represented by 127,961,561 common shares and 20,952,601 shares with preferred dividends, for a total of 148,914,162 shares with a par value of $4,400.

Reorganisation Enersis S.A and Endesa Chile S.A.

As a result of the reorganisation of Enersis S.A, and Endesa Chile S.A, (Chilean companies shareholders of Emgesa), on 8 July 2016, the entry was made in Emgesa's Book of Shareholders managed by Deceval S.A. of the companies resulting from the spin-off carried out in Chile (Endesa Américas S.A.) without affecting the shareholding structure. Subsequently, on 1 December, the reorganisation of Enersis Américas S.A. and Endesa Américas S.A. (Chilean companies shareholders of Emgesa) was executed, where Enersis Américas absorbed Endesa Américas S.A. and later changed its name to Enel Américas S.A. The registration in Emgesa's book of shareholders of Enel Americas S.A. was performed on 16 January 2017.

Given the foregoing, The Group publishes the resulting shareholding structure, which is provided below:

Shareholding structure as of 31 December 2016:

	Common shares with voting rights		Preferred shares without voting rights		Shareholding structure	
Shareholders	**Interest (%)**	**Number of shares**	**Interest (%)**	**Number of shares**	**Interest (%)**	**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
Enel Américas S.A.	56,42%	72.195.996	–%	–	48,48%	72.195.996
Otros minority shareholders	0,01%	7.315	–%	–	0,01%	7.315
	100,00%	**127.961.561**	**100,00%**	**20.952.601**	**100,00%**	**148.914.162**

Shareholding structure 2015:

	Common shares with voting rights		Preferred shares without voting rights		Shareholding structure	
Shareholders	**Interest (%)**	**Number of shares**	**Interest (%)**	**Number of shares**	**Interest (%)**	**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. (now Enel Américas)	25,15%	32.176.823	–%	–	21,61%	32.176.823
Otros minority shareholders	0,01%	7.315	–%	–	0,01%	7.315
	100,00%	**127.961.561**	**100,00%**	**20.952.601**	**100,00%**	**148.914.162**

(In thousands of pesos)

Of the total shares of Empresa de Energía de Bogotá S.A. ESP, 20,952,601 shares correspond to non-voting shares with a preferred dividend of US $0.1107 per share.

Distribution of Dividends

The General Shareholders' Meeting of 25 March 2015, according to Minutes No. 92, ordered that profits between 1 September and 31 December 2014 for $ 286,222,317 be distributed in dividends amounting to $ 187,919,676, with the remaining $ 98,302,641 being constituted as reserve by application of the accelerated depreciation, according to article 130 of the Tax Code. 100% of dividends were paid on 26 March 2016.

The General Shareholders' Meeting of 28 March 2015, according to Minutes No. 94, ordered that profits between 1 January and 31 December 2015 for $885,455,396 be distributed in dividends amounting to $807,284,040, with the remaining $78.171.355 being constituted as reserve by application of the accelerated depreciation, according to article 130 of the Tax Code. 40.53% of dividends were paid on 28 June 2016, 34.69% will be paid on 26 October 2016 and the remainder will be paid on 27 January 2017

Reserves

	As of 31 December 2016	As of 31 December 2015
Legal reserve (1)	$ 327.611.157	$ 327.614.057
Reserve for deferred depreciation (Art. 130 ET) (2)	176.473.996	98.302.641
Other reserves	178.127	178.127
	$ 504.263.280	**$ 426.094.825**

(1) According to the Colombian law, the Group should transfer minimum 10% of the year profits to a legal reserve, until being equal to 50% of the subscribed capital. This reserve is not available for distribution, however subject to being used to absorb losses.

(2) The General Shareholders' Meeting of 28 March 2016, according to Minutes No. 94, ordered a reserve for accelerated depreciation established pursuant to Article 130 of the Tax Code for $78,171,355 through net income of the period from 1 January to 31 December 2015, indicating that for tax purposes the reducing balance depreciation method will be used as of 2014, and for accounting purposes the straight-line system will continue being used.

20. Revenues from Ordinary Activities and Other Revenues

	Year ended 31 December 2016	Year ended 31 December 2015
Electric energy sales (1)	$ 2.672.557.006	$ 2.287.875.739
Spot market sales (1)	767.873.456	911.206.155
Electric energy Sales	**3.440.430.462**	**3.199.081.894**
Gas sales (2)	44.776.288	30.597.981
Total revenues from ordinary activities	**$ 3.485.206.750**	**$ 3.229.679.875**

(1) Energy sales including spot market sales increased by 1% compared to 2015, mainly due to:

a) Demand increase by 215 Gwh for the unregulated market, higher sales by $ 142,188,703
b) Demand increase by 610 Gwh for the wholesale market, higher sales by $ 220,087,383.
c) Recognition of thermal compensation for 2015 for $17,575,333 (November and December) and for 2016 $37,482,632 (January to April). On 27 October 2015, the Commission for the Regulation of Energy and Gas (CREG) issued Resolution 178 "Which provides the measures to ensure the provision of the public electricity service in the event of extraordinary situations that put it at risk". This Resolution sought to recover part of the cost not covered by the shortage price in the thermal power plants that operate with liquid fuel, in order to ensure its operation during the critical condition. The

Group as generator and operating with the Cartagena Station under these conditions, since 4 November declared to this regulatory body that it will exercise the option contemplated in the resolution.

d) The negative effect due to lower selling price on the stock market compared to 2015 for (-76 $ / kWh), affecting revenues for this market by $140,834,818.
e) On 18 December 2015, the Commission for the Regulation of Energy and Gas (CREG) assigned the Final Energy Obligations (OEF) for the next three periods, between December 2016 and November 2019. The Final Energy Obligations assigned to the Emgesa portfolio reached an annual average value of 11,948 GWh-year, representing an annual income of USD 194 Million.

(2) Gas sales increased by 46% compared to 2015, mainly due to the increase in units sold at 32,729,200 Mt3, mainly in wellhead sales.

Negative reconciliations, CREG Resolution 176/2015

On 26 February 2016 the Group filed a pre-judicial reconciliation application before the Attorney General's Office in order for the Commission for the Regulation of Energy and Gas (CREG) to review negative reconciliations issued in October 2015, taking into account that the Group considers that such reconciliation should be made in accordance with the conditions in CREG Resolutions 034/2001, 159 and 168/2015, so that they are not issued with retroactive effects, as the methodology under the new CREG Resolution 176/2015 can only have effects to the future, i.e., from 28 October 2015, when they were published. The amount of claims related to the restoration of the violated right and compensation for damages is $100,410,738.

The XM market administrator, through a letter filed on 22 February of 2016, declared that the Group's disagreement regarding article 01 of CREG Resolution 176/2015 was well-founded; however, it failed to indicate manners, dates, or amounts according to which the adjustments would be applied to the 2016 billing. Before making any adjustment, the CREG issued Resolution 043/2016, which clarifies that the settlements that Resolution 176/2015 corrects are those made from 20 September to 28 October 2015, closing any possibility of XM to make adjustments and reaffirm the retroactive effect of the aforementioned resolution.

The Group files a claim for nullity with reinstatement of right against the CREG and XM SA ESP on May 24, 2016, properly admitted on September 2, requesting the nullity of CREG Resolution 176/2015 and 043/2016 and as reinstatement the payment of $ 100,410,737,845 corresponding to the value that had to assume Emgesa by as negative reconciliations. The claim was admitted and is in process of being notified.

(In thousands of pesos)

Other Operating Income

Below is the detail of other income:

	Year ended 31 December 2016	Year ended 31 December 2015
SD real property leases	$ 334.465	$ 295.807
Other MNR services	79.728	86.879
Lease of metering and other equipment	1.327	1.328
Ease of equipment	393	8.778
Other service provisions	**415.913**	**392.792**
Compensation for damages (1)	14.919.637	23.185.913
Secondary market reliability charge (2)	5.286.097	6.646.438
Trader deviation revenue	2.440.302	3.261.766
Other services	4.445.345	2.119.365
Sale of obsolete material	684.154	1.254.771
Fines and penalties (3)	449.486	1.621.305
Commission	156.553	-
Material leftovers	66.560	60.855
Other operating income	**28.448.134**	**38.150.413**
Total other operating income	**$ 28.864.047**	**$ 38.543.205**

(1) Includes compensation recognised by Mapfre for $ 14,874,119 in 2016 and $ 21,680,710 in 2015, on account of damage to the auxiliary dam at El Quimbo in 2015.

(2) Revenues from the secondary market for $ 1,360,341 mainly for the Termoyopal agreement.

(3) In 2015 includes penalties applied to suppliers associated with the execution of works in the El Quimbo project due to breach of schedules or execution times for $ 1,147,344.

21. Provisioning and Services

	Year ended 31 December 2016	Year ended 31 December 2015
Energy purchases (1)	$ 595.525.932	$ 680.967.739
Energy transport expenses (2)	324.527.649	270.953.039
Fuel consumption (3)	170.272.931	236.332.186
Business-related taxes (*)	95.832.246	78.591.228
Other variable provisioning and services (**)	93.784.304	55.159.265
Gas purchases (4)	43.013.903	28.009.195
	$ 1.322.956.965	**$ 1.350.012.652**

(1) The decrease in energy purchases is mainly due to the purchase of 171 GWh associated with the increase in generation and the decrease in the stock price by $ 76 / kWh, equal to ($ 94,129,173).

(2) The increase in transport costs is mainly due to the increase of 215 GWh in unregulated market demand in 2016. In addition, the rates of the national and regional transmission system and the local distribution system presented an increase associated with growth of the PPI from December 2015 to December 2016, cumulative of 3.88%.

(3) Decrease in fuel consumption. By 2015 increased thermal generation due to safety requirements for the El Niño phenomenon.

(In thousands of pesos)

The decrease is mainly due to the coal consumption in the thermal generation of the Termozipa plant of -558 GWh, equal to $ 33,058,496, and the fuel consumption of the Cartagena plant of -4GWh, equal to $ 37,599,360.

(4) Increase in natural gas purchases by 31,380,032 M3, equal to $ 14,796,943, associated to the increase in sales by higher number of customers.

Business-related taxes and other variable provisioning and services (*)

	Year ended 31 December 2016		Year ended 31 December 2015	
Contributions and royalties Act 99/1993 (1)	$	62.164.265	$	54.494.869
Solidarity Fund Reform Act 633		28.008.599		16.599.352
Other business-related local taxes		3.096.681		4.923.806
Industry and trade tax		2.562.701		2.573.201
	$	**95.832.246**	**$**	**78.591.228**

(1) According to Act 99/1993, the Group is required to make transfers for basic sanitation and environmental improvement projects to autonomous regional corporations and municipalities, equivalent to 6% of gross energy sales from own generation in hydraulic stations, 4% in thermal stations, according to the rate for block sales indicated by the Commission for the Regulation of Energy and Gas (CREG).

Other variable provisioning and services (**)

	Year ended 31 December 2016		Year ended 31 December 2015	
Restrictions (1)	$	57.571.243	$	20.999.319
Cost CND, CRD, SIC		14.750.291		12.163.117
Secondary market reliability charge (2)		10.053.781		3.019.240
Other generation support services		5.163.361		13.296.176
Reading services		4.872.818		3.359.908
Contributions regulatory entities		1.313.421		2.247.865
Other Services		59.389		73.640
	$	**93.784.304**	**$**	**55.159.265**

(1) Corresponds to limitations the National Interconnected System has to respond to energy requirements. Such restrictions result in forced energy generation that could be more expensive than energy generated under ideal conditions.

The increase in restrictions is based on the issue of Resolution 195/2015 after the El Niño phenomenon was declared. Such resolution transfers the costs of thermal plants with liquidity to the value of the restrictions (these have no limit). In addition, the attacks on the infrastructure of the national interconnected system have increased, which increases the restrictions. As for the costs of thermal plants, the idea is for the market to have the restrictions in place for a 36-month period, covering the expenses generated by the El Niño phenomenon associated with the operation of the thermal plants.

(2) The increase in purchases from the secondary market is mainly due to the higher allocation of 100% of the obligations of Energía Firme, so the reference energy available for backups was limited, making it necessary to use third parties to supply the backup energy required.

(In thousands of pesos)

22. Personnel Expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Wages and salaries (1)	$ 53.192.697	$ 61.914.545
Social security service and other social charges	16.254.487	16.406.319
Expenses (revenues) for post-employment benefits obligation	1.320.444	1.406.097
Other personnel expenses	726.608	1.544.493
Expenses (revenues) for retirement plans obligation (2)	521.654	6.203.114
	$ 72.015.890	**$ 87.474.568**

(1) As of 31 December 2016 and 2015, corresponds to wages and salaries for $35,718,592 and $42,987,320, bonuses for $7,115,446 and $9,703,091, vacation and vacation bonus for $4,001,249 and $3,891,472, service bonus for $3,123,193 and $2,533,828, severance pay and interests thereon for $2,913,547 and $2,266,107 and amortisation of employee benefits for $320,670 and $532,727, respectively.

(2) As of 31 December 2015, includes the recognition of costs for the “San Jose Plan” retirement plan for $5,399,348.

23. Other Fixed Operating Expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Taxes and rates (1)	$ 36.591.842	$ 38.336.380
Independent professional services, outsourced and others (2)	31.530.450	31.802.673
Other supplies and services (3)	26.159.971	17.127.645
Insurance premiums	25.681.920	22.334.986
Repairs and maintenance	9.548.223	10.353.052
Leases and fees	3.702.412	3.417.926
Advertising, marketing and public relations	2.888.689	2.691.150
Transport and travel expenses	1.521.508	1.436.828
	$ 137.625.015	**$ 127.500.640**

(1) Corresponds mainly to recognition of the 2016 wealth tax for $31,408,370 according to Act 1739 of December 2014, which created this tax for 2015 to 2017 for legal persons.

(2) Below is the detail of independent professional services, outsourced and others:

	Year ended 31 December 2016	Year ended 31 December 2015
Stationed maintenance and operation	$ 17.158.027	$ 18.251.241
Other management and operation agreements	4.920.380	2.614.469
Cafeteria	3.079.140	3.399.035
Industrial safety	1.993.079	1.857.240
Software and computer applications development services	1.660.570	764.047
Fees	1.640.049	3.551.677
Telecommunications services	725.119	1.012.197
Office supplies and equipment	351.803	339.832
Fuels and lubricants	4.000	12.935
	$ 31.532.167	**$ 31.802.673**

(In thousands of pesos)

(3) Corresponds mainly to security and surveillance services for $7,078,621, expatriate expenses for $ 2,634,300, maintenance for $2.634.300, cleaning $ $2.512.445, cleanliness $2.919.673 and penalty from the National Authority of Environmental Licenses (ANLA) imposed on the Group for non-compliance with the Environmental License regarding the removal of the wood and biomass product of the forest use of the reservoir vessel of the El Quimbo Hydroelectric Project for $.2,503,259.

24. Expense for Depreciation, Amortisation and Impairment Losses

	Year ended 31 December 2016	Year ended 31 December 2015
Depreciations (1)	$ 187.257.158	$ 158.674.816
impairment of financial assets (2)	102.320.470	457.690
Amortisations	4.685.878	5.541.065
	$ 294.263.506	**$ 164.673.571**

(1) Depreciation expense as of 31 December 2016 increased compared to the same period in 2015, mainly due to the “El Quimbo” hydroelectric power plant, which in November 2016 had one year of operation and depreciated in 2016.

(2) As of 31 December 2016, there was a change in the impairment of financial assets, mainly due to the deterioration of the customer portfolio of Electrificadora del Caribe, which, through Resolution No. 20161000062785 of 14 November 2016, the Superintendence of Public Utilities ordered to take possession of it, thus, taking into account the financial difficulties presented by Electrificadora del Caribe, the Group provisioned 100% of the current portfolio according to the analysis performed, which is classified by concept (See note 7). The provision amounts to $99,263,875.

25. Net Financial Income

	Year ended 31 December 2016	Year ended 31 December 2015
Revenues from cash and cash equivalents (1)	$ 41.333.524	$ 11.513.331
Interests on customer financing	3.013.681	1.450.761
Interests on accounts receivable	2.179.493	904.638
Net financial revenues	**46.526.698**	**13.868.730**
Financial obligations (2)	(462.779.828)	(336.710.258)
Tax on movement of funds	(7.965.026)	(11.838.805)
Obligation for post-employment benefits	(5.592.383)	(5.195.662)
Other financial costs	(20.610.031)	(949.982)
Finance leases	(340.419)	(40.575)
Valuation of financial derivatives	207.975	743.833
Financial expenses	**(497.079.712)**	**(353.991.449)**
Capitalised financial expense	5.062.047	168.974.389
Net financial expenses	**(492.017.665)**	**(185.017.060)**
Revenues from exchange difference (3)	11.842.281	7.870.676
Expenses from exchange difference (3)	(9.617.132)	(4.125.346)
Net exchange difference	2.225.149	3.745.330
Total net financial income	**$ (443.265.818)**	**$ (167.403.000)**

(1) Corresponds mainly to national currency financial revenues from deposits and investments in entities other than financial entities supervised and controlled by the Colombian Financial Superintendence.

(2) Financial obligations as of 31 December 2015 correspond to interest on bonds issued and generated under the Group’s bonds issue and placement programme, as follows:

(In thousands of pesos)

Transaction		Value
Bonds issued	$	412.543.140
Club Deal		26.998.258
Bank loans Bank Of Tokyo		9.119.500
Treasury loans		8.596.343
Bank loans Banco de Crédito del Perú		5.522.587
Total Expense from Financial Obligations	**$**	**462.779.828**

(3) The source of the effects on results of exchange differences correspond to:

	As of 31 December 2016			
	Revenues from exchange difference		Expenses from exchange difference	
Cash	$	7.604	$	(3.516)
Bank balance		469.978		(992.744)
Cash and cash equivalents		477.582		(996.260)
Current accounts receivable		689.200		(475.862)
Total Assets		**1.166.782**		**(1.472.122)**
Accounts payable for goods and services		9.533.233		(7.594.107)
Prepayment to customers		1.142.266		(550.903)
Current commercial accounts payable and other payables		10.675.499		(8.145.010)
Total liabilities		**10.675.499**		**(8.145.010)**
Total exchange difference	**$**	**11.842.281**	**$**	**(9.617.132)**

	As of 31 December 2015			
	Revenues from exchange difference		Expenses from exchange difference	
Cash	$	6.134	$	(1.760)
Bank balances		1.668.517		(896.921)
Cash and cash equivalents		1.674.651		(898.681)
Total assets		**1.674.651**		**(898.681)**
Accounts payable for goods and services		6.178.203		(2.434.525)
Prepayment to customers		17.822		(792.140)
Current commercial accounts payable and other payables		6.196.025		(3.226.665)
Total liabilities		**6.196.025**		**(3.226.665)**
Total exchange difference	**$**	**7.870.676**	**$**	**(4.125.346)**

26. Income Tax Expenses

The provision charged to profit or loss, for income tax and CREE (income tax for equality) is broken down as follows:

	As of 31 December 2016	As of 31 December 2015	
Current income tax	$ 302.771.114	$	269.592.194
Current CREE income tax	190.249.130		183.134.205
	$ 493.020.244		**452.726.399**
Income tax previous years (1)	952.026		(51.735.166)
Deferred tax movement	(11.426.331)		106.637.827
	$ 482.545.939	**$**	**507.629.060**

(1) The General Shareholders' Meeting held on 28 March 2016, as per Minutes No. 94, ordered the establishment of the reserve on account of accelerated depreciation pursuant to article 130 of the Tax Code for

(In thousands of pesos)

$78,171,355 chargeable to net income of 31 December 2015, taking into account that for tax purposes the reducing balance depreciation method will be used as of 2014, and for accounting purposes the straight-line system will continue being used.

The income tax of previous years is composed of:

(a) During 2015, the exchange difference generated by the financial obligation acquired in Peruvian Soles and their respective income tax were recognised in other comprehensive income for $ 1,987,042 in 2016, the difference in accounting and tax treatment is reversed and its effect is recognised against net income.

(b) Difference between the provisioned amount and the actual expense of the income statement for ($ 1,035,016)

The following is a reconciliation between the income tax that would result from applying the general current tax rate to the "earnings before taxes" and the expense recorded for said tax in the consolidated income statement for 31 December 2016

Reconciliation effective tax rate	Year ended 31 December 2016	Year ended 31 December 2015
Gain (Loss)	$ 753.946.471	$ 885.515.994
Income Tax Expense (Earnings)	482.545.939	507.592.645
Earnings (loss) before taxes	**1.236.492.410**	**1.393.108.639**
Current legal tax rate	40%	39%
Tax according to legal rate in force	**(494.576.715)**	**(543.326.571)**
Permanent differences:		
Non-deductible taxes (1)	(1.870.068)	(2.417.920)
Non-deductible wealth tax	(12.563.348)	(13.853.771)
Non-causal and other non-deductible expenses (2)	(740.940)	(1.347.291)
Expenses from previous years	(9)	(433)
Net effect of movement of estimated liabilities and permanent provisions	(2.596.534)	(755.082)
Assumed interests	(6.324)	(1.426)
Deductions on account of real productive fixed assets	14.162.365	60.977.452
Net profits from the sale of fixed assets subject to occasional gains taxes		(41.097)
Other permanent differences	(179.166)	(160.050)
Income adjustment 2014 income tax return (3)	1.244.246	(340.356)
Adjustment for rate differences-deferred adjustment previous years (Tax Reform)	14.532.554	(6.407.365)
Effect of CREE surtax adjustment	(1.870.068)	(2.417.920)
Total permanent differences	**12.030.776**	**35.697.511**
Income tax (expense) earnings	**$ (482.545.939)**	**$ (507.629.060)**

(1) Corresponds mainly to 40% of the tax on movement of funds for $1,593,005, vehicle tax for $ 18,006, public lighting tax $258,143, among others for $914.
(2) Corresponds mainly to the attentions to employees such as sports expenses, welfare expenses of $ 178,525, non-deductible expenses provisions of $ 524,832, among others for $ 37,583.

(3) Corresponds to the adjustment made to the 2014 income tax reserve for ($1.244.246)

27. Earnings per Share

The earnings per basic share are calculated dividing profit attributable to the Group shareholders adjusted to preferred dividends after taxes between the weighted averages of common outstanding shares over the year. As of 31 December 2016, there are no common shares acquired by the Group.

(In thousands of pesos)

	Year ended 31 December 2016		Year ended 31 December 2015	
Profit attributable to owners	$	**753.516.479**	$	**885.496.984**
Preferred dividends (1)		608.754		608.754
Profit attributable to owners adjusted to preferred dividends		746.556.473		878.191.937
Weighted average of outstanding shares		148.914.162		148.914.162
Basic earnings per share (*)	**$**	**5.013,33**	**$**	**5.897,30**

(*) Figures in Colombian pesos.

(1) Out of total shares of Empresa de Energía de Bogotá S.A. ESP, 20,952,601 shares correspond to shares without voting rights with an annual preferred dividend of US $0.11 per share.

28. Comprehensive Income

The breakdown of other comprehensive income is shown below:

	Year ended 31 December 2016		Year ended 31 December 2015	
Components of other comprehensive income that will not be reclassified to net income				
(Losses) on new measurements of financial instruments measured at fair value rough OCI (1)	$	2.961.321	$	(1.853.059)
Gains (losses) for new measurements of defined benefits plans (2)		(14.803.751)		2.567.882
Gains (losses) on cash flow hedges (4)		(2.822.410)		(697.458)
Other comprehensive income that will not be reclassified to earnings before taxes		**(14.664.840)**		**17.365**
Income tax relative to components of other comprehensive income that will not be reclassified to net income				
Gains (losses) for new measurements of defined benefits plans (3)		4.869.522		(1.024.152)
Income tax relative to cash flow hedges of other comprehensive income (5)		1.198.822		(78.276)
Total income tax relative to components of other comprehensive income that will not be reclassified to net income		6.068.344		(1.102.428)
Total Other Comprehensive Income	**$**	**(8.596.496)**	**$**	**(1.085.063)**

(1) As of 31 December 2016, corresponds to losses from the investment in Electricaribe S.A. E.S.P as a result of the valuation using the multiples method and the update of the investment in subsidiaries as a result of the implementation of the equity method.

(2) Corresponds to the effect of actuarial losses valued by the firm Aon Hewitt México. As of 31 December 2016 and 2015, actuarial losses with effect on equity are presented below:

	Year ended 31 December 2016				Year ended 31 December 2015			
	Pension and benefits		Retroactive severance pay		Pension and benefits		Retroactive severance pay	
Initial balance	**$**	**(5,814,360)**	**$**	**(2,686,704)**	**$**	**(7,548,828)**	**$**	**(2,495,965)**
Actuarial gain (loss)		(13,023,441)		(1,780,311)		2,843,391		(275,509)
Current and deferred tax		(340,701)		5,210,224		(1,108,922)		84,770
Final balance	**$**	**(19,178,502)**	**$**	**743,209**	**$**	**(5,814,359)**	**$**	**(2,686,704)**

The value of the losses is transferred directly to retained earnings and will not be reclassified to profit or loss.

(3) Corresponds to the effect on equity of the income tax and the deferred income tax generated by actuarial losses as of 31 December 2016 and 2015, respectively, as detailed below:

	Year ended 31 December 2016	Year ended 31 December 2015
Income tax	(340,702)	(1,097,609)
Deferred tax	5,210,224	73,457
Final balance	**$ 4,869,522**	**$ (1,024,152)**

(4) As of 31 December 2016, corresponds to mark to market as a result of the valuation of hedging derivatives for both forward and swap.

(5) As of 31 December 2016 and 2015, corresponds to the income tax on the exchange difference arising from the financial obligation acquired in Peruvian Soles and the deferred tax related to the cash flow hedges, as detailed below:

	Year ended 31 December 2016	Year ended 31 December 2015
Income tax on exchange differences in foreign currency	1,987,042	(1,987,042)
deferred tax related to the cash flow hedges	(788,220)	1,908,766
Final balance	**$ 1,198,822**	**$ (78,276)**

29. Assets and Liabilities in Foreign Currency

The standards existing in Colombia allow for the free negotiation of foreign currency through banks and financial institutions at free exchange rates. Nonetheless, most of the transactions in foreign currency require compliance with certain legal requisites.

Summary of assets and liabilities expressed in foreign currency:

	As of 31 December 2016		
	(in EUR)	*(in US Dollars)*	*(in thousands of pesos)*
Cash and cash equivalents *(Note 4)*	**1.890**	**593.296**	**1.786.292**
Debtors	106.645	98.275	632.473
Accounts payable	(1.106.251)	(5.973.082)	(21.425.528)
Net position (liability)	**(997.716)**	**(5.281.511)**	**(19.006.493)**

	As of 31 December e 2015		
	(in EUR)	*(in US Dollars)*	*(in thousands of pesos)*
Cash and cash equivalents *(Note 4)*	**439**	**157.138**	**496.410**
Debtors	119.292	8.641.648	23.504.184
Accounts payable	(234.366)	(1.374.464)	(5.155.672)
Net position (asset)	**(114.635)**	**7.424.322**	**18.844.922**

30. Penalties

a) The National Authority of Environmental Licenses (ANLA) imposed a penalty against Emgesa by resolution No. 0381 of 7 April 2016 for the alleged non-compliance with the environmental license in relation to the removal of the wood and biomass resulting from the forest use of the Reservoir of the El Quimbo Hydroelectric project. The penalty consists of a fine that amounts to $ 2,503,259.

As of December 2016, the Group will present the respective actions before the contentious-administrative court and will file claim for nullity and reinstatement of right.

b) The Regional Autonomous Corporation (CAR) imposed a penalty consisting of a fine of $758,864, by resolution No. 2239 of 29 July 2016 for the following facts:

- Opening of unlicensed road, outside the area of the reservoir in the village El Espinal in the municipality of Gigante.
- Illegal forest use of wild flora that was in a road section of 1547 meters, in an average width of 4.0 meters.
- Elimination of epiphytes species
- Interception of three intermittent drainage channels, which causes contamination of the runoff waters with sediment trawling in the winter seasons.
- Inadequate handling of cutting material (soil and subsoil), scattered downhill, in several sections of greater cut, partially burying the remaining vegetation in the lower margin of the open road.
- Non-compliance with the resolution in article one of the Preventive Measure imposed by Resolution No. 1561 of 5 August 2014.

An appeal was filed against Resolution No. 2239 of 29 July 2016, and a petition for nullity and reinstatement of right will be filed.

c) The Regional Autonomous Corporation (CAR) imposed two (2) penalties of one fine for $50,670 each. Below are the resolutions and events for which we are sanctioned:

- **RESOLUTION No. 3590 OF 10 NOVEMBER 2016,** the CAM sanctioned EMGESA for not having the MONTEA Resettlement Spilling permit, the sanction is for $50,670

- **RESOLUTION No. 3653 OF 10 NOVEMBER 2016**, the CAM sanctioned EMGESA for not having the SANTIAGO Y PALACIOS Resettlement Spilling permit, the sanction is for $50,670.

31. Other Insurance

In addition to policies relative to properties, plant, and equipment *(see note 11)*, the group has the following policies:

Property/person insured	Risks covered	Insured amount (figures in thousands)	Expiry	Insurance Group
Transport of goods	Loss or damage to the transported goods	$5,000 limit	31/07/2017	Generali Colombia
Employees having a direct contract	Death, total and permanent disability	$1,800 maximum individual insured sum	31/12/2017	Generali Colombia
Counsellors or directors	Civil responsibility of directors and managers	USD $ 5,000	10/11/2017	AIG

(In thousands of pesos)

32. Commitments and Contingencies

I. Purchase Commitments:

The Group as of 31 December 2016 has commitments to purchase electric energy as follows:

Period	Coal	Fuel	Energy	Total
2017-2020	$ 15,654,275	$ 54,724,801	$ 37,103,344	**$ 107,482,420**
2021-2025	-	-	$ 12,583,909	**$ 12,583,909**

II. Contingencies and Arbitrations

The group faces litigations classified as possible or contingent, with respect to which Management, with the support of its external and internal legal advisors, estimates that the outcomes corresponding to the part not provisioned will be favourable to the Group and will not cause significant liabilities which must be accounted for or which, if they do, will not significantly affect their financial position.

The main litigations that the Group has as of 31 December 31 2016 classified as contingent are:

Plaintiff: **Chivor SA ESP**
Start date: 2004
Claim: $13,102,000
Provisioned: $ 0

Object of claim: Impleader within the process of nullity and reinstatement of right against the CREG resolution that changed how to calculate the capacity charge to Chivor SA ESP, which, if enacted, will affect all market agents who received the capacity charge in the corresponding period.

Current status of process: Pending notification to all third-party defendants market agents.

Plaintiff: **Chivor SA ESP**
Start date: 2006
Claim: $10,892,000
Provisioned: $ 0

Object of claim: Impleader within the process of nullity and reinstatement of right against the CREG resolution that changed how to calculate the capacity charge to Chivor SA ESP, which, if enacted, will affect all market agents who received the capacity charge in the corresponding period.

Current status of process: Pending notification to all third-party defendants market agents.

Plaintiff: **Policarpo Agudelo and Others**
Start date: 2014
Claim: $ 50,000,000
Provisioned: $ 0

Object of claim: To declare that Emgesa is responsible for all damages caused (materials, morals, consequential damages and loss of profit) as a result of the closing of the bridge “El Colegio” on the Magdalena River, caused by the undermining of the right base of the right margin, generated by the use of trawling material in the extraction source, located just upstream of the bridge.

Current status of process: The evidence period ended and the case was transferred to the Court for Judgment.

The main tax-related processes that the Group has as of 31 December 31 2016 classified as contingent are:

Industry and Trade Tax (ICA).

Companies in the energy generation line in Colombia have been required by the various municipalities in order to apply taxes to the group on account of the industry and trade tax, for this taking its revenues as the basis, this way disavowing application of the special system contained in Act 56/1981 according to which it should be calculated taking into account the installed energy generation capacity.

With respect to the above, it is worth noting the actions of nullity and reinstatement of right against the appraisal liquidation made by the Municipality of Yaguará, on account of the ICA of fiscal years 1998 to 2003, which amount to $ 35,790 million .

The Group, together with its external and internal advisors, based on reiterated jurisprudential criteria, concluded that contingent events related to the industry and trade tax have a losing probability of less than 50%. This considering that the Constitutional Court declared applicable article 181 of Act 1 607/2014, reiterating that the sale of energy is the conclusion of the generation activity, so that provided the energy sold has been generated by the seller, the ICA tax will only be applied at the location of the generation plant, according to Act 56/1981. The Council of State accepted this and in 2016 resolved several process in favour of the Group.

2003 Fiscal Year Income Tax

The process is based on the group administration not recognising benefits resulting from applying the Páez Act. As such, tax authorities considered that the group could not avail of benefits considered in such Act regarding all its revenues.

The process value amounts to $96,393,000. The Group, together with its external advisors, concluded that the contingent event related to the 2003 income has a losing probability lower than 50%.

Forest Use Rate.

In accordance with Agreement 048/1982 issued by Inderena, the CAM issued Resolution No. 237, where it liquidates a forest use rate charged by the Group for the alleged provision of technical services. The Group's defence is based on the illegal collection of the fee, as Agreement 048 is subject to supervening nullity, and the CAM has not rendered any service to the Group. Simultaneously, an action of simple nullity was filed against Agreement 048/1982 issued by Inderena.

The process value amounts to $28,605 million. The Group, together with its external advisors, concluded that the contingent event related to the forest use rate has a losing probability lower than 50%.

2013 Fiscal Year Income Tax

The origin of the audit is the Legal Stability Agreement, which included an estimated investment schedule that, according to the DIAN, serves as a limit to calculate the deduction for investments in productive real fixed assets; however, the Group made an investment higher than that estimated in the Agreement (which implied the payment of an additional premium), for which reason the deduction was calculated based on the actual investment made and not the estimated investment. The DIAN argues that the deduction must be calculated in terms of the estimated investment and not in terms of the actual investment, which is why it rejects the deduction that exceeds the estimated investment, thus generating a higher tax payable by Emgesa.

The audit value amounts to $44,188 million. The process is currently under governmental proceedings and the Group, together with its external and internal advisors, is evaluating its position in the event of possible litigation in court proceedings.

33. Energy Derivatives Market

In July 2016, Emgesa entered the energy derivatives market with the objective of concluding energy futures contracts with which to mitigate the risk associated with energy price volatility in the SPOT market. With this, the group manages its contracts portfolio.

As of 31 December 2016, there are contracts for the purchase of energy futures for 69.84 GWh, for the period Jan-Dec 2017. These purchases support a contract for the sale of energy in the wholesale market. Moreover, sales of energy futures for 15.12 GWh for the period Jan-Dec 2017, associated to cover the cash flow risk of indexed customers of the Unregulated Market.

As of 31 December 2016, ten (10) sales contracts and one (1) purchase of energy futures have been settled, each for 0.36 GWh.

Futures transactions with Derivex are backed by guarantees which as of December 2016 amount to $925,000 in cash and TES $984,740, which are considered restricted cash.

34. Reclassification in the Financial Statements

The following reclassifications were made in the statement of cash flows for comparison purposes as of 31 December 2015:

a) $15,721,000, corresponding to withholding tax for wages at ($5,918,000) and workforce capitalisation at $21,639,000, were reclassified from the item payments to and on account of employees to the item purchase of property, plant and equipment. This modifies the presentation of net cash flows from operating activities and net cash flows used in investing activities.

b) $61,698,910, corresponding to taxes associated with the operation other than income tax, were reclassified from the item other cash inflows (outflows) to other payments for operating income. Such information modifies the net cash flows from operating activities and net cash flows used in investment activities.

35. Risk Management

The Group is exposed to certain risks it manages through the implementation of identification, measurement, concentration limitation, and supervision systems.

The basic principles defined by the Group to implement its risk management policy include the following:

a) Comply with good corporate governance standards.
b) Comply strictly with the entire corporate regulatory system.

(In thousands of pesos)

c) Each management and corporate area defines:

  i. Markets in which it can operate on the basis of sufficient knowledge and skills to ensure effective risk management.
  ii. Criteria about counterparties.
  iii. Authorised operators.

d) Management and corporate areas establish for each market where they operate their risk exposure consistent with the defined strategy.
e) All management and business operations are performed within the limits approved in each case.
f) Managements, corporate areas and business lines establish risk management controls as necessary to ensure that market transactions are carried out in accordance with the Group's policies, standards and procedures.

Interest Rate Risk

The variations of interest rates change the fair value of such assets and liabilities earning a fixed interest rate, as well as the flow of assets and liabilities referenced at variable interest rate.

The purpose of risk management relative to interest rates is to reduce the volatility of the financial cost reflected in the income statement.

Depending on the estimates by the Group and the objectives of debt structure, hedging operations were undertaken through the contracting of derivatives that mitigate such risks. Instruments that can be used correspond to rate swaps, setting from variable to fixed rates. Currently the Group has not contracted interest rate hedging.

Interest rate	As of 31 December 2016		As of 31 December 2015	
	Variation (basic points)*	Sensitivity in COP	Variation (basic points)*	Sensitivity in COP
CPI	+/- 2.69%	(+/-) $ 80,742,300	+/- 2.67%	(+/-) $ 65,542,317
IBR	+/- 2.00%	(+/-) $ 6,148,281	+/- 1.99%	(+/-) $ 9,100,008
DTF	+/- 2.19%	(+/-) $ -	+/- 1.53%	(+/-) $ 2,038,332

(a) Changes or movements in interest rates were calculated based on their historical volatility over a three-year period (2012-2015 and 2011-2014 for the 2015 and 2014 calculations respectively), taking twice the standard variation of the series.

Exchange Rate Risk

The type of exchange risks can be presented essentially with the following transactions:

- Debt contracted by the Group in a currency other than that at which its flows are indexed to.
- Payments to be made for the acquisition of materials associated with projects in a currency other than that at which its flows are indexed to.
- Revenues directly related to the evolution of currencies other than that of its flows.

Taking into account that the functional currency of the Group is the Colombian peso, it is necessary to mitigate the exchange rate risk by minimising the exposure of the flows to the risk of changes in the exchange rate.

(In thousands of pesos)

The instruments that can be used correspond to derivatives (forwards and swaps) of exchange rate. The Group currently contracts exchange rate hedges to cover the payment of invoices in dollars for the purchase of assets in foreign currency and to cover the debt taken in foreign currency.

Commodity Risks

The Group is exposed to the risk of price variation of commodities, mainly through energy purchase and sale operations carried out in local markets and the purchase of fuel to operate its thermal stations.

The Group performs most of its energy sale transactions through contracts (physical and financial) where a price has been previously agreed upon, thus mitigating the risk on the spot price of the generation portfolio.

Liquid fuels are purchased at market prices and have no price change risk protection. Solid fuels such as coal are fixed in 2-year contracts, indexed to the PPI in order to keep the purchase value stable.

Liquidity Risk

The Group has in place a consistent liquidity policy for contracting long-term credit facilities, cash and temporary financial investments, for amounts that are sufficient to support the needs projected for a period depending on the situation and expectations of debt and capital markets. The resources available must cover the needs of net financial debt service (principal plus interest), i.e., after financial derivatives. Included below are the contractual cash flows of financial liabilities with third parties until expiry, undiscounted:

	Current			Non-current				
Item	**Less than 90 days**	**Over 90 days**	**Total current**	**1 to 3 years**	**3 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total Non-current**
Issued bonds (principal + interest)	$ 336,754,885	$ 205,911,395	$ 542,666,280	$ 1,416,374,645	$ 1,532,702,613	$ 1,922,457,047	$ 162,348,899	$ 5,033,883,204
Bank loans (principal + interest)	-	199,774,407	$ 199,774,407	115,767,401	100,564,454	86,179,118	-	302,510,973
Financial lease obligations (principal + interest)	707,940	2,107,908	$ 2,815,848	4,692,329	122,834	-	-	4,815,163
Commercial accounts payable and other payables	337,506,635	-	$ 337,506,635					-
Total	**$ 674,969,460**	**$ 407,793,710**	**$ 1,082,763,170**	**$ 1,536,834,375**	**$ 1,633,389,901**	**$ 2,008,636,165**	**$ 162,348,899**	**$ 5,341,209,340**

Credit Risk

The Group performs a detailed follow-up of credit risk.

Commercial Accounts Receivable

The group credit risk has historically been limited, considering the short payment terms it gives its clients, resulting in no significant values being individually accumulated. The regulation allows cutting the service, almost all contracts including payment defaults as a contract termination circumstance. With this purpose, the credit risk is constantly monitored by evaluating general and individual portfolio indicators.

Financial Assets

Investment of the Group’s available resources (treasury investments), originated in the operation and in other non-operating revenues and the operation of financial derivatives will be carried out with national and foreign first line entities that meet the minimum risk rating required by the Group.

The minimum risk rating of their financial counterparties must be long-term international investment level, or its equivalent at local scale, taking into account the minimum international rating in foreign currency for the Republic of Colombia. The investment can be made only in counterparties with lower ratings, within the limits established for counterparty’s risks, level of investment or prior approval through a valid “Waiver” granted on risks. The local risk ratings must be issued by a risk-rating agency that is well recognised and legally established in Colombia. For international risk rating, those granted by Moody’s, S&P and Fitch are acceptable. When a Financial Counterparty has more than one rating, the lowest one shall be considered for the purposes set in this section.

The liquidity surplus operations must meet the following general criteria:

- **Safety:** In order to preserve the value of the investment portfolio, the available resources for placement must meet the credit rating requirements set forth herein.
- **Liquidity:** The instruments that are part of the investments must have high liquidity in the market.
- **Profitability:** Within the risk limits allowed for, the highest possible return on investment must be sought.
- **Diversification:** Risk concentration must be avoided in a given type of issuer or counterparty.
- **Transparency:** All operations and commitments undertaken for management of available resources must be explicitly registered and supported, and shall be governed by the norms and procedures in force.

Risk Measurement

Regarding the exchange rate risk, the Group calculates the effectiveness of currency forwards that replicate on 100% of underlying flows, contracted to cover risk of variation of the Colombian peso with respect to the dollar for hedging of payments.

Therefore, the effectiveness calculation is made through the retrospective and prospective tests. The prospective test is defined as the quotient between the quarterly difference of the fair value (MTM) of the real forward and the quarterly difference of the fair value of the hypothetic forward.

The hypothetic derivative is defined as the forward that on the date of contracting reduces the whole type of exchange risk and replicates on 100% of the underlying flows for the period covered. On each evaluation date, which will be quarterly, the quotient must be in the range of 80-125% for the forward to be considered effective and, hence, rated as accounting hedging.

The prospective effectiveness test shall be made by comparing changes in fair value between the actual derivative that has been contracted and a hypothetical derivative for various Exchange type cases. This simulation analysis consists in setting the type of forward exchange type on two hypothetical scenarios: +20% and -20%. The results of variations in fair value of both instruments will be compared having to find a range between 80% - 125% to be able to apply hedging accounting. Thus, it is proved that changes in type of exchange affect also the fair value of the hypothetical derivative and the actual derivative.

36. Fair Value

The fair value of financial assets and liabilities is presented for the value at which the instrument could be swapped in a current transaction between the parties, by mutual consent rather than in a forced transaction or liquidation, in accordance with the defined policy.

Below are the financial assets and liabilities with variations between the book value and the fair value as of 31 December 2016:

	Book value	Fair value
	As of December 2016	
Financial liabilities (1)	(In thousands of pesos)	
Issued bonds	$ 4,025,004,942	$ 4,224,164,297
Club Deal	285,541,709	279,614,725

(In thousands of pesos)

Bank loans		130,622,916		131,123,577
Lease obligations		6,375,386		7,431,684
Total liabilities	**$**	**4,447,544,953**	**$**	**4,642,334,283**

(1) The financial obligations and financial leases are estimated by discounting future cash flows using available rates for debts with conditions, credit risk and similar maturities. The Group uses discount rates of the zero coupon curve in accordance with maturities of each issue.

The fair value of cash and cash equivalents and commercial accounts payable are rounded up to their book value, due to the short-term maturities of these instruments.

As of 31 December 2016, the Group keeps in its Financial Statement the following financial assets and liabilities, measured at their fair value, classified by levels, in accordance with the defined policy *(See note 3.13)*:

Financial assets	**Level 2**
Financial Investments – companies not listed or with limited liquidity	$ 5,698,660
Investments held to maturity	$ 26,523
Financial liabilities	
Derivative instruments *(See Note 5)*	$ -

37. Approval of Financial Statements

The general purpose Financial Statements of the Group as of 31 December 2016 were approved by the Board of Directors as per Minutes No. 441 of 16 February 2017 for presentation to the General Shareholders' Meeting, pursuant to the Code of Commerce.

38. Subsequent Events

- **El Quimbo Hydroelectric Project**

The Betania fish farmers filed a class action lawsuit that "seeks the protection of rights to a healthy environment, public health and food safety, as a prevention of the alleged imminent danger of a massive mortality in the fishery projects downstream of the Quimbo dam site."

On 16 December 2016, the suspension of the injunction was extended for a further six months, to allow the generation of energy in the Station, subject to verification by ANLA and CAM of compliance with oxygen levels in the water that emerges from the reservoir, for compatibility with life. On 13 January 2017, the Group filed an appeal against the aforementioned Writ dated December 16, in order to allow the Tribunal to make adjustments regarding Emgesa's rights of defence in the course of the process. The process is currently in evidence stage.

39. Concession Agreement

The National Infrastructure Agency (ANI) was requested to modify the dock design; As well as the extension of the term for its construction, having obtained a favorable technical and legal concept and it was determined to formalize an Other No.001 to the concession contract.

On December 22, 2014, the No.001 Miscellaneous was signed, whereby it is agreed or modified regarding the investment plan and the respective execution schedule, reversion of the port infrastructure in favor of the Nation, confirmation of the volume of cargo and Annual growth of 3%, obligation of use and priority access of 20% of the installed annual port capacity for cargo of hydrocarbons of royalties and property of the National Agency of Hydrocarbons (ANH) and modification of the insurance policies taking care of new legal provision on The matter.

On March 11, 2016, Sociedad Portuaria Central Cartagena S.A. (SPCC) was notified of Resolution Cardique 1911 of December 14, 2015, by means of which this entity approved the beginning of works of construction of the fixed dock agreed in concession contract.

However, due to the regulatory uncertainty that the concessionaire is experiencing as a result of Resolution CREG 109 of 2016, SPCC sent a formal request to the National Infrastructure Agency (ANI) to transfer the investment schedule for two years in order to To carry out studies of alternatives to substitute the support of the Reliability Charge of the Cartagena de Emgesa Power Station (main client and SPCC majority partner) with liquid fuels and to evaluate options that allow both the viability of the Cartagena Center and the SPCC to the long term.