

# Consolidated Financial Statements



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

For the years ended at December 31 of 2017 and 2016  
with Report of the Statutory Auditor

# Report of the External Auditor

**To the shareholders of:  
Emgesa S.A. E.S.P.**

## Report on the Financial Statements

I have audited the attached consolidated financial statements of Emgesa S.A. E.S.P., and its subsidiary, that comprise the consolidated statement of financial position at December 31 of 2017 and the corresponding consolidated income statement, integral income statement, changes in equity and cash flows for the year ended in that date, and the summary of the significant accounting policies and other explaining notes.

## Responsibilities of the Management in Relation to Financial Statements

The Management is liable for preparing and presenting correctly the consolidated financial statements according to the Accounting and Financial Information Standards; for the design, implementation and keeping relevant internal control for the preparation and correct presentation of financial statements free from material errors, whether for fraud or error; for the selection and implementation of appropriate accounting policies; and, for the establishment of accounting estimates reasonable in the circumstances.

## Responsibilities of the Auditor

My responsibility is to express an opinion on the above mentioned consolidated financial statements based on my audit. My audit has been carried out according to the international accounting standards accepted in Colombia. These standards require compliance with ethical requisites, to plan and carry out my audit to obtain reasonable assurance as to whether the financial statements are free from material errors.

An audit includes developing procedures to obtain audit evidence supporting figures and disclosures in the consolidated financial statements. The procedures selected depend on the professional judgment of the auditor, including risk assessment of material errors in financial statements. In the process of assessing these risks, the auditor considers the internal controls relevant to the preparation and submission of consolidated financial statements, in order to design appropriate audit procedures in the circumstances. Likewise, it includes an assessment of the adopted accounting policies and of the significant estimations made by the Administration, as well as of the presentation as a whole of the financial statements.

I consider that the evidence obtained provides a reasonable basis for my opinion.

## Opinion

In my opinion, the attached consolidated financial statements, taken from the accounting books, present, in all the important aspects, the financial situation of the Company at December 31 of 2017, the results of its operations and the cash flows for the year ended at that date, pursuant to the Accounting and Financial Information Standards accepted in Colombia.

## Other Issues

The consolidated financial statements under the accounting and financial information standards accepted in Colombia of Emgesa S.A. E.S.P. and its subsidiary at December 31st of 2016, that are part of the comparative information of the attached financial statements were audited by another external auditor appointed by Ernst & Young Audit S.A.S., with respect of which an opinion was expressed with no caveats on February 16 of 2017.



Angela María Guerrero Olmos

External Auditor

Professional Card 104291-T

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

Bogotá, Colombia  
February 14th 2018

# Emgesa S.A. E.S.P. and its Subsidiary

## Financial Situation Statements – Consolidated

(Figures in thousand pesos)

	Note	At December 31 of 2017	At December 31 of 2016
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalent	4	\$ 563.999.875	\$ 620.637.751
Other current financial assets	5	60.701.499	15.293.732
Other current non-financial assets	6	24.668.730	22.259.803
Commercial accounts receivable and other current accounts receivable, net	7	274.644.719	169.514.583
Current accounts receivable from related companies	8	1.994.975	323.950
Inventories, net	9	50.761.757	43.992.321
<b>Total current assets</b>		<b>976.771.555</b>	<b>872.022.140</b>
<i>Non-Current assets:</i>			
Other non-current financial assets	5	3.266.532	5.698.661
Other non-current non-financial assets	6	7.413.298	6.397.436
Commercial accounts receivable and other non-current accounts receivable, net	7	17.663.575	31.280.609
Intangible assets different from capital gain, net	10	74.331.075	100.628.964
Properties, plant and equipment, net	11	7.949.081.607	7.924.269.585
Deferred taxes assets	12	6.498	97.164.043
<b>Total Non-Current Assets</b>		<b>8.051.762.585</b>	<b>8.165.439.298</b>
<b>Total Assets</b>		<b>\$ 9.028.534.140</b>	<b>\$ 9.037.461.438</b>
<b>Liabilities and Equity</b>			
<i>Current liabilities:</i>			
Other current financial liabilities	13	462.582.103	464.271.277
Commercial accounts payable and other current accounts payable	14	217.065.049	331.329.040
Current accounts payable to related companies	8	156.792.322	218.815.272
Other current provisions	15	92.361.840	84.023.026
Current taxes liability	17	161.326.968	144.573.571
Current provisions for benefits to employees	16	30.525.546	28.769.379
Other current non-financial liabilities	18	81.510.422	10.147.646
<b>Total current liabilities</b>		<b>1.202.164.250</b>	<b>1.281.929.211</b>
<i>Non-current liabilities:</i>			
Other non-current financial liabilities	13	3.723.182.711	3.983.273.676
Other non-current provisions	15	143.695.710	195.955.262
Benefits to employees non-current provisions for	16	77.059.947	80.315.258
Deferred tax liability	12	34.114.979	-
<b>Total Non-Current Liabilities</b>		<b>3.978.053.347</b>	<b>4.259.544.196</b>
<b>Total Liabilities</b>		<b>\$ 5.180.217.597</b>	<b>\$ 5.541.473.407</b>

## Emgesa S.A. E.S.P. and its Subsidiary Financial Situation Statements – Consolidated (Continuation)

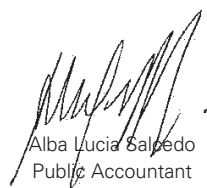
(Figures in thousand pesos)


	Nota	Al 31 de diciembre de 2017	Al 31 de diciembre de 2016
<b>Patrimonio</b>			
Equity	19	\$ 655.222.313	\$ 655.222.313
Issued capital		113.255.816	113.255.816
Issuance Premium	19	569.595.764	504.263.280
<i>Other reserves</i>		(20.716.160)	(13.592.147)
<i>Other integral result (OIR)</i>		887.055.685	753.505.276
<i>Profit of the period</i>		171.221.545	10.647.315
<i>Withheld profits</i>		1.472.651.337	1.472.651.581
<i>Profits as effect of conversion to IFRS</i>		-	8.442
Accrued earnings		2.530.928.567	2.236.812.614
<b>Total Equity</b>		<b>3.848.286.300</b>	<b>3.495.961.876</b>
Total liability and equity		30.243	26.155
<b>Issued capital</b>		<b>3.848.316.543</b>	<b>3.495.988.031</b>
<b>Issuance Premium</b>		<b>\$ 9.028.534.140</b>	<b>\$ 9.037.461.438</b>

See attached notes.

The undersigned Legal Representative and Accountant hereby certify that we have previously verified the statements contained in these financial statements and that they have been faithfully taken from the accounting books of the Group.

  
Bruno Riga  
Legal Representative

  
Alba Lucia Salgado  
Public Accountant  
Professional Card 40562-T

  
Ángela María Guerrero Olmos  
Main Statutory Auditor  
Professional Card 104291-T  
Appointed by Ernst & Young Audit S.A.S. TR-530  
(See my report of February 14th of 2018)

# Emgesa S.A. E.S.P. and its Subsidiary Income Statement, as per Nature – Consolidated

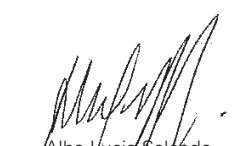
(Figures in thousand pesos, except for share earnings)

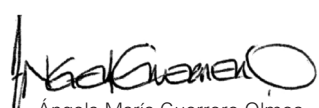
	Nota	12 months period from January 1st to December 31 of 2017		12 months period from January 1st to December 31 of 2016	
Ordinary activities income	20	\$	3.400.005.643	\$	3.485.206.750
Other operating income	20		25.084.820		28.864.047
<b>Total income from ordinary activities and Other operating income</b>			<b>3.425.090.463</b>		<b>3.514.070.797</b>
<b>Supplies and services</b>	21		(1.170.521.467)		(1.322.956.965)
<b>Contribution margin</b>		<b>\$</b>	<b>2.254.568.996</b>	<b>\$</b>	<b>2.191.113.832</b>
Works for immobilized			2.688.671		3.485.460
Personnel expenses	22		(80.533.005)		(72.015.890)
Other fixed operating expenses	23		(131.062.809)		(137.625.015)
<b>Gross Operating Result</b>			<b>2.045.661.853</b>		<b>1.984.958.387</b>
Depreciation and amortization	24		(210.447.724)		(191.943.036)
Losses for impairment (reversals)	24		429.180		(102.320.470)
<b>Operating Result</b>			<b>1.835.643.309</b>		<b>1.690.694.881</b>
Financial income	25		26.980.759		46.526.698
Financial expenses	25		(384.348.724)		(497.079.712)
Capitalized financial expense	25		5.745.998		5.062.047
Exchange differences	25		(445.833)		2.225.149
<b>Financial results</b>			<b>(352.067.800)</b>		<b>(443.265.818)</b>
<b>Result of other investments</b>					
Result from other investments			(17.713)		-
Results in assets sales	26		(30.200.139)		(11.366.645)
<b>Results before taxes</b>			<b>1.453.357.657</b>		<b>1.236.062.418</b>
Income tax expense	27		(566.297.884)		(482.545.939)
<b>Profits of the period</b>		<b>\$</b>	<b>887.059.773</b>	<b>\$</b>	<b>753.516.479</b>
Non-controlling participation			(4.088)		(11.203)
<b>Profits for the Period</b>		<b>\$</b>	<b>887.055.685</b>	<b>\$</b>	<b>753.505.276</b>
<b>Profits per basic share</b>					
Profits per basic share in continuing operations (*)	28		5.910,37		5.013,33
Weighted average number of ordinary shares			<b>148.914.162</b>		<b>148.914.162</b>

See attached notes.

The undersigned Legal Representative and Accountant hereby certify that we have previously verified the statements contained in these financial statements and that they have been faithfully taken from the accounting books of the Group.

  
Bruno Riga  
Legal Representative

  
Alba Lucia Salgado  
Public Accountant  
Professional Card 40562-T

  
Ángela María Guerrero Olmos  
Main Statutory Auditor  
Professional Card 104291-T  
Appointed by Ernst & Young Audit S.A.S. TR-530  
(See my report of February 14th of 2018)

## Emgesa S.A. E.S.P. and its Subsidiary Integral Income Statement – Consolidated


(Figures in thousand pesos)


	Note	12 months period from January 1st to December 31 of 2017	12 months period from January 1st to December 31 of 2016
<b>Profits of the Period</b>		<b>\$ 887.059.773</b>	<b>\$ 753.516.479</b>
<b>Elements of another integral result of the period, before taxes:</b>			
Profits (losses) in new measurements of financial instruments assessed at the reasonable value with changes in OIR	29	(2.432.129)	2.961.321
Profits (losses) for new measurements of defined benefit plans	29	145.401	(14.803.751)
Profits (losses) for coverages of cash flows	29	(5.288.417)	(2.822.410)
Otro resultado del periodo, antes de impuestos		<b>(7.575.145)</b>	<b>(14.664.840)</b>
Profits (losses) for new measurements of defines benefit plans	29	226.749	4.869.522
Income tax related with coverage of cash flows of another integral result	29	224.383	1.198.822
Income tax related with elements of another integral result of the period		451.132	6.068.344
<b>Other integral result</b>		<b>(7.124.013)</b>	<b>(8.596.496)</b>
<b>Total integral result</b>		<b>\$ 879.935.760</b>	<b>\$ 744.919.983</b>

See attached notes.

The undersigned Legal Representative and Accountant hereby certify that we have previously verified the statements contained in these financial statements and that they have been faithfully taken from the accounting books of the Group. .

  
Bruno Riga  
Legal Representative

  
Alba Lucia Salgado  
Public Accountant  
Professional Card 40562-T

  
Ángela María Guerrero Olmos  
Main Statutory Auditor  
Professional Card 104291-T  
Appointed by Ernst & Young Audit S.A.S. TR-530  
(See my report of February 14th of 2018)

# Emgesa S.A. E.S.P. y su Filial

## Estados de Cambios en el Patrimonio – Consolidados

(Cifras en miles de pesos)

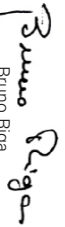
### Other reserves


### Other integral result


	Issued capital	Issuance Premium	Legal Reserve	Statutory Reserve	Occasional Reserve	Profits and losses for new measurements of financial instruments measured at a reasonable value and coverage of cash flow	Profits and losses for defined benefit plans	Accumulated Profits	Equity attributable to owners of the controlling party	Non-controlling participations	Total Equity
<b>Initial Equity at December 31st of 2015</b>	\$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	\$ 14,952	\$ 3,558,356,559
Changes in equity											
<i>Integral result</i>											
<i>Profit of the period</i>	-	-	-	-	-	-	-	753,505,276	753,505,277	11,203	753,516,480
<i>Other integral result</i>	29	-	-	-	-	1,343,395	(9,934,229)	-	(8,590,834)	-	(8,590,834)
<i>Integral result</i>	-	-	-	-	-	1,343,395	(9,934,229)	753,505,276	744,914,443	11,203	744,925,646
Dividends recognized as distributions to owners	-	-	-	-	-	-	-	(807,284,041)	(807,284,041)	-	(807,284,041)
Increases (decreases) for other changes, equity	-	-	-	-	-	-	-	(1,718)	(1,718)	-	(1,718)
Total increase (decrease) in equity	-	-	(2,900)	-	78,171,355	-	-	(78,176,870)	(8,415)	-	(8,415)
<b>Final equity at December 31 of 2016</b>	-	-	(2,900)	-	78,171,355	1,343,395	(9,934,229)	(131,957,352)	(62,379,731)	11,203	(62,368,528)
<b>Changes in equity</b>	<b>\$655,222,313</b>	<b>\$ 113,255,816</b>	<b>\$327,611,157</b>	<b>\$ 178,127</b>	<b>\$ 176,473,996</b>	<b>\$ 4,843,147</b>	<b>\$(18,435,294)</b>	<b>\$2,236,812,614</b>	<b>\$ 3,495,961,876</b>	<b>\$ 26,155</b>	<b>\$ 3,495,988,031</b>
<b>Integral result</b>											
Profit of the period	-	-	-	-	-	-	-	887,055,685	887,055,685	4,088	887,059,773
<i>Other integral result</i>	-	-	-	-	-	(7,496,163)	372,150	-	(7,124,013)	-	(7,124,013)
<i>Integral result</i>	-	-	-	-	-	(7,496,163)	372,150	887,055,685	879,931,672	4,088	879,935,760
Dividends recognized as distributions to owners/Integral result	-	-	-	-	-	-	-	(527,607,248)	(527,607,248)	-	(527,607,248)
Increases (decreases) for other changes, equity	-	-	-	-	-	-	-	(65,332,484)	-	-	-
Total increase (decrease) in equity	-	-	-	-	65,332,484	-	-	(65,332,484)	-	-	-
<b>Final equity at December 31 of 2017</b>	-	-	-	-	65,332,484	(7,496,163)	372,150	294,115,953	352,324,424	4,088	352,328,512
<b>Integral result</b>	<b>\$655,222,313</b>	<b>\$ 113,255,816</b>	<b>\$327,611,157</b>	<b>\$ 178,127</b>	<b>\$ 241,806,480</b>	<b>\$ (2,653,016)</b>	<b>\$(18,063,144)</b>	<b>\$2,530,928,567</b>	<b>\$ 3,848,286,300</b>	<b>\$30,243</b>	<b>\$3,848,316,543</b>

Véanse las notas adjuntas.

Los suscritos Representante Legal y Contador certificamos que hemos verificado previamente las afirmaciones contenidas en estos estados financieros y que los mismos han sido tomados fielmente de los libros de contabilidad del Grupo.

  
Bruno Riga  
Representante Legal

  
Alba Lucía Salgado  
Contador Público  
Tarjeta Profesional 40562-T

  
Angela María Guerrero Olmos  
Revisor Fiscal Principal  
Tarjeta Profesional 1104291-T  
Designada por Ernst & Young Audit S.A.S. TR-530  
(Véase mi informe del 14 de febrero de 2018)



## Emgesa S.A. E.S.P. and its Subsidiary Consolidated Cash Flows Statements, direct method

(Figures in thousand pesos)

	Period of twelve months from January 1 to December 31 of 2017	Period of twelve months from January 1 to December 31 of 2016
Cash flows derived from (used in) operation activities		
Collection classes for operation activities		
<i>Collections derived from sales of good and service provision</i>	\$ 3.419.582.168	\$ 3.719.663.464
<i>Collections derived from royalties, quotas, commissions and other income from ordinary activities</i>	26.237.779	23.282.542
<i>Collections derived from premiums and benefits, annuities and other benefits of subscribed policies</i>	-	31.392.385
Classes of payment in cash derived from operation activities		
<i>Payments to providers for the provision of goods and services</i>	(1.287.456.023)	(1.483.395.906)
<i>Payments and/or on account of employees</i>	(91.474.668)	(79.662.951)
<i>Payments for premiums and benefits, annuities and other liabilities derived from subscribed policies</i>	(20.445.048)	(26.001.460)
<i>Other payments for operation activities</i>	(72.561.552)	(67.763.716)
<b>Net cash flows derived from operation</b>	<b>1.973.882.656</b>	<b>2.117.514.358</b>
Paid income tax	(416.402.077)	(464.394.713)
Other cash outflows	(52.176.875)	(71.963.588)
<b>Net cash flows derived from operation</b>	<b>1.505.303.704</b>	<b>1.581.156.057</b>
Cash flows from (used in) investment activities:		
Cash flows used to gain control of subsidiaries or other businesses	53.577	-
Other payments to acquire equity or debt instruments of other entities	(130.500.000)	-
Other charges for equity sale or debt instruments of other entities	83.500.000	-
Loans to related entities	-	(55.000.000)
Purchases of property, plant and equipment	(321.505.445)	(312.210.168)
Cash advances and loans granted to third parties	-	(69.313.598)
Payments derived from contracts of futures, forward contracts, options and swap agreements (swaps)	-	-
Collections to related entities	-	55.000.000
Collections from contracts of futures, forward contracts, options and swap agreements	-	224.323
Interest received Investment Activities	20.779.720	40.756.656
<b>Net cash flows used in investment activities</b>	<b>(347.672.148)</b>	<b>(340.542.787)</b>
Amounts derived from loans		
Loans from related entities	100.000.000	825.000.000
Loan repayments	46.808.489	-
Dividends paid shareholders	(340.666.667)	(487.852.747)
Interest paid financing	(597.438.747)	(795.166.218)
Payments of liabilities for financial leases	(373.212.968)	(450.133.821)
Payments of loans to related entities	(1.993.499)	(719.865)
Other cash outflows financing	(46.808.489)	-
Net cash flows used in financing activities	(883.316)	(10.494.409)
<b>Net cash flows used in financing activities</b>	<b>(1.214.195.197)</b>	<b>(919.367.060)</b>

**Emgesa S.A. E.S.P. and its Subsidiary**  
**Consolidated Cash Flows Statements, direct method (Continuation)**

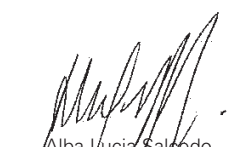
(Figures in thousand pesos)


	Period of twelve months from January 1 to December 31 of 2017	Period of twelve months from January 1 to December 31 of 2016
<b>Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate</b>	<b>\$ (56.563.641)</b>	<b>\$ 321.246.210</b>
Effects of variation in the exchange rate on cash and cash equivalents	-	(1.874)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(56.563.641)</b>	<b>321.244.336</b>
Cash and cash equivalents at the beginning of the period	620.563.516	299.393.415
Cash and cash equivalents at the end of the period	<b>\$ 563.999.875</b>	<b>\$ 620.637.751</b>

See attached notes.

The undersigned Legal Representative and Accountant hereby certify that we have previously verified the statements contained in these financial statements and that they have been faithfully taken from the accounting books of the Group.

  
 Bruno Riga  
 Legal Representative

  
 Alba Lucia Salgado  
 Public Accountant  
 Professional Card 40562-T

  
 Ángela María Guerrero Olmos  
 Main Statutory Auditor  
 Professional Card 104291-T  
 Appointed by Ernst & Young Audit S.A.S. TR-530  
 (See my report of February 14th of 2018)

# Emgesa S.A. E.S.P. and its Subsidiary Financial Situation Statements – Consolidated

(Figures in thousand pesos)

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(Figures in thousand pesos)

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## Emgesa S.A. E.S.P. and its Subsidiary Financial Situation Statements – Consolidated

(Figures in thousand pesos)

# 1. General Information

## Economic Entity

Emgesa S.A. E.S.P. and its affiliate (hereinafter “the Group”) is a business joint stock company incorporated according to the Colombian Laws as a public services Company regulated under Laws 142 and 143 of 1994.

The Group was incorporated on October 1997, by assets contribution of generation of the Group Energía Bogotá S.A. E.S.P. for 51.51% of shares (ordinary and preferred) and contributions in cash of other investors with 48.49% of shares.

The Group is Colombian with domicile and main offices in Carrera 11 No. 82-76, Bogotá D.C. Its duration is indefinite.

The Group is a subsidiary of Enel Américas S.A., entity controlled in its majority share by Enel S.P.A. (hereinafter, Enel).

In the Chamber of Commerce of Bogotá is registered a situation of Corporate Group by the Parent Company Enel SpA with respect to Emgesa, currently being under an update procedure with no modification with respect to the information of the parent company.

Corporate Purpose – The Group has as main purpose the generation and commercialization of electric energy in terms of Law 143 of 1994 and regulating, adding and modifying or repealing regulations, and any type of activity related directly, indirectly, complementarily or auxiliary with the business of fuel gas trading furthering necessary actions for the preservation of the environment and good relationships with the community in the area of influence of the projects thereof; and performs works, designs and consultancy in electric engineering and marketing of products for the benefit of the customers. Likewise, the Company can, in development of its corporate purpose perform all activities related with exploration, development and investigation, exploitation, marketing, storage, trading, transportation and distribution of minerals and stone material, as well as administrative, operational and technical material related with production of minerals and exploration and exploitation of deposits in the Republic of Colombia including purchase, sale, lease, distribution, import and export of raw material, elements, machinery and equipment for the mining sector. Similarly, the Company can promote and create establishments and agencies in Colombia and abroad; acquire at any title any type of real or personal property, lease, dispose, encumber and grant as guarantee thereof; exploit trademarks, trade names, patents, inventions or any other intangible property; participate in public and private bids; enter into and perform any kind of agreements and acts, whether civil, labor, commercial or financial of any necessary nature, convenient or appropriate for the accomplishment of its targets; give or receive from its shareholders, parent companies, subsidiaries, and third parties lent money; draw, accept, endorse, collect and pay any kind of securities, negotiable instruments, shares, execution titles and any other; enter into companies agreements or acquire shares in companies and participate as shareholder in other companies of public services; split and merge with other companies with a similar corporate purpose; assume any form of association or corporate collaboration with physical and legal persons, national and foreign to further activities related, connected and complementary to its corporate purpose.

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**Change of Corporate Purpose of the Group** - on December 18th of 2017 an extraordinary meeting of the General Assembly of Shareholders was held where the opening of new business lines was approved, and as a consequence the extension of the corporate purpose of the Group, in the sense of including thereof (i) imports of liquid fuels derived from oil for energy generation as well as import of natural gas for the generation of energy and/or its marketing and (ii) participation in markets of financial derivatives of energy commodities. The formalization and further registry of this amendment of the corporate purpose of the Group is subject to its approval by the Bonds Holders Assembly, which must be held in accordance with the law, taking into account that the Group is listed in the National Registry of Securities' Issuers.

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

Central	Technology	Declared Capacity
Guavio	Hydraulic	1.259,9 MW
Betania	Hydraulic	540,0 MW
El Quimbo	Hydraulic	396,0 MW
Guaca	Hydraulic	324,0 MW
Paraíso	Hydraulic	276,0 MW
Charquito	Hydraulic	19,4 MW
Tequendama	Hydraulic	56,8 MW
Limonar	Hydraulic	18,0 MW
Laguneta	Hydraulic	18,0 MW
Darío Valencia	Hydraulic	150,0 MW
Salto II	Hydraulic	35,0 MW
Martín del Corral	Thermic	224,0 MW
Cartagena	Thermic	187,0 MW

## Gas Marketing

In 2017, the Group continued its consolidation in the natural gas marketing market in Colombia, achieving the entry of two new industrial customers, in Cartagena and in Mosquera opening a new market in Cundinamarca; the new customers began consumption in December 2017. In the same way, it was possible to continue with the attention of two industrial clients whose agreements expired on November 2017, the agreements were signed with validity between one and three years. Total sales were 72.9 Mm<sup>3</sup>, with which a variable margin of \$3,420,220 was obtained, which meant a contribution of 0.15% of the Group's variable margin, while in 2016 sales were 87.9 Mm<sup>3</sup> and variable margin of \$1,515 .111.

Ten industrial customers (Not Regulated) were serviced in Bogotá, Manizales and Cartagena and 6 customers at the wellhead (Secondary Market) and it was possible to ensure the long-term gas supply (up to 2023) of the fields of Cusiana-Cupiagua and Clarinete 1.

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### Legal and Regulatory Framework

For the establishment of the new framework ordered by the Constitution, the Law on Residential Public Services (Law 142 of 1994) and the Electricity Law (Law 143 of 1994) were issued, whereby the general criteria and the policies that must govern the provision of domiciliary public services in the country and the procedures and mechanisms for its regulation, control and surveillance.

The main institution of the energy sector is the Ministry of Mines and Energy, which through the Mining and Energy Planning Unit (UPME), draws up the National Energy Plan, the Generation - Transmission Reference Expansion Plan and the Natural Gas Supply Plan. The Energy and Gas Regulation Commission (CREG) and the Superintendence of Public Services (SSPD) are responsible, respectively, for regulating and supervising companies in the sector, furthermore, the Superintendence of Industry and Commerce is the national authority for competition protection matters.

Electricity Law makes feasible the constitutional approach, regulates the activities of generation, transmission, distribution, and commercialization of electricity, creates market and competition environment, strengthens the sector and delimits State intervention. Taking into account the characteristics of each of the activities or businesses, a general guideline was established for the development of the regulatory framework, the creation and implementation of rules that would allow free competition in the business of generation and commercialization of electricity, while the guideline for the transmission and distribution business was oriented to the treatment of such activities as monopolies, seeking in any case conditions of competition where this was possible.

Law 1715 of 2014 regulates the integration of Non-Conventional Renewable Energies (ERNC) to the national energy system. This regulation gives tax and tax incentives to developers of projects associated with these technologies, without affecting the architecture of the current wholesale market. Likewise, it suggests creation of a fund for research and realization of ERNC and energy efficiency projects, and defines the general regulatory framework for the participation of self-generation in the market.

With the implementation of the Indicative Action Plan 2017-2022 for the development of the Program for Rational and Efficient Use of Energy (PROURE) by the Ministry of Mines and Energy through Resolution 41286 of 2016, the objectives and goals indicative of energy efficiency and sectorial actions and measures and strategies are defined.

The Commission for Regulation of Energy and Gas through CREG Resolution 140 of 2017, defined a new methodology for calculating the shortage price of Reliability Charge, which is called the marginal price of scarcity (PME); this PME will govern the assignments of Firm Energy Obligations (OEF) that will be carried out in the future, and therefore, it will represent the price at which said energy will be remunerated, during a critical period. With this new calculation methodology, decoupling between the cost of local generation and fuel price markers in the international market is avoided, since the marginal price of scarcity reflects the costs of local fuels.

The regulation in the natural gas sector is aimed at meeting the objectives set forth in Law 142 of 1994: i) guarantee the quality of service to ensure improvement of life quality of users, ii) permanent extension of coverage, iii) continuous and uninterrupted service provision, iv) efficient provision, v) freedom of competition and non-abusive use of a dominant position.

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As of the issuance of Decree 2100 of 2011, a regulation has been issued specifically oriented to ensure and guarantee the supply, reliability and continuity of service. In this sense, regulatory instruments have been defined in order to encourage imports and increase gas production, standardization of contractual modalities in order to ensure the attention of essential definite demand, definition of negotiation mechanisms that promote the competition, setting of efficient prices, and creation and consolidation of a market manager in order to have timely operational and commercial information of the sector.

The Ministry of Mines and Energy through Resolution 40006 of 2017 adopts the Transitory Plan for the Supply of Natural Gas, which initiates calling and allocation processes to carry out the works required by the UPME to guarantee safety of supply and reliability in the short and medium term. As part of this process, at a regulatory level, CREG has included within its Regulatory Agenda the development of regulations related to gas infrastructure, such as regasification terminals, open season and extensions through calls for the natural gas transport network.

On the other hand and as part of the analysis and monitoring of the transactions and results of the natural gas market negotiations, in August 2017, CREG through Resolution 114 adjusted some aspects related to the commercialization of the natural gas wholesale market and compiled Resolution CREG 089 of 2013 with all its adjustments and modifications.

Subsidiary Entity - Sociedad Portuaria Central Cartagena SPCC S.A., (hereinafter "the Group"), is a commercial corporation, incorporated on September 18th 2009, by means of public deed No. 2643 of Notary 11 of Bogota and registered in the Chamber of Commerce of Bogotá on November 18th, 2009. Its legal duration extends until September 18, 2059.

Corporate purpose - Its main purpose is the investment, construction and maintenance of public and private docks and ports, administration of ports, provision of loading and unloading services, storage in ports and other services directly related to port activity, development and operation of docks and multipurpose ports, in accordance with the law. In addition, provide port services, either as a port operator and allow the provision of services by other port operators; in furtherance of its main corporate purpose it may associate with other port companies or holders of special authorizations referred to in Article 4 of Law 01 of 1991, temporarily or permanently, with the purpose of facilitating the use of marine areas of common use, adjacent to the port by performing works such as: dredging, filling and oceanic engineering works, among others, provide common benefit services that are necessary, as well as to perform other complementary activities.

On July 30th, 2010, the Group entered into the concession agreement No. 006 of 2010, with the National Institute of Concessions - INCO today National Infrastructure Agency - ANI, modified by Addendum No. 001 subscribed on December 22, 2014. Its most relevant aspects are described below:

*Concession Contract (See note 39)*

*Purpose - Right to occupation and use in a temporary and exclusive basis the beaches, low tide lands, accessory areas and port constructed infrastructure, located in the sector of Mamonal, District of Cartagena, and Department of Bolívar.*



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

*Form of Payment - Initially, the payment method was agreed on 20 anticipated annuities, however in August 2011, the Group decided to cancel the debt to the National Institute of Roads and Treasury of Cartagena, with a loan granted by Emgesa S.A E.S.P. of \$569,144 for a term of 7 years and payment method 100% of capital plus interest at maturity.*

*Investment Plan - The contract establishes an investment plan that the Group will develop in the area of public use equivalent to US \$327,009, and also authorizes the execution of investments on account and risk of the concessionaire for USD \$1'673.646 in order to build port infrastructure under the required standards of operation and security in the period established in the schedule of activities registered in the Addendum No.001 of December 22, 2014, subject to the timely approval of the competent environmental authority. The contractual investment plan indicates the activities to be developed, amount of the investment, duration and programming for the construction, testing and commissioning. In the event that the concessionaire requests modification of the approved investment plan, it must guarantee at least that present value of investments is equal to US \$ 181,975.*

*Term of the Concession: The term of the concession granted is for a term of 20 years counted from the date of completion of the port concession agreement. In no case will there be an automatic extension, which can occur provided it is authorized by law or is processed with the competent body subject to the procedure established for that purpose by current regulations.*

*Group Obligations – The Group undertakes to comply with all the legal and contractual obligations necessary for the development of this contract, in particular:*

- > Pay the concession's consideration and the surveillance fee established in the contract, in accordance with the legal provisions in force and the corresponding terms.
- > Develop port activities in accordance with current legal provisions.
- > This infrastructure is in regular state of conservation but the concessionaire is obliged to recover it during the initial four years of the concession. Once the final infrastructure is built, the concessionaire will deliver the barge free of charge to the Nation, in a good state of conservation and operation.
- > Concessionaire commits during the first year to initially operate with the existing port infrastructure and with the floating dock. At the beginning of the 25th concession month, the construction of a fixed dock will begin.
- > Do not develop unfair competition.
- > Do not assign the concession agreement totally or partially without prior authorization.
- > Comply with the regulations of the Superintendence of Ports and Transportation.
- > Conserve the environment.
- > Inform the National Institute of Concessions- INCO, today, the national infrastructure agency - ANI and the Superintendence of Ports and Transport, the volume of cargo moved, for this purpose must submit a monthly report containing the tons mobilized per type of cargo.
- > Inform the Regional Autonomous Corporation of the Canal del Dique - CARDIQUE, the volume of cargo mobilized; for this end, it must submit a semi-annual report containing the tons mobilized by type of cargo, type of vessel, origin and final destination.

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## 2. Bases for submission

Emgesa S.A. E.S.P. and its affiliate, (hereinafter the Group) submits its general purpose financial statements in Colombian pesos and the values have been rounded to the nearest thousand pesos unit (COP \$ 000), except when otherwise indicated.

Separate financial statements include comparative information corresponding to the previous period.

The accounting principles applied in its preparation are those detailed below:

### 2.1. Accounting principles

Consolidated general purpose financial statements of the Group at December 31, 2017, have been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia (AFIS), which include the International Financial Reporting Standards -IFRS-, International Accounting Standards -IAS, SIC interpretations, IFRIC interpretations and conceptual framework for financial information, applicable, issued and approved by the International Accounting Standards Board (IASB) at December 31 of 2014 and which were published in Spanish by said body in August 2015, and incorporated into the Colombian accounting technical framework in accordance with Law 1314 of July 13, 2009, regulated by Sole Regulatory Decree 2420 of 2015, the amendments of the Decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017.

Emgesa S.A. E.S.P. and Sociedad Portuaria Central Cartagena S.A. belong to Group 1 of implementation according to the definitions of Decrees 2784 of December 28, 2012 and 3024 of December 27, 2013, in accordance with the requirements the Group issued the first comparative financial statements under the AFIS at December 31 of 2015.

These general purpose financial statements have been prepared following the business-in-progress principle by applying the cost method, with the exception, in accordance with the AFIS, of assets and liabilities recorded at fair value.

Preparation of financial statements in accordance with AFIS requires the use of certain critical accounting estimates. It also requires that Management exercise its judgment in the process of applying accounting

### 2.2. Base contabilidad de causación

The Group prepares its financial statements, using the basis of accrual accounting except for the information of cash flows.

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### 2.3. Accounting Standards and Financial Information Accepted in Colombia issued not yet in Force.

Decreets 2496 of December 2015, 2131 of December 2016 and 2170 of December 2017 introduced new standards, modifications or amendments issued or prepared by the International Accounting Standards Board (IASB) into the financial regulatory framework to the International Financial Reporting Standards between 2014 and 2016, to evaluate its application in financial periods beginning on or after January 1, 2018, although its application could be made in advance.

2.3.1. New standards incorporated into the accounting framework accepted in Colombia which effective implementation is as of January 1, 2018.

#### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 brings together three aspects of the project of accounting of financial instruments: Classification and measurement, impairment and hedge accounting.

IFRS 9 enters into force for annual periods beginning as of January 1, 2018, allowing early application; a retrospective application is required, but comparative information is not mandatory. The standard includes the exception for hedge accounting, which requirements are generally applied prospectively, with some limited exceptions.

The Group plans to implement the new standard on the required effective date, with retrospective application and will not re-express comparative information; impact of transition will be reflected in the initial accumulated profits of the annual reporting period including the date of the initial application.

During 2017, the Group conducted a detailed assessment of the impact of the three aspects of IFRS 9; this assessment is based on the information currently available and may be subject to changes arising from the additional reasonable and sustainable information available when implementing IFRS 9.

From the preliminary assessment, the company has detected the following impacts:

(a) Classification and measurement

The Group does not expect any impact on the statement of financial position or equity when applying the classification and measurement requirements of IFRS 9.

Equity shares in unlisted companies are intended to be maintained for the foreseeable future. The Group will apply the option to record changes in the fair value in ORI and, therefore, the application of IFRS 9 will have no impact.

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In general, loans and commercial accounts receivable are maintained to collect the contractual cash flows; and are expected to generate cash flows that represent only capital and interest payments. The Group analyzed the contractual characteristics of cash flows of these instruments and concluded they meet the criteria for measuring amortized cost according to IFRS 9. In the cases in which sales of financial assets are made, there has been a substantial transfer of the risks and benefits and the corresponding cancellation of assets. Therefore, there are no changes in the classification and measurement of these items.

### (b) Impairment

IFRS 9 requires the Group to record the expected credit losses on all its debt securities, loans and trade receivables, either for 12 months or for the life of the assets. The Group will apply the simplified approach analyzing the counterparts individually and/or collectively, and will record the expected losses that correspond to each of the commercial accounts receivable. Preliminarily, the Company does not expect a material impact.

### (c) Hedge accounting

The Group determined that all existing hedging relationships currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has elected not to retrospectively apply IFRS 9 in the hedge transition. IFRS 9 does not change the general principles of how an entity accounts for effective hedges, therefore the application of hedging requirements of IFRS 9 will not have a significant impact on the Group's financial statements.

## **IFRS 15 Income of Ordinary Activities Arising from Agreements with Customers**

The issuance in May 2014 of IFRS 15 Revenue from ordinary activities from agreements with customers and the United States standard - USA analogous (ASC606) are the result of joint work of the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in order to clarify the principles for the recognition of income from ordinary activities and improve the presentation of financial reports by creating a common standard of revenue recognition for IFRS and US GAAP.

The objective of IFRS 15 is to provide a single and comprehensive revenue recognition model for all agreements with customers, except for leases, financial instruments and insurance contracts; and improve comparability within industries, between industries and between capital markets; having as a basic principle that a Company recognizes income from ordinary activities in a way that represents the transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the Group expects to be entitled in exchange for said goods or services.

IFRS 15 sets forth a revenue recognition model for ordinary activities from contracts with customers based on the following 5 stages:

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- > Stage 1: Identify the agreement or agreements with customers.
- > Stage 2: Identify performance obligations in the agreement.
- > Stage 3: Determine the price of the transaction.
- > Stage 4: Assign the price of the transaction between the performance obligations of the agreement.
- > Stage 5: Recognize revenue from ordinary activities when (or as) the entity meets a performance obligation.

IFRS 15 replaces the current requirements regarding recognition of revenue from ordinary activities; allowing a modified retrospective or complete retrospective approach to implementation, effective for periods beginning on or after January 1, 2018. Early implementation is allowed. The Group plans to implement the standard using the modified retrospective approach, which means that the cumulative impact of the implementation will be reflected in the opening balance of accumulated profits of 2018 and that the comparative financial information will not be restated.

During the year 2017, the Group completed the review of potential impacts of the implementation of IFRS 15 in financial statements and has identified there will be no substantial impact in the opportunity and amount of the recognition of the income of the Group.

According to the analyses performed in the implementation of IFRS 15, no changes were determined to affect the current policy of recognition of income from ordinary activities.

In preparation for the implementation of IFRS 15, the Group has considered the following:

### **Portfolio approach:**

The Group obtains main income flows from the sale of goods and/or rendering of services based on the supply of energy in Wholesale, Unregulated and Stock Market. It also supplies Gas to different market agents.

The practical solution of paragraph 4 of IFRS 15 allows this standard to be applied to a portfolio of contracts; for this reason, the Group, through the identification of income flows, defined the sets of agreements with customers with similar characteristics in the contractual terms and conditions (cluster). The clusters were determined using the following typifications: a) Type of goods or services offered (electricity, value-added services); b) Market typology (regulated, not regulated); or c) Type of client (size, type, sector); which following the model of 5 steps and special topics of the IFRS 15 allow the identification of goods or services promised in contracts.

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Contracts with multiple goods and/or services:

IFRS 15 in paragraphs 26 to 30, states: A contract with multiple goods and/or services occurs when the Group identifies several performance obligations in the transfer of goods and/or services offered to customers, and these can be satisfied independently.

Below is a detailed analysis of the different contracts related to the provision of goods and/or services that the Group offers to its customers.

- > **Wholesale Market Energy Sale:** Only one performance obligation associated with the customers of this market, which is the sale of electricity, occurs. Consequently, there are no contracts with multiple goods and services associated with this market. In the Wholesale Market, where the Group provides goods and/or services, the group acts as principal.
- > **Sale of Energy Non Regulated Market:** For this service a performance obligation was identified, which is the sale of electric energy to customers in this market. Therefore, there are no agreements with multiple goods and services associated with this market. The group acts as principal in the non-regulated market, in which the Group supplies goods and/or services.
- > **Exchange Market Energy:** Three performance obligations are submitted: Power sale, Security clearance and other complementary services, which represent a promise to transfer a series of goods and/or services that are substantially the same and that have the same pattern of transfer to the customer. Therefore, it is not considered that the contract in the stock market presents multiple goods and services to customers. In the stock exchange market in which Group supplies its goods and/or services, the Group acts as principal.
- > **Sale of fuels:** Depending on the contract, one or two performance obligations can be recorded, which are:
  - Gas supply.
  - Supply of gas and transport

There are no agreements with multiple goods and services because performance obligations are highly interdependent and have the same transfer pattern to end customers. In this market, the Group acts as principal

- > **Other Income:** In this item the Group has revenues under the scope of IFRS 15 that correspond to the reliability charge.

In the reliability charge, the performance obligation is the final delivery of energy to the secondary market agents. This market does not present multiple goods and services. In the reliability charges the Group acts as principal.

- > **Contract for availability of the dock with Emgesa S.A.:** it is the main cluster and is composed of the port availability contract and the performance obligation identified in this cluster is the provision of the wharf service and consequently the contract under analysis contains the provision of only one committed service and the Company acts as principal

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- > **Wharf service, other users:** this cluster is made up of port service contracts entered into with users other than Emgesa S.A. and a performance obligation is identified that is the provision of the wharf service; therefore, the contract contains the provision of a single committed service and the Company acts as principal.

### **Satisfaction of performance obligations:**

IFRS 15 in paragraphs 31 and 35, establishes that satisfaction of performance obligations is carried out over time or at a point of time according to the pattern of transfer of goods and/or services granted to customers.

The Group identified that the satisfaction of performance obligations is carried out over time for the Wholesale, Unregulated, Stock Market, Fuel and other markets (Reliability Charges), since customers simultaneously receive and consume the goods and/or services provided by the Group, and benefit to the extent in which the agreements are executed.

The dock availability contract with Emgesa S.A. and wharf service, other users; the satisfaction of performance obligations is carried out over time, given that customers receive and consume the committed goods or services simultaneously and benefit as contracts are executed.

### **Variable considerations:**

IFRS 15 in paragraph 50 establishes that if the consideration promised in a contract includes a variable amount, the Group will estimate the amount of the consideration to which it will be entitled in exchange for the transfer of goods and/or services committed to customers.

- > **Sale of Wholesale, Non-regulated and Fuels Energy Market:** Negotiation of transaction prices are fixed and indexed to the producer price index (PPI), or according to the regulation framed in each of the agreements in the case of fuels. There are no variable considerations because there are no discounts, reimbursements, incentives, performance bonuses or other types of benefits that affect the amounts to be received established in the agreements, for the supply of goods and/or services to customers.
- > **Stock Exchange Energy Market:** Negotiation of prices in this market is regulated and fixed by the market (supply and demand) for the system administrator to execute, liquidate and collect the monetary values to the agents intervening in this market. There are no variable considerations since there are no changes in regulated prices of supply and demand established in this market.
- > **Other Income:** In the assignment of prices in the reliability charge a market mechanism is used that tends to the efficiency of the auction of final energy obligations. The foregoing does not imply variable considerations since in the determination of the price there are no modifications by variables such as discounts or rebates in prices not established by the market.

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- > **Agreement of wharf availability with Emgesa S.A.:** It is the main cluster, made up of the port availability contract entered into with Emgesa S.A. E.S.P.; the only identified performance obligation is the provision of wharf service, consequently this agreement contains the provision of a single committed service and the Company acts as principal.

### **Agreements with modifications:**

IFRS 15 in paragraph 18 establishes that agreements with modifications take place when there are changes in the scope or price approved by the parties, which create new rights and obligations required in the contract in exchange for the goods or services offered to the customers.

It was identified that due to the particularities of the market and the sector in which the Group supplies its goods and/or services associated with contracts with customers; there are no changes that provide new goods and/or services. There are also no changes in the price beyond previously agreed or regulated standards. Some changes can occur in dates or prices without these altering the consideration agreed between the parties in the supply of goods and services.

In the analysis carried out, Sociedad Portuaria Central Cartagena S.A. determined that income flows and associated clusters had no impact, due to the fact that there are no changes that provide new goods or services or that there are changes in the prices out of the conditions previously agreed or regulated. Changes that were identified are related to the dates of start or termination of the contract or prices without these altering the consideration agreed between the parties for the supply of goods and/or the provision of services.

### **Consideration as Principal or as Agent:**

IFRS 15 in paragraphs B34 to B38 establishes that when a third party is involved in providing goods and/or services to a customer, the Group must determine whether the commitment to comply with the performance obligation is at its expenses, or at the expense of a third party. In the event the Group controls the goods and services committed to the clients and satisfies the performance obligations on its own to the customers, it acts as principal. Otherwise, it acts as agent.

The Group acts as principal in markets where it supplies goods and/or services, because it controls and satisfies by itself performance obligations committed to customers.

### **Contract costs:**

IFRS 15 in paragraphs 91 to 98 allows an asset to be recognized for the costs of obtaining or fulfilling an agreement.

Due to the characteristics of the markets in which the Group supplies its goods and/or services, there are no incremental costs for obtaining or fulfilling an agreement



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### **Grant Agreements**

Once clusters defined by the Group were analyzed, no impacts arising from concession agreements were identified in the implementation of IFRS 15

### **IFRIC 22: Transactions in foreign currency and prepaid consideration**

This construction refers to the exchange rate to be used in transactions in foreign currency, when the consideration is paid or received before recognizing income, expenses or related assets. Its application will be as of January 1, 2018.

### **Amendments to IAS 7 - Disclosures**

This amendment is included in Annex 1.2 to Decree 2420 of 2015, through Decree 2131 of 2016, effective as of January 1, 2018. It is part of the IASB's disclosure initiative and requires the Group to disclose information allowing users of financial statements to evaluate changes in liabilities arising from financing activities, including changes that arise or not from cash inflows or outflows. In the initial application of the modification, companies would not be required to include comparative information from previous periods. The application of this amendment will result in additional disclosures in the Group's financial statements.

### **Recognition of deferred tax assets for unrealized losses - Amendments to IAS 12**

This amendment is included in Annex 1.2 to Decree 2420 of 2015, through Decree 2131 of 2016, effective as of January 1, 2018. This amendment establishes the need for a Company to consider whether tax laws restrict sources of taxable profits against which deductible temporary differences may be charged, in addition to providing guidance on how a company should determine its future tax profits and explain the circumstances in which tax profit may include recovery of certain assets for a value greater than book value.

Companies should apply these amendments retrospectively, however, at the time of the initial application of this amendment, the change in the opening equity of the first comparative period could be recognized in the opening retained profits (or in another equity component, as appropriate) without distributing the change between opening retained profits and other equity components. If the Group applies this exemption, it must disclose this fact. This amendment is expected to have no impact in the Group.

**2.3.2. New standards, amendments and constructions incorporated to the accounting framework accepted in Colombia which effective implementation is as of January 1 of 2019 and following.**

### **IFRS 16 Leasing**

The International Accounting Standards Board (IASB) issued IFRS 16 with effective application date as of January 1, 2019.

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IFRS 16 replaces existing guidelines for the accounting of leases, including IAS 17 leases, IFRIC 4, whether a contract contains a lease, SIC 15, incentives in operating lease operation, and SIC 27, evaluation of the substance of transactions that involve the legal form of a lease.

IFRS 16 introduces a single accounting record model of lease agreements in the statement of financial position for lessees. A lessee recognizes an asset upon the right of use representing the right to use the leased asset and a lease liability representing its obligation to make the lease payments. There are optional exemptions for short-term leases or leases of very low-value assets. The accounting treatment of lease agreements for lessors remains similar to current accounting standards in which the lessor classifies leases as financial or operating leases.

In addition, the nature of expenses corresponding to operating lease contracts as lessee will change with IFRS 16, from lease expenses to charges for depreciation of rights to use the asset and financial expenses in lease liabilities. To date, the Group has not calculated a preliminary impact of the implementation of this new standard that could have a significant impact on the financial statements. An anticipated implementation of this rule is not expected.

### **IFRIC 23 Uncertainties with Income Tax Treatment**

Construction deals with income tax accounting in cases where tax treatment includes uncertainties that affect the application of IAS 12 and does not apply to taxes beyond the scope of this IFRIC, nor does it include specific requirements related to interest and penalties associated with uncertain tax treatments. Construction deals with the following:

- > When the entity considers uncertain tax treatments separately.
- > Assumptions made by the entity about the examination of tax treatments by the corresponding authorities.
- > The way in which the entity determines fiscal profit (or fiscal loss), fiscal bases, unused fiscal losses or credits, and fiscal rates.
- > The way in which the entity considers changes in facts and circumstances.

A Company must determine if it evaluates each uncertain treatment separately or in groups, using the approach that best predicts the resolution of uncertainties.

This interpretation has not been introduced into the Colombian accounting framework by any decree to date. The application date to the established interpretation is for periods beginning on or after January 1, 2019. Bearing in mind that the Group operates in a complex tax environment, the application of this interpretation may affect its financial statements and disclosures. Additionally, the Group must establish processes and procedures to obtain the information necessary to apply this interpretation in a timely manner.

### **Transfer of Investment Property Amendments to IAS 40**

These amendments make some clarifications for cases in which a company must transfer properties, including properties under construction or investment properties. These amendments establish that a change in use occurs when the property begins to meet or fails to meet the definition of investment property and there is evidence of such

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change. A simple change in the intention to use the property by the Administration does not constitute evidence of a change in use. Companies must apply amendments prospectively on changes in use that occur from the period in which these amendments begin to be applied. Companies must re-assess the classification of the property maintained at that date and, if applicable, reclassify it to reflect conditions existing at that time. This amendment is included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 1, 2019. The Group will apply the amendments when they are effective, however, taking into account that the Group is currently in line with these clarifications, they are not expected to have an effect on the financial statements.

### **Classification and Measurement of Transactions with Payments Based on Shares. Amendments to the IFRS 2**

These amendments were issued by the IASB in order to respond to three main areas: effects of the conditions for the irrevocability of the concession in the measurement of payment transactions based on shares agreed in cash, classification of payment transactions based on shares with net settlement characteristics for tax withholding obligations and accounting when a modification to the terms and conditions of share-based payment transactions changes its classification from liquidated in cash to liquidated in equity. In this implementation, companies are required to apply amendments without re-expressing previous periods, but retrospective application is allowed if it is eligible for the three amendments and meets other criteria. These amendments are included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 1, 2019. The Group is evaluating the potential effect of these amendments in its financial statements

### **Amendment to IAS 1: Initiative on information to be disclosed**

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 with the aim of encouraging companies to apply professional judgment to determine what type of information to disclose in financial statements.

### **Amendment to IFRS 10, IFRS 12 and IAS 28: Investment entities, application of consolidation exception.**

These amendments of scope restricted to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Information to be Disclosed on Shares in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" clarify the application of the consolidation exception for entities investment and its subsidiaries. Modifications also reduce the requirements in particular circumstances, reducing costs of rules' application.

### **Improvements to IFRS (Cycle 2014-2016)**

Corresponds to a series of minor amendments that clarify, correct or eliminate a redundancy in the following standards: IFRS 1 "First-time implementation of IFRS", IFRS 12 "Information to be Disclosed on Shares in Other Entities" and IAS 28 "Investments in associates and joint ventures." The application is distributed as follows: IFRS 1: January 1, 2018, IAS 28: January 1, 2018.

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### **Amendment to IFRS 10 and NIC 28: Sale and 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 sale and contributions between an investor and its associate or joint venture.

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

The Group is assessing the impact IFRS 16 will have on the effective date of its application. In addition, the Administration estimates the remaining norms and amendments pending implementation will not have a significant impact on the Group's financial statements.

## 2.4. Accounting standards and financial information not incorporated in the accounting framework accepted in Colombia issued not yet in force.

### **IFRS 17 Insurance Agreements**

On May 2017, the IASB issued IFRS 17, a new comprehensive accounting standard for insurance agreements covering measurement and recognition, presentation and disclosure. Once in effect, IFRS 17 will replace IFRS 4, issued in 2005. IFRS 17 applies to all types of insurance agreements, regardless of the type of issuing entities, as well as certain guarantees and financial instruments with characteristics of discretionary participation. This standard includes few exceptions.

The general objective of the standard is to provide an accounting model for insurance agreements more useful and consistent for insurers. Contrary to the requirements of IFRS 4, which primarily seeks to protect previous local accounting policies, IFRS 17 provides a comprehensive model for these agreements, including all relevant issues. The essence of this standard is a general model, supplemented by:

- > A specific adaptation for contracts with characteristics of direct participation (variable rate approach).
- > A simplified approach (the allocation bonus approach) mainly for short-term agreements.

IFRS 17 has not been introduced into the Colombian accounting framework by any decree to date.

### **Application of IFRS 9 "Financial instruments" with IFRS 4 "Insurance agreements"- Amendment to IFRS 4**

Amendments are intended to resolve issues arising as a result of the implementation of the new financial instruments standard, IFRS 9, prior to the implementation of IFRS 17 "Insurance agreements", which replaces IFRS 4. These amendments introduce two options for entities that issue insurance contracts: a temporary exemption from the application of IFRS 9 and an overlay approach.

A Company may choose the overlay approach when it implements IFRS 9 and apply this approach retrospectively to financial assets designated in the transition to IFRS 9. These amendments should be applied retrospectively and have not

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been introduced in the Colombian accounting framework through any decree until this date. These amendments are not applicable to the Group.

### 2.5. Estimates and relevant accounting criteria

In the preparation of the financial statements, certain estimates made by the Management of the Group have been used to quantify some of the assets, liabilities, income, expenses and commitments recorded thereof.

The estimates basically refer to:

- Assumptions used in the actuarial calculation of liabilities and obligations with employees, such as discount rates, mortality tables, salary increases, among others.
- Useful life of properties, plant and equipment and intangible property (See Notes 3.7 and 3.6).
- Assumptions used to calculate the fair value of financial instruments (See Note 3.13).
- Income and expenses derived from the generation activity mainly from the sale of energy through bilateral contracts to the regulated and unregulated market, of energy exchange, of the secondary frequency regulation service (AGC) and the reliability charge, as well as the energy purchases necessary to meet said agreements.
- Probability of occurrence and amount of liabilities of uncertain or contingent amount (See Note 3.10).
- 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 3.7).
- The fiscal results, which will be reported to the respective tax authorities in the future, which have served as the basis for recording the different balances related to income taxes in these financial statements (See Note 3.11).

The judgments and estimates have been made with the information available on the date of issuance of these financial statements, it is possible that future events require to modify them upwards or downwards in future periods, performing it prospectively, recognizing the effects of the change in judgment or estimate in the next financial statements.

### 2.6. Subsidiary Entities

Subsidiary entities 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 included: i) control 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 returns.

Emgesa S.A. E.S.P. has power over its subsidiaries when it holds the majority of the substantive voting rights, or without this situation, it has rights that grant its current capacity to direct its relevant activities, that is, the activities that significantly affect performance of the subsidiary.

Emgesa S.A. E.S.P. will re-evaluate whether or not it has control in a subsidiary if the facts and circumstances indicate there have been changes in one or more of the control elements mentioned above.

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### 2.7. Consolidation Principles

Subsidiary companies are consolidated, incorporating in the consolidated financial statements all their assets, liabilities, income, expenses and cash flows once the corresponding adjustments and eliminations of reciprocal operations have been accomplished.

Comprehensive results of subsidiary companies are included in the consolidated comprehensive statement of income from the date on which the parent company obtains control of the subsidiary company until the date in which it loses control over the subsidiary.

Consolidation of operations of Emgesa S.A. E.S.P., the parent company, and the subsidiary company have been carried out following the basic principles below:

1. The value of the share of the non-controlling shareholders in the equity and in comprehensive results of the subsidiaries is shown, respectively, in items "Total equity: Non-controlling interests" in the consolidated statement of financial position and "Profit ( loss) attributable to non-controlling interests" and "Comprehensive result attributable to non-controlling share" in the comprehensive consolidated statement of results.
2. Balances and transactions of Balance Sheet and Results between consolidated companies have been eliminated in their entirety in the consolidation process.
3. Changes in participation in the subsidiary that do not result in a take or loss of control are recorded as equity transactions, the book value of the control and non-controlling share being adjusted to reflect changes in its relative shares in the subsidiary. The difference that may exist, between the value by which the non-controlling share is adjusted and the fair value of the consideration paid or received, is directly recognized in Equity attributable to owners of the parent company.
4. Consolidated companies have the Colombian peso as their functional currency; therefore, there is no conversion of foreign currency.
5. Any difference between assets and liabilities contributed to the consolidation and the consideration given is recorded directly in equity as a charge or credit to other reserves. The company does not apply a retrospective record of the combinations of a business under common control.

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### 3. Accounting Policies

The main accounting policies applied in the preparation of the general purpose financial statements attached are the following:

#### 3.1 Financial Instruments

##### 3.1.1. Cash and Other Equivalent cash means

Under this item of the statement of financial position, cash, balance in banks, term deposits and other short-term investments are recorded, equal to or less than 90 days from the date of investment of high liquidity quickly realizable in treasury with a low risk of changes in their value.

##### 3.1.2. Financial Assets

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

##### 3.1.2 .1. Debt Instrument

###### **(a) Financial assets at amortized cost**

A debt instrument is classified as measured at "amortized cost" only if the following criteria are met: the objective of the Group's business model is to maintain the asset to obtain contractual cash flows, and contractual terms give rise to dates specified to receive cash flows that are only payments of principal and interest on the outstanding capital.

The nature of implicit derivatives in a debt investment is considered to determine whether cash flows of investment are only capital and interest payments, and in that case these are not accounted for separately.

###### **(b) Financial assets at fair value**

If any above stated criteria for financial assets are not met, the debt instrument is classified as measured at "fair value with profits or loss"

##### 3.1.2.2 Equity Instrument

All equity instruments are measured at fair value. Equity instruments held for trading are valued at fair value with changes in profit and loss. For all other equity instruments, the Group may make an irrevocable election on initial recognition to recognize changes in fair value charged to other comprehensive income in equity.

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### 3.1.2.3 Financial instruments derived and hedged activities

Derivatives are initially recognized at fair value on the date on which the contract is entered into and are permanently re-measured at fair value.

If derivative financial instruments do not qualify to be recognized through the accounting treatment of hedges, are recorded at their fair value through the profit and loss statement. Any change in the fair value of these derivatives is recognized immediately in the profit and loss statement as "Other net gains/losses". If classified for hedging, the method to recognize profits or loss resulting from changes in fair values of derivatives depends on the nature of the risk and item being hedged.

The Group designates certain derivatives such as:

- (a) Hedges of fair value of recognized assets or liabilities (fair value hedge);
- (b) Coverages of a particular risk associated with a recognized asset or liability or of a highly probable forecasted transaction (cash flow hedge) or
- (c) Hedges of net investments in an operation abroad (net investment hedge).

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

The total of the fair value of derivatives used as hedges is classified as non-current assets or liabilities when maturity of remainder of hedged item is greater than 12 months, and is classified as current assets or liabilities when maturity of remainder of the item covered is less than 12 months. Derivatives not used for hedging or held for trading are classified as current assets or liabilities.

#### **(a) Fair value hedges**

Changes in fair value of derivatives designated and qualified as fair value hedges are recorded in the profits and loss statement, and gain or loss on hedged item attributable to hedged risk adjust the amount of the hedged item and are recognized in the results of the period. The gain or loss related to the effective portion of derivatives is recognized in profits and loss statement as "financial expenses", as well as the ineffective portion also recognized in the profits and loss statement but as "Other gains / (losses), net".

If hedge no longer meets the criteria to be recognized through the accounting treatment of hedges, the adjustment in the book value of hedged item is amortized in the results using the effective interest method, in the remaining period up to expiration.



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### **(b) Cash flow hedges**

The effective portion of changes in the fair value of derivatives designated and qualified cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as "Other gains / (losses), net".

Amounts accumulated in net equity are recorded in the income statement in the periods in which the hedged item affects them (for example, when projected covered sale occurs). However, when the anticipated covered transaction results in the recognition of a non-financial asset, gains or losses previously recognized in equity are transferred from equity and are included as part of the initial cost of the asset. Capitalized amounts are finally recognized in cost of sales when the sold products are sold, in the case of inventories, or in the depreciation, in the case of property, plant and equipment.

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

### **(c) Hedges of net investment abroad**

Hedges of net investments from operations abroad are accounted for in a form similar to cash flow hedges. Any gain or loss on the hedging instrument related to the effective portion of the hedge is recognized in equity. The gain or loss related to the ineffective portion of the hedge is recognized immediately in income as "Other gains / losses, net".

Gains and losses accumulated in equity are transferred to the income statement when the operation abroad is sold or partially derecognized.

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

### **3.1.3. Deudas (Obligaciones financieras)**

Debts are initially recognized at their fair value, net of the costs incurred in the transaction.

Debts are subsequently recorded at amortized cost; any difference between the funds received (net of transaction costs) and redemption value is recognized in the income statement during the period of the loan using the effective interest method.

The costs incurred to obtain debts are recognized as transaction costs to the extent that it is probable that part or all of the debt will be received. In this case fees are deferred until the loan is received. To the extent there is no evidence that part or all of the debt is likely to be received, the fees are capitalized as prepaid expenses for services to obtain liquidity and are amortized over the period of the loan with which they relate.

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Loans are classified in current liabilities unless the Group has the unconditional right to defer payment of the obligation for at least 12 months from the balance sheet date.

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

### 3.1.4. Financial Assets and Financial Liabilities with Related Parties

Loans and debts with related parties are initially recognized at their fair value plus directly attributable transaction costs. Subsequent to the initial recognition, these loans and debts are measured at amortized cost, using the effective interest rate method. Amortization of the interest rate is recognized in the income statement as financial income or costs or as other income or operating expenses, depending on the originating nature of the asset or liability.

### 3.1.5. Trade accounts payable

Trade accounts payable are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities, if payment must be made in a period of one year or less (or in the normal operating cycle of the company if it is longer). If payment must be made in a period greater than one year, are recorded as non-current liabilities.

Trade accounts payable are initially recognized at their fair value and the subsequent measurement is at amortized cost using the effective interest method.

### 3.1.6. Recognition and measurement

Conventional purchases and sales of financial assets are recognized on the trading date, which is the date in which the Group agrees to acquire or sell the asset. Financial assets are written off when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and benefits inherent to the property.

In the initial recognition, the Group values financial assets at their fair value plus, in the case of a financial asset not measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value with changes in results are recorded directly in the income statement.

Profits or losses of a debt instrument subsequently valued at fair value and not part of a hedging relationship are recognized in the results and are recorded in the income statement within "Other (losses) / earnings - net" in the period in which they occur.

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Profits or losses of a debt instrument subsequently valued at amortized cost and not part of a hedging relationship are recognized in the results of the period when the financial asset is written off or impairs and through the amortization process using the effective interest method.

Subsequently, the Group measures all equity instruments at fair value. When Management has chosen to record unrealized and realized fair value gains or losses, and losses on equity instruments in other comprehensive income, the fair value gains and losses cannot be recorded in the results for the year. Dividends of equity instruments are recognized in results, as long as they represent a return on investment.

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

### 3.1.7. Compensation of financial instruments

Financial assets and liabilities are offset and their net amount is recorded in the statement of financial position when there is a legally enforceable right to offset the amounts recognized and Management intends to settle the net amount or to realize the asset and settle the liability simultaneously.

### 3.1.8. Investments fair values

Fair values of investments with a stock price quote are based on their current price. If the market for a financial instrument is not active (or the instrument is not quoted on a stock exchange), the Group establishes its fair value using valuation techniques appropriate to the circumstances.

These techniques include the use of values observed in recent transactions made under the terms of free competition, the reference to other instruments substantially similar, analysis of discounted cash flows and option models making maximum use of market information and depositing the greater degree of confidence possible in internal information specific to the entity.

## 3.2. Inventories

The inventory include the materials on which the risks and typical benefits of the property have been acquired, in these classifications are materials.

Inventories are shown in current assets in the financial statements, even if they are carried out after 12 months, insofar as they are considered to belong to the ordinary operating cycle.

Cost of inventories is composed of the cost of purchase, and all costs directly or indirectly attributable to inventory, for example: transportation, customs duties, insurance, indirect taxes not recoverable, etc. and net of discounts, bonuses and commercial bonuses.

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Cost is measured according to the "weighted average" method, which considers the units of an item purchased on different dates and at different costs, belonging to a set in which individual purchases are no longer identifiable, but equally available.

The weighted average cost must include additional charges for example: costs for maritime freight, customs expenses, insurance, etc. attributable and referring to acquisitions during the period.

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

Obsolete materials are understood as those not expected to be sold or used in the ordinary operating cycle of the Group, such as, for example, scrap and technologically out-of-date materials. Surplus materials are considered as slow moving materials at a level of stock that can be considered reasonable, according to the normal use expected in the ordinary operating cycle. Obsolete and slow-moving inventories have the possibility of use or realization, which in some cases represent their value as scrap sale.

Inventory items consumed in maintenance affect the results of the Group.

At the date of submission of the financial statements, the amount of inventories does not exceed the recoverable amount.

### 3.3. Non-current assets held for sale and discontinued activities

The Group classifies as non-current assets held for sale property, plant and equipment, intangible assets, investments in associates, joint ventures and groups subject to expropriation (group of assets to be disposed of together with their associated liabilities), for which, on the closing date of the statement of financial position, active steps have been initiated for its sale and it is estimated that it is highly probable.

These assets or groups subject to being dispossessed are taken to the lesser of the amount in books and fair value, less costs until sale, and are no longer amortized from the moment they are classified as non-current assets held for sale.

Non-current assets held for sale and the components of the groups subject to expropriation classified as held for sale are recorded in the statement of financial position as follows: Assets in a single line called "Non-current assets or groups of assets for disposal classified as held for sale" and liabilities also in a single line called "Liabilities included in groups of assets for disposal classified as held for sale".

In turn, the Group considers discontinued operations those significant and separable business lines, sold or disposed of in another way, or that meet the conditions to be classified as held for sale, including, where applicable, those other assets that together with the line of business form part of the same sales plan. Likewise, discontinued activities are those entities acquired exclusively for the purpose of reselling them.

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The after-tax results of discontinued operations are recorded in a single line of the comprehensive income statement called "Profit (loss) of discontinued operations".

At the date of submission of these general purpose financial statements, the Group does not have non-current assets held for sale or discontinued operations.

### 3.4. Intangible assets

Intangible assets are initially recognized at their cost of acquisition or production and, subsequently, are valued at the net cost of their corresponding accumulated amortization and impairment losses that, if any, they have experienced.

Intangible assets are amortized linearly during their useful life, from the moment they are in using conditions. The Group assesses in the initial recognition whether the useful life of the intangible assets is defined or indefinite and the amortization period, which is reviewed at the end of each year.

The criteria for recognition of impairment losses on these assets and, as the case may be, the recoveries of impairment losses recorded in prior years are explained in the policy for impairment of assets value.

#### **(a) Research and development expenses**

The Group follows the policy of recording as intangible assets in the statement of financial position the costs of projects in the development phase, provided that their technical viability and economic profitability are reasonably assured. Research expenses are recognized directly in the results of the year.

#### **(b) Other intangible assets**

These assets correspond mainly to computer programs and rights. Their accounting recognition is initially carried out at the cost of acquisition or production and, subsequently, they are valued at the net cost of the corresponding accumulated amortization and losses due to impairment, if any, they have experienced.

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Lives used for the amortization are:

Concept	Years of estimated useful life	
	December 2017	December 2016
Studies and Projects	1	1
Licensees	3	3
Software	3	3
Rights *	50	50
Other Rights**	20	20

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Used life for concession amortization is 20 years.

(\*) Refer to the rights the Group has registered to obtain the usufruct of the greater flow of useful water coming from the Chingaza and Río Blanco projects. Its amortization is recognized by the straight line method.

(\*\*) In this item the legal stability premium for the Quimbo project is classified, which allows obtaining tax benefits for investments made in this plant; this premium has a useful life of 20 years according to the validity of tax benefits.

Profits or losses arising on sales or withdrawals of property, plant and equipment are recognized as other gains (losses) in the statement of comprehensive income and are calculated by deducting from the amount received from the sale, the net book value of the asset and the corresponding sales expenses.

### 3.5. Property, plant and equipment

Properties, plant and equipment are valued at acquisition cost, net of the corresponding accumulated depreciation and losses due to impairment. In addition to the price paid for the acquisition of each item, the cost also includes, where appropriate, the following items:

- > Costs for general and specific interests directly attributable to the acquisition, construction or production of eligible assets, which are those that necessarily require a substantial period of time before being prepared for the intended use or sale, are added to the cost of those assets, until the time comes when assets are substantially prepared for the intended use or sale. The Group defines substantial period as one that exceeds twelve months. The interest rate used is that corresponding to the specific financing or, if not existing, the average financing rate of the company that makes the investment.
- > Personnel expenses directly related to the construction in progress.
- > Future disbursements which the Group must undertake in connection with the closing of its facilities are included in the asset value at the updated value, recognizing the corresponding provision for dismantling or reinstatement. The Group annually reviews its estimate of the aforementioned future disbursements, increasing or decreasing the value of the asset based on the results of said estimate.
- > Spare parts are property, plant and equipment components when they meet the characteristics of recognition of assets, these parts are not part of the inventory of materials.

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Constructions in progress are transferred to assets in operation once the trial period has ended, that is, when they are available for use and in the conditions provided by management.

Costs of expansion, modernization or improvement representing an increase in productivity, capacity, efficiency or a lengthening of useful life of the assets are capitalized as a higher cost of the corresponding assets.

Replacements or renewals of complete elements that increase the useful life of the asset, or its economic capacity, are recorded as a higher value of the respective assets, with the subsequent accounting withdrawal of replaced or renewed items.

Periodic maintenance, conservation and repair expenses are recorded directly in the income statement as a cost of the period in which they are incurred.

Based on the result of impairment tests, the Group deems the book value of the assets does not exceed their recoverable value.

Property, plant and equipment, net of the residual value thereof, is depreciated by linearly distributing the cost of the different elements that make it up between the years of estimated useful life, which conform the period in which the Group expects to use them. The estimated useful life and residual values are reviewed periodically and, if appropriate, are adjusted prospectively. At the date of submission of these financial statements, the Group does not consider the residual value of its fixed assets to be significant.

The following are the main classes of property, plant and equipment together with their respective estimated useful lives:

Class of property, plant and equipment	Years of estimated useful life	
	December 2017	December 2016
Constructions and buildings	68	68
Plant, ducts and tunnels	74	75
Machinery and equipment	19	19
Communications equipment	11	11
Furniture, fixtures and office equipment	9	9
Computing equipment	5	5
Transportation, traction and lifting equipment	5	6

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Classes of property, plant and equipment	Years of estimated useful life	
	December 2017	December 2016
Submerged machinery and equipment	5	5
External machinery and equipment	10	10
Furniture, fixtures and office equipment	10	10

The Group defined that flooded properties located in the hydraulic generation plants are depreciable because they do not have a specific use after the end of the useful life of the plant, consequently their cost is depreciated within the line of plants, pipelines and tunnels at 74 years. Likewise, it was defined that from the environmental requirements of El Quimbo project there is an obligation to dismantle the machine house 50 years after the start of operation, for which the Group recorded in its financial statements the corresponding provision for dismantling at present value (see note 16 provisions).

The excess of tax depreciation over the accounting depreciation generates a tax effect recorded as a deferred tax liability.

Profits or losses arising on sales or withdrawals of property, plant and equipment are recognized as other profits (losses) in the statement of comprehensive income and are calculated by deducting from the amount received from the sale, the net book value of the asset and the corresponding sales expenses.

### 3.6. Assets impairment

#### 3.6.1 Non-financial assets (except for inventories and assets for deferred taxes).

Throughout the year and mainly at the closing date, it is evaluated whether there are indicators that any asset could have suffered an impairment loss. If there is any indicator, an estimate of the recoverable amount of said asset is made to determine, if applicable, the amount of impairment. In the case of identifiable assets that do not generate cash flows independently, the recoverability of the Cash Generating Unit (CGU) to which the asset belongs is estimated, understanding as such the smallest identifiable group of assets that generates independent cash inflows.

In the Group, all the assets operate in an integral manner and the cash flows of a plant cannot be considered independent from the rest of the generation assets; therefore, the Group as a whole is taken as the UGE Cash Generating Unit.

The recoverable amount is the greater between the fair value less the cost necessary for its sale and the value in use, understood as the current value of the estimated future cash flows. For the calculation of the recovery value of property, plant and equipment, of capital gain, and intangible assets, value in use is the criterion used by the Group in almost all cases.



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To estimate the value in use, the Group prepares the projections of future cash flows before taxes from the most recent available budgets. These budgets incorporate the best estimates of the Management on the income and costs of the Cash Generating Units using the sectoral projections, past experience and future expectations. These projections cover, in general, the next ten years, estimating the flows for the following years applying reasonable growth rates, which in no case are increasing nor exceed the average rates of long-term growth for the sector in question. These flows are discounted to calculate their current value at a tax rate before taxes reflecting the cost of the business capital. For its calculation, the current cost of money and the risk premiums used in general among analysts for the business are taken into account.

In the event the recoverable amount of the CGU is less than the net book value of the asset, the corresponding provision is recorded for impairment loss for the difference, charged to the item "Losses for impairment of value (Reversals)" of the statement of results. Said provision is allocated, firstly, to the value of the CGU's capital gain, if any, and then to the other assets that comprise it, prorating according to the book value of each of them, with the limit of its fair value less the selling costs, or their use value, and a negative value may not result.

Impairment losses recognized 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 with a credit to results with the limit of the book value the asset would have had if the accounting adjustment had not been made. In the case of capital gain, the accounting adjustments made are not reversible.

### 3.6.2. Financial Assets

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

In order to determine the need to adjust for impairment of financial assets, the following procedure is followed:

1) Assets with a commercial origin, the Group has defined a policy for the recording of provisions for impairment based on the age of the past due balance, which is applied generally, except in those cases where there is some particularity that makes it advisable the specific collection analysis.

The Group carried out an analysis based on the nature, impairment and payment behavior by type of portfolio, establishing the following:

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### Energy and Gas Portfolio

% Impairment	Portfolio class and seniority
100%	Portfolio with more than 360 days in arrears
Percentage determined according to the analysis	A monthly assessment will be carried out individually to the energy and gas portfolio individually significant and presenting impairment indicators. In the case of the portfolio not individually significant, impairment of value will be assessed collectively based on the historical behavior.

#### **Individual Portfolio Analysis from 0 to 30 days:**

The analysis on an individual basis will be based on objective evidence of impairment, which is generated as a result of one or more events occurred after the initial recognition of the asset, including the following observable information:

1. Amount at risk greater than \$100 Million.
2. Analysis of the financial impairment of the following aspects:
  - > Evaluation of Credit Risk Factor (frc) less than 5 in the last two years: this index seeks to reflect the ability of a client to respond with its payment obligations. This evaluation measures the credit risk that corresponds to the possibility of default or inability to pay of a counterpart. It is determined through an evaluation of the financial, accounting and performance backgrounds of the counterparty.
  - > Qualification of portfolio classified as consecutive D in the last 6 months.
  - > Reports in early warnings in the last 6 months.
3. Customer observable criteria such as the following:
  - > Guarantees held by company.
  - > Admission in processes such as concordat, restructuring agreement, reorganization, causes of dissolution due to losses or private, compulsory or judicial liquidation.
  - > Legal processes, filed lawsuits, concepts of lawyers, etc.
  - > Resolutions or administrative acts of regulatory bodies that resolve and compel the Group to freeze collections.

Percentage determined according to the analysis

Con base en el análisis efectuado anteriormente se determinara el porcentaje a provisionar.

#### **Individual Portfolio Analysis greater than 30 and less than 360 days:**

An individual process of monthly evaluation will be carried out of the energy and gas portfolio over 30 days and less than 360 days, based on objective evidence that takes into account observable information from our clients, such as:

- > Annual Assessment of Credit Risk Factor (CRF): The credit risk assessment is based mainly on quantitative aspects from the balance sheets and financial statements of the clients. Said balances and states will allow calculating financial indexes, which are weighted in such a way that a single value is obtained that measures a client's ability to respond to its payment commitments. Credit Risk Factor (CRF): is equal to the weighted amount of several indexes: acid liquidity, interest hedge, indebtedness, ROI, business seniority, payment behavior, judicial antecedents), each of them measures financial, accounting or performance attributes of a company. The CRF varies in a range of -2 to 10 and according to its values, it implies the guarantees requirements to the client company.
- > Guarantees held by company.
- > Admission in processes such as concordat, restructuring agreement, reorganization, causes of dissolution due to losses or private, compulsory or judicial liquidation.
- > Legal processes, filed lawsuits, concepts of lawyers, etc.
- > Resolutions or administrative acts of regulatory entities, which resolve and force the Group to freeze collections.

Based on the analysis made above, the corresponding provision will be recorded.  
All portfolio over 360 days is provisioned.

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### Other debtors

The following provision percentages will be applied to the portfolio of other debtors of the Group:

Provision	Seniority
100%	Portfolio greater than 360 days

In addition to the percentages previously established for each business, special case may arise indicating the non-collectability of the portfolio, which shall be evaluated by the responsible area, establishing the treatment to be applied.

### 3.9. Lease

To determine whether a contract is, or contains, a lease, the Group analyses the economic substance of the agreement, evaluating whether compliance with the contract depends on the use of a specific asset and whether the agreement transfers the right to use the asset. If both conditions are met, at the beginning of the contract, based on its reasonable values, the payments and considerations related to the lease are separated from the rest of the elements included in the agreement.

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

Financial leases in which the Group acts as lessee are recognized at the beginning of the contract, recording an asset according to its nature and a liability for the same amount and equal to the fair value of the leased asset, or to the present value of the minimum payments for the lease, if it was less. Subsequently, minimum lease payments are divided between financial expense and debt reduction. Financial expense is recognized as an expense and is distributed among the years that constitute the lease period, so that a constant interest rate is obtained in each year on the balance of the debt pending amortization. The asset is depreciated in the same terms as the rest of similar depreciable assets, if there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If there is no certainty, the asset is depreciated in the shorter term between the useful life of the asset or the term of the lease.

In the case of operating leases, quotas are recognized as an expense in the case of being a lessee, and as income in the case of being a lessor, in a straight line manner during the term thereof, unless another systematic basis of distribution is more representative.

### 3.10. Provisions, liabilities and contingent assets

Liabilities existing at the date of the financial statements, arising as a result of past events from which property losses may result from probable materialization for the Group, whose amount and time of cancellation are uncertain, are recorded in the statement of financial position as provisions for the present value of the most probable amount that is estimated the Group will have to pay to cancel the obligation.

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Provisions are quantified taking into consideration the information available on the date of issuance of the financial statements, on the consequences of the event in which their cause is brought and are re-calculated at each subsequent accounting closing.

As part of the provisions, the Group includes the best estimate of the risks for civil and labor and tax litigation, so it is not expected that additional liabilities will be released from those registered; given the characteristics of the risks covered by these provisions, it is not possible to determine a certain date of cancellation of the estimated obligation. When evaluating the probability of loss, the available evidence, jurisprudence and legal evaluation should be considered.

The risks for civil and labor litigation considered eventual are disclosed in the notes to the financial statements.

A contingent asset is given by the occurrence, or non-occurrence, of one or more uncertain events in the future, which are not entirely under the control of the entity. It is revealed when the entrance of benefits is probable; if the realization of the income is practically certain, it is recognized in the financial statements. The Group will refrain from recognizing any asset of a contingent nature.

### 3.11 Taxes

Comprende el valor de los gravámenes de carácter general obligatorio a favor del Estado y a cargo del Grupo, por concepto de las liquidaciones privadas que se determinan sobre las bases impositivas del período fiscal, de acuerdo con las normas tributarias del orden nacional y territorial que rigen en los sitios donde opera el Grupo.

#### 3.11.1. Income and complementary tax and deferred tax

Income tax expense for the period includes income tax, income surcharge, and deferred tax resulting from the application of the tax type over the tax base of the period, once deductions that are taxable are admissible, plus the variation of assets and liabilities for deferred taxes and tax credits. Differences between book value of assets and liabilities and their tax base generate deferred tax balances of assets or liabilities, which are calculated using tax rates expected to be in force when the assets and liabilities are realized, considering for such effect the rates that at the end of the reporting period have been approved or for which the approval process is practically completed.

The provision for income tax is calculated at the rate of 40% (this rate includes both the 34% income tax and the 6% income surcharge), by the accrual method and is determined based on the commercial profits refined according to tax regulations, in order to adequately relate the income of the period with its corresponding costs and expenses, and is recorded by the estimated liability amount.

In accordance with Law 1819 of 2016, the rate of income tax from 2018 onwards is 33%, which falls on the taxable profits obtained during each year; additionally, the same law established the income surcharge for 2018 of 4%.

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Deferred tax assets are recognized because of all deductible temporary differences, losses and tax credits not used, to the extent that it is probable there will be appropriate future tax profits to recover deductions for temporary differences and make tax credits effective, except deferred tax asset relating to deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that:

- (a) It is not a business combination and;
- (b) at the time it was made, it did not affect either the accounting profit or the tax profit (loss).

With respect to deductible temporary differences related to investments in subsidiaries, associates and joint arrangements, deferred tax assets are recognized only to the extent that it is probable that temporary differences will revert in the foreseeable future and tax gains are available against which temporary differences may be used.

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of capital gains and those whose origin is given by the valuation of investments in subsidiaries, associates and joint ventures, in which the Group can control the reversion thereof and it is likely that the same are not reversed in the foreseeable future.

The effect of the temporary differences implying payment of a higher or lower income tax in the current year is recorded as credit or debit deferred tax respectively to the current tax rates when differences are reversed according to the rate set forth in the Tax Reform, Law 1819 of 2016 (40% for 2017, 38% for 2018 and 33% in the following years), provided there is a reasonable expectation that such differences will be reversed in the future and in addition for the asset that at that time will generate sufficient taxable income.

Expense for income tax is recorded according to IAS 12 "ProfitsTax"

Current and the variations in the deferred taxes of assets or liabilities are recorded in income or in items of total equity in the statement of financial position, depending on where the originating profits or losses have been recorded.

Rebates that can be applied to the amount determined as current tax liabilities are charged to income as a credit to the item "Income tax expense", unless there are doubts about its tax performance, in which case they are not recognized until effective materialization, or correspond to specific tax incentives, registering in this case as subsidies.

At each accounting closing, deferred taxes recorded, both assets and liabilities are reviewed in order to verify they remain in force, making appropriate corrections thereof according to the result of the aforementioned analysis.

Income tax is recorded net, after deducting the advances paid and withholding at source taxes in favor.

Deferred tax assets and deferred tax liabilities are recorded net in the statement of financial position, if entitled to the legally enforceable right to offset assets for current taxes against current tax liabilities, and only if these deferred taxes are related with taxes on the corresponding profits to the same fiscal authority.

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### 3.11.2. Wealth tax

Law 1739 of December 2014 created the wealth tax for the years 2015 to 2017 for legal persons. The tax is determined at the rate of 1.15%, 1% and 0.4% for the years 2015, 2016 and 2017, respectively, for assets above \$ 5,000,000; and it is calculated annually on the net equity as of January 1 of each taxable year decreased in \$ 5,000,000.

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

In January 2017, the Group recognized the liability for the tax corresponding to 2017, affecting the income statement.

### 3.11.3. Tax on Sales

Electric power generation is not taxed on sales tax (VAT), but the Group additionally provides services such as: rental or leasing of equipment, maintenance of equipment, sale of scrap, lease of land, among other services taxed to general rate of 19%, except for services provided to state entities, in which case the rate is 16%.

The treatment of sales tax (VAT), in purchases of goods and services is recorded as a higher value of the cost or expense, in addition the tax reform Law 1819 of 2016 modified the rate of this tax from 16% to 19% from January 1, 2017.

1. The equipment that is leased and provides maintenance service are of median as: meters and modems.
2. The properties that are leased are:
  - Via Central Cartagena.
  - Ubalá Lot- Guadualito
  - Hydrological stations lot
  - Suite D115 Campamento Mambita.

For Sociedad Portuaria Central Cartagena S.A. the value of the sales tax is estimated taking into account the current regulations and is submitted every four months according to the caps set forth by the standard.

Sales tax is recorded net, after discounting VAT withheld by third parties and the discountable VAT estimated from apportionment.

## 3.12. Benefits to employees

### a. Pensions

The Group has pension commitments, both of defined benefit and defined contribution, which are basically implemented through pension plans. For defined benefit plans, the Group records the expense corresponding to these commitments following the accrual criterion during the employees' working life, as of the date of the financial statements, actuarial studies are available using the credit unit's method projected; past service costs that correspond to variations in benefits are recognized immediately; commitments for defined benefit plans represent the current value of accrued obligations. The Group does not have assets subject to these plans.

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### **b. Other obligations subsequent to the employment relationship**

The Group grants its retired pensioned employees, educational assistance benefits, energy assistance and health assistance. The right to the aforementioned benefits generally depends on the employee having worked until retirement age. Expected costs of these benefits accrue during the period of employment using a methodology similar to that of the defined benefit plans. Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually or when the parent company so requires, by independent and qualified actuaries.

The retroactivity of the severance payments, considered as post-employment benefits, is settled to those workers belonging to the labor regime prior to Law 50 of 1990 and who did not accept the change of regime, this social benefit is settled for all the time worked based on the last salary earned. In the latter case, only a small number of workers and actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to the other comprehensive result.

The Group implemented a voluntary retirement plan that, within its benefits, contemplates a temporary rent payment for employees who accepted said plan and who have less than ten years to qualify for the old-age pension; the benefit consists in the monthly payment between 70% and 90% of the salary of an economic benefit, from the moment of the termination of the work contract by mutual agreement and up to four (4) months after the worker meets the requirement of age established at the date in the Law to have access to the old-age pension (62 male years, 57 female years), these payments will be made through resources placed by the Group in a private fund account and assigned to each employee who accepted the plan; it has been given the treatment of a post-employment benefit since it is the responsibility of the Group to provide the additional resources required to the fund to cover this obligation or to receive the refund in case of surpluses. The defined benefit obligation is calculated by independent actuaries using the projected credit unit method.

### **c. Long Term Benefits**

The Group recognizes its active employees benefits associated with their time of service, such as the five-year periods. Expected costs of these benefits accrue during the period of employment, using a methodology similar to that used for the defined benefit plans.

Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to the result of the period in which they arise. These obligations are valued annually or when the parent company so requires, by qualified independent actuaries.

### **d. Benefits for credits to employees**

The Group grants its employees loans at rates lower than market rates; for this reason the current value thereof is calculated by discounting future flows at the market rate, recognizing as a profit paid in advance the difference between the market rate and the granted rate, charged to accounts receivable. The benefit is amortized over the life of the loan as a higher value of personnel expenses and accounts receivable are updated at amortized cost reflecting their financial effect in the income statement.

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### 3.13. Estimation or fair value

The fair value of an asset or liability is defined as the price that would be received for selling an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Measurement at fair value assumes the transaction to sell an asset or transfer a liability takes place in the main market, that is, the market with the highest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed the transaction takes place in the most profitable market to which the entity has access, that is, the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

For the determination of fair value, the Group uses valuation techniques, including those used for financial obligations recorded at fair value at the time of disbursement, as contractually defined, according to an active market for liabilities with similar characteristics; in both cases (assets and liabilities) with sufficient data to perform the measurement, maximizing the use of relevant observable input data and minimizing the use of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified at the following levels:

**Level 1:** Quoted price (unadjusted) in an active market for identical assets and liabilities;

**Level 2:** Input data other than quoted prices included in level 1 and that are observable for assets or liabilities, either directly (that is, as a price) or indirectly (that is, derived from a price). Methods and assumptions used to determine fair values of level 2, by class of financial assets or liabilities, take into account the estimation of future cash flows, discounted with the zero coupon curves of interest rates of each currency. All described valuations are made through external tools, such as "Bloomberg"; and

**Level 3:** Input data for assets or liabilities not based on observable market information (unobservable input data).

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

- > For non-financial assets, a fair value measurement takes into account the market participant's ability to generate economic benefits by using the asset at its maximum and best use, or by selling it to another market participant who would use the asset at its maximum and best use;
- > For liabilities and own equity instruments, the fair value assumes the liability will not be settled and the equity instrument will not be cancelled, nor will they be extinguished otherwise on the measurement date. The fair value of the liability reflects the effect of default risk, that is, the risk that an entity does not fulfill an obligation, which includes, but is not limited to, the Group's own credit risk;
- > In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the counterparty, it is allowed to measure the fair value on a net basis, in a manner consistent with the way in which market participants would put a price to the net risk exposure on the measurement date.



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### 3.14. Conversion of foreign currency

#### 1. 1. Functional currency and presentation currency

Items included in financial statements are valued using the currency of the main economic environment in which the entity operates (Colombian Pesos).

Financial statements are submitted in "Colombian Pesos", which are both the functional currency and the presentation currency of the Group. Their figures are stated in thousands of Colombian pesos, except for the net profit per share, the representative market rate stated in Colombian pesos, and currencies (for example, dollars, euros, pounds sterling, etc.) stated in units.

#### 2. Transactions and balances in foreign currency

The operations carried out by the Group in a currency other than its functional currency are recorded at the exchange rates in effect at the time of the transaction. During the fiscal year, differences occurring between the exchange rate recorded and that which is in effect on the date of collection or payment are recorded as exchange differences in the income statement.

Likewise, at the close of each fiscal year, conversion of balances receivable or payable in a currency other than the functional currency of each company is carried out at the closing exchange rate. The valuation differences produced are recorded as exchange differences in the statement of comprehensive income.

Balances denominated in foreign currency are stated in Colombian pesos at representative exchange rates as of December 31, 2017 and December 31, 2016 of \$2,984.00 and \$3,000.71 for US \$1 and \$3,583.18 and \$3,165.44 for 1 Euro.

### 3.15. Classification of balances in current and non-current

The Group records in its Statement of Financial Position the assets and liabilities classified as current and non-current once the assets available for sale have been excluded, as well as the liabilities available for sale. Assets are classified as current when they are intended to be realized, sold or consumed during the normal business cycle of the Group or within the next 12 months after the reporting period, all other assets are classified as non-current. Current liabilities are those the Group expects to settle within the normal operating cycle or within the next 12 months after the reporting period, all other liabilities are classified as non-current.

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

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### 3.16. Recognition of income

Income is charged based on the accrual criterion.

Ordinary income is recognized when there is a gross inflow of economic benefits originated in the course of the Group's ordinary activities during the year, provided that the entrance of benefits causes an increase in the total equity not related to contributions of equity owners and such benefits can be valued with reliability.

Ordinary income is assessed at the fair value of received or receivable consideration, derived thereof and are charged based on the accrual basis.

The following criteria are followed for its recognition:

The income from the Generation activity comes mainly from energy sales through bilateral contracts to the regulated and unregulated market, the energy exchange, the secondary frequency regulation service (AGC) and the charge for reliability. The income originated by the sale of energy is recognized in the month in which the energy is delivered, regardless of the date in which the invoice is prepared. Therefore, at the end of each month, energy sales not yet invoiced are recorded as estimated income.

Likewise, for the gas commercialization business, revenues are recognized in the month in which it is delivered to the final customer independent of the month in which it is invoiced.

The Group records for the net amount the contracts of purchase or sale of non-financial elements settled net in cash or in another financial instrument. Contracts entered into and maintained for the purpose of receiving or delivering said non-financial elements are recorded in accordance with the contractual terms of the purchase, sale or utilization requirements expected by the entity.

Profits or losses arising from changes in the fair value of the category of "financial assets at fair value with changes in profit or loss" are recorded in the profits and loss statement in other losses / net profits in the period in which they were originated.

Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in the other comprehensive income.

Income (expenses) for interest is accounted considering the effective interest rate applicable to the outstanding principal pending to be amortized during the corresponding accrual period.

Income of port activity are mainly derived from the wharf availability agreement entered into with Emgesa S.A. E.S.P. and services provided to other clients.

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### 3.17. Recognition of costs and expenses

The Group recognizes its costs and expenses to the extent that economic events occur in such a way that they are recorded systematically in the corresponding accounting period, independent of the flow of monetary or financial resources. Expenses include disbursements that do not qualify to be recorded as cost or as investment.

Costs include purchases of energy, fuel, personnel costs or third parties directly related to the sale or provision of services, depreciation, and amortization, among others.

Expenses include maintenance of assets, transmission system costs, taxes, public services, among others. All above costs incurred by processes responsible for the sale or service provisions.

Included as an investment are those costs directly related to the formation or acquisition of an asset that requires a substantial period of time to be in conditions to be used and sold.

Personnel costs directly related to the project construction, interest costs of debt destined to finance projects and higher maintenance costs that increase useful life of existing assets, among others, are capitalized as ongoing constructions.

### 3.18. Social Capital

Common shares with or without a preferred dividend are classified in equity.

The incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the amount received net of taxes.

### 3.19. Reserves

The appropriations authorized by the General Shareholders' Meeting are recorded as reserves, charged to the results of the year for compliance with legal provisions or to cover expansion plans or financing needs.

The legal provision that contemplates the constitution of reserves applicable to the Group is the following:

- The Commercial Code requires the Group to appropriate 10% of its annual net profits determined under local accounting standards as a legal reserve until the balance of this reserve is equivalent to 50% of the subscribed capital. The mandatory legal reserve is not distributable prior to the liquidation of the Group, but can be used to absorb or reduce annual net losses. The balances of the reserve in excess of 50% of the subscribed capital are freely available to shareholders.

#### 3.19.1. Legal provisions for 2016 not in effect in 2017.

Article 130 of the tax statute provided for the appropriation of net profits equivalent to 70% of the greater value of the fiscal depreciation on the accounting depreciation, calculated under local accounting standards. This article was repealed by law 1819 of 2016 in article 376, and for this reason such reserve was not appropriated in 2017.

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### 3.20. Profit per share

The basic profit per share is calculated as the quotient between the net profit of the period attributable to shareholders of the Group and the weighted average number of ordinary shares of the outstanding shares during said period, once the appropriation of the preferred dividends has been made corresponding to 20,952,601 shares as of December 31, 2017 of Grupo Energía de Bogotá S.A. E.S.P., preferred dividends have a value of US \$ 0.1107 per share.

### 3.21. Distribution of dividends

The mercantile laws of Colombia establish that, once the appropriations have been made for the legal reserve, statutory reserve or other reserves and payment of taxes, the remainder will be distributed among the shareholders, in accordance with the share distribution project submitted by the administration of the Group and approved by the General Assembly. Payment of the dividend will be made in cash, at the times agreed upon by the General Assembly when decreeing it and to whoever has the status of shareholder at the time of making each payment due.

When it is appropriate to absorb losses, these will be covered with reserves specially destined for that purpose and, otherwise with the legal reserve. Reserves whose purpose is to absorb certain losses may not be used to cover other different ones, unless the General Assembly so decides.

At the end of the year, the amount of the obligation with the shareholders is determined, net of the provisional dividends approved during the year, and the accounting item is recorded under "Trade accounts payable and other accounts payable" and in the item "accounts payable to related entities", as applicable, charged to total equity. The provisional and definitive dividends are recorded as a lower value of the "total equity" at the time of approval by the competent authority, which in the first instance is the Board of Directors of the Group and in the second instance the Ordinary General Shareholders' Assembly.

### 3.22. Operation segments

An operation segment is a component of an entity:

- (a) that develops business activities from which it can obtain income from ordinary activities and incur expenses (including income from ordinary activities and expenses from transactions with other components of the same entity).
- (b) whose operating results are reviewed on a regular basis by the highest authority in the operational decision making of the entity, to decide on the resources that should be assigned to the segment and evaluate its performance; and
- (c) on which differentiated financial information is available.

The Group for all its effects, in accordance with the guidelines of IFRS 8, has a single operating segment associated with the energy business; however, the Group records transactions in the gas business, but to date the amount of transactions in this line of business is not representative, therefore it is not considered as an independent segment.

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### 4. Cash and Cash Equivalent

	At December 31 of 2017	At December 31 of 2017
Balance at banks	\$ 440.745.084	\$ 456.867.921
Short term deposits (1)	64.500.000	101.100.000
Other cash and cash equivalent (2)	58.753.003	62.620.564
Cash	1.788	49.266
	<b>\$ 563.999.875</b>	<b>\$ 620.637.751</b>

The decrease in cash and cash equivalents is mainly due to higher disbursements reflected in lower levels of indebtedness in 2017 compared to 2016, which were required for financing investment projects.

The equivalent detail in pesos by currency type of the previous balance is as follows (see note 30):

Currency Detail	At December 31 of 2017	At December 31 of 2016
Colombian Pesos	\$ 563.748.651	\$ 618.851.459
American Dollars	228.521	1.780.307
Euros	22.703	5.985
	<b>\$ 563.999.875</b>	<b>\$ 620.637.751</b>

(1) Term deposits correspond to fixed-term deposit certificates that mature within a period equal to or less than three months from their acquisition date and accrue market interest for this type of short-term investments.

At December 31, 2017, the balance corresponds to:

Bank	Amount	Rate EA	Days	Beginning	Expiration	Concept
Itau	\$ 22.000.000	4.97%	78	27-oct-17	15-jan-18	Bonds Dividends
Avillas	16.000.000	5.3%	86	16-nov-17	12-feb-18	Bonds Dividends
Sudameris	20.000.000	5,6%	90	17-oct-17	15-jan-18	Bonds Dividends
AV Villas	6.500.000	5,3%	90	16-nov-17	16-feb-18	Bonds
<b>Total</b>	<b>\$ 64.500.000</b>					

At December 31, 2016, the balance corresponds to:

Bank	Amount	Rate EA	Days	Beginning	Expiration	Concept
Corpbanca	\$ 101.100.000	8,35%	90	27-oct-16	27-ene-17	Shareholders Dividends
<b>Total</b>	<b>\$ 101.100.000</b>					

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(Figures in thousand pesos)

(2) Fiduciary commissions and collective portfolios correspond to usual transactions of additions and decreases made daily by the treasury to these entities, in order to channel the proceeds from collection. Below is the detail at the end of December 2017:

Financial Entity	At December 31 of 2017	At December 31 of 2016
Fiduciaria Sudameris I(*)	\$ 47.539.934	\$ 47.182.957
Corredores Asociados	336.509	14.472.428
Corredores Asociados Derivex	421.215	548.190
Cartera colectiva Bancolombia	244.341	286.400
Fiduciaria Bogotá	171.091	58.236
Fondo de Inversión Fonval	6.108.027	50.633
BBVA Fiduciaria	40.847	15.048
Fondo Abierto Alianz	3.888.574	4.336
Fiduciaria Corficolombiana	2.465	2.336
	<b>\$ 58.753.003</b>	<b>\$ 62.620.564</b>

(\*) Portfolio established to meet the construction obligations of the perimeter road for the area of influence of El Quimbo plant, formerly called the QB collective portfolio

At December 31, 2017, the Group has \$ 3,688,382 in unused authorized lines of credit, jointly with Codensa S.A. E.S.P. and re-assignable between both Companies, for which, if required, financial entities will update conditions for their approval and disbursement.

Additionally, an intercompany credit line with Codensa SA has been approved. E.S.P. for USD \$100 million for general purposes of the Group.

At December 31, 2017, the Group presents restricted cash (see note 34 - Energy Derivatives Market).

## 5. Other financial assets

	At December 31 of 2017		At December 31 of 2016	
	Current	Non- Current	Current	Non- Current
Trusts(1)	\$ 8.358.731	-	\$ 11.502.292	\$ -
Guarantees of energy derivatives markets	1.652.671	-	2.298.018	-
Other assets (2)	47.000.000	-	1.466.899	-
Coverage and Non-coverage derivative instruments (3)	3.690.097	-	26.523	-
Financial investments available for sale in non-listed companies or with for liquidity (4)	-	3.266.532	-	5.698.661
	<b>\$ 60.701.499</b>	<b>\$ 3.266.532</b>	<b>\$ 15.293.732</b>	<b>\$ 5.698.661</b>

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(Figures in thousand pesos)

(1) at December 31, 2017, the value of trusts corresponds to:

	<b>At December 31 of 2017</b>	<b>At December 31 of 2016</b>
Trust Embalse Tominé	\$ 4.750.516	\$ 7.478.016
Trust Quimbo Project	2.496.986	2.384.752
Trust Embalse Muña	1.111.229	1.639.524
	<b>\$ 8.358.731</b>	<b>\$ 11.502.292</b>

The balance at December 31, 2017 corresponds mainly to the Trusts of Tominé Reservoir as follows: with BBVA Trust Fiduciary Trust No. 31636 for \$ 3,831,482 and Trust No. 31555 for \$918,924 and Fiduciaria de Occidente S.A. with Trust No. 312105 for \$110; the above destined to the administration, operation, maintenance and improvement of the dam in accordance with the provisions of resolution issued by the CAR, joint agreement with Grupo Energía de Bogotá S.A. E.S.P.

The Quimbo project trust was established with Corficolombiana to meet commitments derived from the construction of El Quimbo hydroelectric plant.

The trusts existing in the Group have a specific destination and support obligations contracted in key projects for the business, which clarify their destination.

(2) The other current financial assets are comprised of CDT's constituted as from the second semester of 2017 with which the Group seeks to mitigate its liquidity risk as follows

	<b>Value</b>	<b>Rate EA</b>	<b>Term</b>
Itaú	\$ 7.500.000	5,20%	104
Sudameris	20.000.000	5,60%	95
Itaú	14.000.000	5,13%	91
Itaú	5.500.000	5,13%	103
	<b>\$ 47.000.000</b>		

At December 2016, the Group had no CDT's greater than 90 days, the balance of \$ 1,466,899 was related to domestic investment returns.

(3) The Group at December 31, 2017 has constituted three (3) derivatives with active valuation as follows: (1) Swap with Banco del Crédito del Perú (BCP), (1) forward with Banco Itaú and (1) forward with the BBVA, all of these to cover respectively the debt acquired with the BCP, the Equivalent Real Energy Cost (CERE) exposure and the annual all-risk material damage policy, are detailed below:

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(Figures in thousand pesos)

Derivative	Underlying	Risk Factor	Notional Asset	Currency	Fixed Rate	MTM	Derivative Interest	MTM + Int
SWAP	Debt Coverage equiv. 34,8 MUSD	Exchange rate	100.000.000	USD	2.871,25	\$ 3.547.209	\$	- \$ 3.547.209
FORWARD	Exposure Coverage CERE December	Exchange rate	8.008.308	USD	2.966,04	48.492	-	48.492
FORWARD	All risk insurance policy	Exchange rate	17.579.754	USD	2.974,17	94.396	-	94.396
<b>Total valuation</b>			<b>125.588.062</b>			<b>\$ 3.690.097</b>	<b>\$</b>	<b>- \$ 3.690.097</b>

(4) (4) Financial investments in unlisted companies are:

Participative Securities in Shares	Economic Activity	Ordinary Shares	% Participation	Value 31/12/17	Value 31/12/16
Electrificadora del Caribe S.A. E.S.P.	Energy	109.353.394	0,22%	\$ 3.266.532	\$ 5.698.661

At December 31, 2017, a decrease originated in the investment in Electricaribe S.A. E.S.P is reflected as a result of the valuation calculated at fair value with change in comprehensive income, for \$2,432,129, this Company was intervened by the Colombian State.

## 6. Other non-financial assets

	At December 31 of 2017		At December 31 of 2016	
	Current	Non- Current	Current	Non- Current
Other debtors (1)	\$ 12.218.157	-	\$ 14.888.060	\$ -
Advanced payment for goods acquisition (2)	11.852.022	-	6.921.428	-
Benefits to employees for loans (3)	555.621	7.413.298	349.722	6.397.436
Insured accounts receivable	25.803	-	25.803	-
Expenses paid in advance	17.127	-	74.790	-
	<b>\$ 24.668.730</b>	<b>\$ 7.413.298</b>	<b>\$ 22.259.803</b>	<b>\$ 6.397.436</b>

(1) At December 31, 2017, other debtors are mainly composed of the account receivable from the Ministry of Finance for the payments made by the Group, as a result of the decisions against Betania corresponding to the processes in effect on the date of the purchase and sale agreements of shares in 1997 for \$ 4,641,852.

(2) The variation in the advanced payments is mainly due to advanced paid to suppliers for the maintenance of the Muña and Tominé reservoirs for \$ 2,802,441, advanced payment of Life Extension Termozipa environmental project for \$ 2,057,138 and deposits to the guarantee account (escrow account) of XM SA for \$ 590,421.



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Below is a breakdown of advanced payments at the end of December 2017:

	At December 31 of 2017	At December 31 of 2016
Guarantee Deposits XM	\$ 4.589.779	\$ 3.999.358
BBVA Fiduciaria	2.802.441	-
TM.E. S.P.A. Termomecanica Ecologia	2.057.138	-
Dirección de Impuestos and Aduanas Nacionales	1.006.909	266.112
Mosquera Casas Cristian	254.221	-
Cass Constructores S.A.S	248.396	-
Solarte Nacional de Construcciones	248.396	-
Pegasus Blending International SAS	225.819	13.761
Vansolix S.A.	197.547	612.283
Centrales Eléctricas del Norte	143.678	174.917
Fondo Nacional Ambiental – Fonam	81.540	-
Banco AV Villas	54.696	-
Gallagher Consulting Ltda	45.231	-
Empresas Municipales de Cartago E.S.P	45.167	-
Schneider Electric Systems Colombia	29.015	-
Claudia Zamorano C & Cia Ltda	28.247	28.247
Empresa de Energía de Pereira	22.478	122.308
Central Hidroeléctrica de Caldas	15.640	102.583
Centrales Eléctricas	11.162	7.236
Electrificadora del Huila S.A. E.S	4.907	39.005
Empresa Municipal De Energía	3.290	-
Empresa de Energía del bajo PutuMay S.A.	2.908	269.515
Urrego Gonzalez José Nemesio	2.804	-
Colmedica Medicina Prepagada S A	2.335	-
Andrade Silva Jesus Antonio – Notar	2.000	-
Colombia Telecomunicaciones S.A. E.	1.649	-
Cardique - Corporación Autónoma Regional	1.574	-
Agencia De Aduanas Suppla S.A.S.	25	227.000
Trujillo Nunez Elcias	-	2.503
Patrimonios Autónomos Fiduciaria Bogotá	-	67.847
Empresa de Energía del Quindío	-	19.370
Edificio 93x14 Propiedad Horizontal	-	5.962
Electrificadora De Santander	-	174.330
Corporación De La Mujer Giganteña	-	1.525
Edificio Avenida 82 P H	-	11.323
Transportadora De Gas Internacional	-	3.346
Mechanical Dynamics & Analysis, Ltda	-	301.814
Electrificadora del Meta SA ESP	-	183.899
Compañía Energética Del Tolima S.A.	-	99.065
P. Van Der Wegen Gears	-	382.126
Empresa De Energía De Casanare S.A.	-	147.981
Unrealized Exchange Difference	(276.970)	(341.988)
	<b>\$ 11.852.022</b>	<b>\$ 6.921.428</b>

(3) Benefits for loans granted to employees are awarded with rates between 0% and 7%, which is why the Group discounts future cash flows at the market rate, recognizing as profit paid in advance the difference between the market rate and the awarded rate and amortizing over the loan life.

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(Figures in thousand pesos)

### 7. Commercial accounts and other accounts receivable, net

	At December 31 of 2017		At December 31 of 2016	
	Current	Non- Current	Current	Non- Current
Commercial accounts, gross (1)	\$ 301.265.204	\$ -	\$ 196.007.845	\$ -
Commercial financed portfolio, gross (2)	56.681.996	2.491.233	56.681.996	3.425.525
Portfolio Thermal Compensations, gross (3)	17.799.328	3.905.284	17.343.748	21.066.435
Other accounts receivable, gross (4)	3.563.672	13.758.291	3.641.772	10.214.174
Employees financed portfolio, gross	313.423	-	318.287	-
<b>Total commercial accounts and other accounts receivable, gross</b>	<b>\$ 379.623.623</b>	<b>\$ 20.154.808</b>	<b>\$ 273.993.648</b>	<b>\$ 34.706.134</b>
Provision for financed portfolio impairment	(56.681.996)	(2.491.233)	(56.681.996)	(3.425.525)
Provision for commercial accounts impairment	(45.765.100)	-	(45.767.346)	-
Provision for other accounts receivable impairment	(2.456.053)	-	(2.009.442)	-
Provision for retired employees financed portfolio	(75.755)	-	(39.871)	-
<b>Total provision for impairment</b>	<b>\$ (104.978.904)</b>	<b>\$ (2.491.233)</b>	<b>\$ (104.498.655)</b>	<b>\$ (3.425.525)</b>
Commercial accounts, net	255.500.104	-	150.240.499	-
Financed portfolio, net	-	-	-	-
Other accounts receivable, net	17.799.328	3.905.284	17.343.748	21.066.435
Employees financed portfolio, net	1.107.619	13.758.291	1.632.330	10.214.174
Thermic Compensations Portfolio, net	237.668	-	278.416	-
<b>Total commercial accounts and other accounts receivable, net</b>	<b>\$ 274.644.719</b>	<b>\$ 17.663.575</b>	<b>\$ 169.494.993</b>	<b>\$ 31.280.609</b>

At December 31, 2017, the composition of the commercial accounts is as follows:

Portfolio of generation and transmission at December 31/17	Current Portfolio	Past Due Portfolio		Total Current Portfolio
		1-180 days	>360 days	
<b>Commercial accounts, gross</b>	<b>\$ 255.469.038</b>	<b>\$ 57.402</b>	<b>\$ 45.738.763</b>	<b>\$ 301.265.204</b>
- Great clients	247.136.772	57.402	45.738.763	292.932.937
- Institutional clients	8.059.523	-	-	8.059.523
- Other	272.743	-	-	272.743
- Provision impairment	-	(26.336)	(45.738.763)	(45.765.099)
<b>Commercial Accounts and Financed Portfolio, net</b>	<b>\$ 255.469.038</b>	<b>\$ 31.066</b>	<b>\$ -</b>	<b>\$ 255.500.104</b>

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(Figures in thousand pesos)

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

Portfolio of generation and transmission at December 31/17	Current Portfolio	Past Due Portfolio		Total Current Portfolio
		1-180 days	>360 days	
<b>Commercial accounts, gross</b>	<b>\$ 155.501.199</b>	<b>\$ 38.042.568</b>	<b>\$ 2.464.078</b>	<b>\$ 196.007.845</b>
- Great clients	145.516.459	38.032.567	2.464.078	186.013.104
- Institutional clients	9.984.740	-	-	9.984.740
- Other	-	10.001	-	10.001
- Provision impairment	(8.620.111)	(34.683.157)	(2.464.078)	(45.767.346)
<b>Commercial Accounts and Financed Portfolio, net</b>	<b>\$ 146.881.088</b>	<b>\$ 3.359.411</b>	<b>\$ -</b>	<b>\$ 150.240.499</b>

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

As of December 31, 2017, the commercial accounts portfolio shows a variation that corresponds mainly to the increase of the portfolio for the wholesale market during this period for the following customers: Emcali S.A. E.S.P. for \$10,994,252, Electrificadora de Huila S.A. E.S.P. for \$8,715,377, Compañía Energética del Tolima \$8,116,205, Empresa Energía de Boyacá S.A. E.S.P. for \$5,688,259 additionally, a higher estimate is shown in sales of energy and gas to be invoiced for \$72,852,355, the general increase of the portfolio is derived mainly due to the invoicing of 29 contracts for consumption in November and December 2016, collected during the same period.

(2) At December 31, 2017, the value corresponds to the commercially financed portfolio of Energy supply agreements No. EDCC-111-2012 and EDCC-154-201 and to the Addendum number EDCC-136-2013 / EM- 13-213, entered into with the client of the wholesale market and Electrificadora del Caribe S.A. E.S.P.; due to internal cash flow difficulties, it is agreed to extend the payment of the invoices to the first day of the third month immediately following the month of consumption, so the Group classifies this portfolio as a financed portfolio with a balance of \$ 55,747,757. Additionally, on June 3, 2017, the creditors' agreement between Termocandelaria and its creditors is entered into, in which the Group acts as operator of the transactions in the stock exchange, through the representation of XM, in which the terms and conditions were set under which Termocandelaria will comply with the obligations under its responsibility; at the end of the period, the portfolio has a current balance of \$934,239 and a non-current balance of \$2,491,233.

(3) On October 27, 2015, the Energy and Gas Regulatory Commission, CREG, issued Resolution 178 "By which it establishes the measures to guarantee the provision of the public electric power service in case of occurrence of extraordinary situations that place it at risk ", this Resolution seeks to recover part of the cost not covered by the price of scarcity 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 Central Cartagena under such conditions, from November 4, 2015 on, manifests to this regulating entity to avail itself of the option set forth in the resolution. During 2017, the Group made a classification of the portfolio for thermal offsets under international standards, which as of December 31, 2017 is shown as current and non-current portfolio for \$17,799,328 and \$3,905,284, respectively, and its variation corresponds to the amortization recognized by XM Compañía de Expertos en Mercados S.A. E.S.P. in the monthly sales report.

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(4) Within the balance of other non-current accounts receivable at December 31, 2017, is mainly the positive balance generated in the income statement for 2003 for \$5,549,220, which was requested from the DIAN. This positive balance is under discussion with the DIAN through the tax inspection process, which was taken to the courts. On July 27, 2017, the Administrative Court of Huila issued a judgment of first instance, accepting the arguments of the DIAN considering that certain Group income, such as adjustments for inflation and non-operating income, does not qualify for the exemption from the Páez Law, since they are not related to electricity generation activity. The ruling did not raise a substantive legal basis and did not rule on several defense arguments submitted by the Group. In the same way, the Court confirmed a sanction of inaccuracy without analyzing a difference of criteria or defining the punishable event.

Due to the above, on August 10, 2017 the Group filed the appeal reiterating that the benefit falls on the Group and the law does not discriminate its application when it comes to non-operational income. New judgments of the Consejo de Estado were submitted supporting the position of the Group. It was insisted that there is a difference of criteria and therefore the sanction of inaccuracy must be lifted. On September 22, 2017, the process was distributed to the Consejo de Estado where the second instance will take place. On November 10, 2017, a transfer was filed to plead, and the closing arguments were filed on November 24 of the same year.

### Portfolio Impairment

Los movimientos de la provisión por deterioro de cuentas comerciales corrientes y otras cuentas por cobrar al 31 de diciembre de 2017 son los siguientes:

<b>Debtors for past due and unpaid with impairment at December 31 of 2017</b>	<b>Current</b>	<b>Non-Current</b>
<b>Balance at December 31 of 2016</b>	<b>\$ (104.498.655)</b>	<b>\$ (3.425.525)</b>
Increases (decreases) of period	(505.112)	934.292
Written-off amounts	24.863	-
<b>Balance at December 31 of 2017</b>	<b>\$ (104.978.904)</b>	<b>\$ (2.491.233)</b>

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

<b>Debtors for past due and unpaid with impairment at December 31 of 2016</b>	<b>Current</b>	<b>Non-Current</b>
<b>Balance at December 31 of 2015</b>	<b>\$ (5.657.917)</b>	<b>\$ -</b>
Increases (decreases) of period (*)	(98.894.945)	(3.425.525)
Written-off amounts	54.207	-
<b>Balance at December 31 of 2016</b>	<b>\$ (104.498.655)</b>	<b>\$ (3.425.525)</b>

(\*) During the 2016 period, the Group carried out an individual assessment of the portfolio, in which it was determined to record the provision mainly for the customers Electricadora del Caribe S.A. E.S.P. and Termocandelaria S.C.A. E.S.P for the value of \$99,263,875 and \$4,399,972 respectively.

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Writing-off of delinquent debtors is made once all collection procedures, legal proceedings and debtors' insolvency demonstration have been exhausted.

### Guarantees granted by debtors:

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

## 8. Balances and transactions with related parties

### Accounts receivable to related entities

Name of related company	Relationship	Country of Origin	Type of Transaction	At December 31 of 2017	At December 31 of 2016
Codensa (1)	Related	Colombia	Other services	\$ 1.601.676	\$ 202.479
Enel Green Power Colombia (EGP) (2)	Related	Colombia	Other services	315.704	80.865
Enel Chile S.A (3) (*)	Related	Chile	Other services	24.176	24.176
Energía Nueva Energía Limpia México (3)	Related	México	Other services	51.215	14.226
Endesa Energía SAU (3)	Related	Spain	Other services	2.204	2.204
<b>Total</b>				<b>\$ 1.994.975</b>	<b>\$ 323.950</b>

(\*) Enel Chile formerly called Enersis

(1) Variation at 2017 with respect to 2016 corresponds to a decrease of easement provision for \$(158,432), increase in loans for \$12,260, provision of AOM Substations for 115kv of Codensa for \$47,021, usufruct agreement for \$781,326, reimbursements for \$65,583 and adjustment of purchase of energy for \$651,439.

(2) (2) Variation of 2017 with respect to 2016 occurs upon the new collaboration agreement between Emgesa S.A. E.S.P and EGP Colombia which purpose is the provision of services and assistance in the management and operation of administrative processes for \$245,704 and a decrease in the wind prospection project after October 31, 2015 for \$(10,865).

(3) Corresponds to the provision for the costs of expatriate personnel in Spain, Chile and Mexico.

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### Accounts payable to related entities

Name of Related Company	Relationship	Country of Origin	Typo of Transaction	At December 31 of 2017	At December 31 of 2016
Enel Américas S.A(1)	Chile	Related	Dividends	\$ 63.129.075	\$ 96.986.181
Codensa (2)	Colombia	Related	Purchase of Energy	11.253.832	10.801.224
Codensa (3)	Colombia	Related	Other services	892.078	-
Enel Italy Srl (4)	Italy	Related	Studies and projects	5.613.784	3.547.333
Enel Produzione Spa (5)	Italy	Related	Studies and Projects	4.645.191	1.779.948
Enel Produzione Spa (6)	Italy	Related	Other services	220.623	-
Enel SPA (6)	Italy	Related	Other services	405.063	663.644
Enel SPA	Italy	Related	Studies and projects	-	318.750
Enel Trade (6)	Italy	Related	Other services	319.320	457.254
Enel Latinoamérica	Spain	Related	Other services	-	415.969
Enel Iberoamérica (6)	Spain	Related	Other services	623.804	383.130
Enel Ingegneria e Ricerca	Italy	Related	Other services	-	166.088
Enel Generación Chile S.A. (7)	Chile	Related	Other services	1.457.107	134.334
Enel Chile S.A.	Chile	Related	Other services	-	59.698
Sociedad Portuaria Central Cartagena S.A	Colombia	Subsidiary	Other services	67.076.921	103.051.317
Grupo Energía de Bogotá S. A. E.S.P. (*) (8)	Colombia	Shareholder	Dividends	-	50.402
Grupo Energía de Bogotá S. A. E.S.P.	Colombia	Shareholder	Other services	382.754	-
C.G. Term. Fortaleza (6)	Brazil	Related	Other services	362.575	-
Enel Green Power Brasil Participações(6)	Brazil	Related	Other services	171.834	-
Enel Fortuna (6)	Panamá	Related	Other services	238.361	-
<b>Enel Green Power SPA (6)</b>	<b>Italy</b>	<b>Related</b>	<b>Other services</b>	<b>\$ 156.792.322</b>	<b>\$ 218.815.272</b>
			<b>Total</b>		

(\*) Grupo Energía de Bogotá S. A. E.S.P. is a shareholder of the Group (See note 19)

(1) The variation corresponds to the dividend payment Enel Américas S.A. for \$ 33,857,106.

(2) The balance consists of toll estimates, regional transmission system (STR), local distribution system (SDL) and energy billing.

(3) Corresponds to services re-collection and labor loans for \$297,395, CHTQ Protections Coordination Study for \$74,708, Amazon Provision for \$519,625 and PCH usufruct agreement for \$350.

(4) Corresponds to the E4E project, implementation of convergence of SAP systems that support accounting, asset management and operation models of the Group.

(5) Corresponds to IT services with respect to support, maintenance, software licenses.

(6) Provision for the costs of expatriate personnel from Spain, Italy, Brazil and Panama in Colombia.

(7) Corresponds to the provision for expenses of the BEPP and Life Extension project.

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(8) Corresponds to the balance payable of dividends of Grupo Energía de Bogotá S.A. E.S.P.  
Transactions with related economic, effects corresponding to results: payment of dividends E.S.P.:

Income/ Company	Concept of Transaction	At December 31 of 2017	At December 31 of 2016
Codensa	Sales of energy	\$ 790.584.601	\$ 642.784.272
Codensa	Other services	-	435.272
Codensa	Sale of fixed assets	-	202.479
Codensa	Financial income	-	195.109
EEC (now Codensa)	Sale of Energy	-	27.691.953
Grupo Energía de Bogotá S. A. E.S.P.	Operation Services	577.755	730.196
Enel Ingeniería E Ricerca S.P.A	Difference in change	-	41.069
Enel Generación Chile S.A	Difference in change	-	28.287
Energía Nueva Energía Limpia México	Other services	36.900	14.226
Energía Nueva Energía Limpia México	Difference in change	176	-
<b>Income/ Company</b>	<b>Transaction Concept</b>	<b>At December 31 of 2017</b>	<b>At December 31 of 2016</b>
Enel Chile S.A (1)	Difference in change	-	11.504
Enel Latinoamérica	Difference in change	-	10.924
Emgesa Panamá	Other services	-	6.940
Enel Iberoamérica	Difference in change	5.375	1.720
Enel Green Power Colombia	Transaction Concept	206.474	-
Enel Generacion Chile	Difference in change	2.016	-
		<b>\$ 791.413.297</b>	<b>\$ 672.153.951</b>

Costs and expenses/Company	Concept of Transaction	At December 31 of 2017	At December 31 of 2016
Codensa	Transport of energy	\$ -	\$ 119.339.729
Codensa	Energy and lighting	133.552.134	468.369
Codensa	Other services	597.999	319.985
Codensa	Financial expenses	-	-
EEC (now Codensa)	Transport of energy	-	3.819.886
EEC (now Codensa)	Other services	-	456
Enel Produzione SPA	Other services	976.137	989.546
Enel Produzione SPA	Difference in change	87.091	-
Enel SPA	Other services	345.373	629.425
Enel SPA	Studies and projects	-	318.750
Enel SPA	Difference in change	9.618	-
Enel Italia SRL	Studies and projects	2.210.114	589.096
Enel Italia SRL	Difference in change	119.868	-
Enel Trade	Other services	-	457.254
Enel Iberoamérica	Computer Services	-	388.328
Enel Iberoamérica	Difference in change	-	8.493
Enel Iberoamérica	Other services	437.537	-
Enel Latinoamérica	Other services	-	388.152
Junta Directiva	Fee	-	327.546
Enel Ingeniería E Ricerca S.P.A	Other services	-	166.088
Enel Ingeniería E Ricerca S.P.A	Studies and projects	-	41.435
Enel Ingeniería E Ricerca S.P.A	Difference in change	-	13.879
Enel Trade	Other services	601.832	-
Enel Generación Chile S.A.	Difference in change	-	19.333
Enel Generación Chile S.A.	Other services	-	422
Enel Chile S.A (1)	Difference in change	-	7.801
Enel Chile S.A (1)	Other services	-	195
Emgesa Panamá	Difference in change	-	3.810
Enel Fortuna	Other services	171.834	-
Enel Green Power S.P.A	Other services	238.361	-
C.G. Term. Fortaleza	Other services	382.754	-

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**\$ 139.730.652**

**\$ 128.297.978**

Sales and purchases between related parties are made under conditions equivalent to those that exist for transactions between independent parties (see note 17).

### Board of Directors and key management staff

#### Board of Directors

The Group has a Board of Directors composed of seven (7) main members, each with a personal alternate, elected by the General Assembly of Shareholders through the electoral quotient system. While the company has the status of issuer of securities, 25% of the members of the Board of Directors will be independent under the terms of the law. The appointment of members of the Board of Directors will be for periods of two (2) years, they may be re-elected indefinitely and without prejudice to the authority of the Shareholders Assembly to freely remove them at any time.

The Board of Directors in effect at December 31, 2017 was elected by the General Assembly of Shareholders in ordinary session held on March 28, 2017. The Company appoints a President, who is elected by the Board of Directors from among its members for a specific period, being able to be re-elected indefinitely or removed freely before expiration of the period. Likewise, the Board of Directors has a Secretary, who can be a member of the Board or not. The appointment of the President was approved by the Board of Directors in session on May 26, 2015.

In accordance with the provisions of Article 55 of the bylaws, it is the function of the General Shareholders' Assembly to determine the remuneration of the members of the Board of Directors. The remuneration in effect at December 31, 2017, as approved by the Shareholders' Meeting in ordinary session of March 28, 2017 is USD \$1,000, after taxes, for attendance at each session of the Board of Directors.

In accordance with the minute of the 96th General Shareholders' Assembly held on March 28, 2017, the following board of directors was approved under the terms set out below:

	<b>Main</b>	<b>Alternate</b>
First	Bruno Riga	Diana Marcela Jiménez
Second	Lucio Rubio Díaz	Fernando Gutiérrez Medina
Third	José Antonio Vargas Lleras	Daniele Caprini
Fourth	Astrid Álvarez Hernández	Camila Merizalde Arico
Fifth	Diana Margarita Vivas Munar	Alejandro Botero Valencia
Sixth	Luis Fernando Alarcón Mantilla	Rodrigo Galarza Naranjo
Seventh	Luisa Fernanda Lafaurie	Vacant (*)

(\*) In an extraordinary session of the General Assembly of Shareholders number 97, held on December 18, 2017, the Meeting was informed that Mr. Andrés López Valderrama submitted his resignation as alternate and independent member of the seventh line of the Board of Directors of the company, designated as such in session No. 96 of the General Shareholders



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(Figures in thousand pesos)

Assembly of March 28, 2017; therefore and provided that no proposal for the designation of the new substitute member was received, the position will remain vacant until the new appointment is made; therefore the composition of the Board of Directors on December 31 is as follows:

The fees paid to the Board of Directors:

<b>Third</b>	<b>At December 31 of 2017</b>	<b>At December 31 of 2016</b>
Riga Bruno	\$ 40.110	\$ 38.144
Rubio Diaz Lucio	40.110	37.991
Vargas Lleras José Antonio	34.060	34.604
Álvarez Hernández Gloria Astrid	33.482	31.165
Vivas Munar Diana Margarita	30.281	6.630
Lafaurie Luisa Fernanda	30.117	31.303
Alarcón Mantilla Luis Fernando	16.717	-
Galarza Naranjo Rodrigo	13.564	-
López Valderrama Andres	10.159	10.238
Merizalde Arico Camila	6.793	-
Caprini Daniele	6.767	3.550
Herrera Lozano José Alejandro	6.672	41.541
Araujo Castro María Consuelo	6.589	27.528
Romero Raad Richard Ernesto	3.405	10.267
Gomez Navarro Sergio Andrés	3.322	-
Gutierrez Medina Fernando	-	6.937
Bonilla Gonzalez Ricardo	-	3.746
Jiménez Rodríguez Diana Marcela	-	3.397
<b>Total general</b>	<b>\$ 282.148</b>	<b>\$ 287.041</b>

### Management Key Personnel

Below is the list of key Management personnel:

<b>Name</b>	<b>Position</b>
Lucio Rubio Díaz	General Director Colombia
Bruno Riga	General Manager Emgesa
Daniele Caprini	Administration, Finances and Control Manager

Remunerations accrued by key personnel of the Management amount to \$3,863,260 at December 2017. These remunerations include wages and short-term benefits (annual bonus for meeting objectives).

	<b>At December 31 of 2017</b>	<b>At December 31 of 2016</b>
Remuneration	\$ 2.917.029	\$ 2.406.348

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(Figures in thousand pesos)

Benefits at short term	946.231	498.746
	<b>\$ 3.863.260</b>	<b>\$ 2.905.094</b>

### Plans of Incentives to Management Key Staff

The Group has an annual bonus for its executives for compliance with objectives. This bonus corresponds to a certain number of gross monthly payments.

At December 31, 2017, the Group does not have any share-based payment benefits for management key personnel or has granted guarantees in favor of them.

At December 31, 2017, there are no indemnity payments for contract termination.

## 9. Inventories, net

	At December 31 of 2017	At December 31 of 2016
Coal(1)	\$ 29.126.657	\$ 23.083.747
Energy elements and accessories (2)	10.633.014	10.460.814
Fuel Oil (1)	11.002.086	10.447.760
<b>Total Inventories</b>	<b>\$ 50.761.757</b>	<b>\$ 43.992.321</b>

(1) Corresponds to the inventories of fuels used by the thermal generation plants for the start-up during 2017, at December 2017 presents an increase associated with low thermal generation, especially with coal.

(2) The elements and accessories are composed:

	At December 31 of 2017	At December 31 of 2016
Spare parts and materials (a)	\$ 10.788.122	\$ 10.738.520
Supply of Materials (b)	(155.108)	(277.706)
<b>Total Other Inventories</b>	<b>\$ 10.633.014</b>	<b>\$ 10.460.814</b>

The following is a detail of the movement of the provision for impairment associated with the materials:

<b>Balance at December 31 of 2016</b>	<b>\$ (277.706)</b>
Use of provision	153.578
Provision supply	(30.980)
<b>Balance at December 31 of 2017</b>	<b>\$ (155.108)</b>

a. Spare parts 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.

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- b. At December 31, 2017, inventories have an obsolescence provision to be used during the period 2018. The variation with respect to 2016 is the result of the inventory deputation processes carried out in 2017.

## 10. Intangible assets different from capital gain value, net

	At December 31 of 2017	At December 31 of 2016
Rights (1)	\$ 46.304.834	\$ 58.099.975
Development costs (2)	3.406.634	24.384.010
Licenses	9.207.658	11.904.716
Computer programs (3)	9.262.531	825.714
Other intangible identifiable assets	6.149.418	5.414.549
<i>Constructions and advances of works</i>	5.266.910	4.405.324
<i>Other intangible resources</i>	882.508	1.009.225
<b>Intangible assets, net</b>	<b>\$ 74.331.075</b>	<b>\$ 100.628.964</b>
	<b>Al 31 de diciembre de 2017</b>	<b>Al 31 de diciembre de 2016</b>
<i>Cost</i>		
Rights (1)	83.322.027	83.322.027
Development costs (2)	5.335.542	34.555.565
Licenses	20.699.883	20.712.441
Computer Programs (3)	21.189.390	12.211.180
Other Identifiable Intangible Assets	10.020.437	9.158.851
<i>Constructions and advances of works</i>	5.266.910	4.405.324
<i>Other intangible resources</i>	4.753.527	4.753.527
<b>Intangible Assets, Gross</b>	<b>\$ 140.567.279</b>	<b>\$ 159.960.064</b>
<i>Amortization</i>		
Rights (1)	(37.017.193)	(25.222.052)
Development costs (2)	(1.928.908)	(10.171.555)
Licenses	(11.492.225)	(8.807.725)
Computer Programs (3)	(11.926.859)	(11.385.466)
Other Identifiable Intangible Assets	(3.871.019)	(3.744.302)
<b>Accumulated Amortization of Intangible Assets</b>	<b>\$ ( 66.236.204)</b>	<b>\$ (59.331.100)</b>

1) Within the rights, intangible includes the expenditures to obtain the usufruct of the greater flow of useful water, from the Chingaza and Rio Blanco projects for the production of the Pagua Plant, the amortization is recognized by the straight-line method in a 50 year period. Likewise, in this item the legal stability premium for El Quimbo project is also classified, this premium has a useful life of 20 years according to the validity of the tax benefits.

2) The decrease registered in this item compared to the close of 2016 due to the decreases made in December 2017 of the expansion projects for \$(29,220,023), which is represented in the following projects: Agua Clara \$(13,350.901), Guaicaramo \$(9,445,277), Campo Hermoso \$(6,410,682), Espiritu Santo \$(472) and Col Scouting \$(12,691).

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(Figures in thousand pesos)

- 3) The value at December 2017 corresponds to software associated with the projects of ERP-E4E \$4,203,746, SAP SIE \$3,537,840, corporate and commercial systems \$13,447,804. Accumulated amortization associated with these assets at the end of 2017 corresponds to \$(11,926,859).

Composition and movements of intangible asset is as follows:

Movements in intangible assets at December 31 of 2017	Patents, Trademarks and other rights			Other Identifiable Intangible Assets		Intangible Assets	
	Development Costs	Rights	Licenses	Computer Programs	Constructions and work progress		Other intangible resources
<b>Initial balance at Dec/31/16</b>	<b>\$ 33.695.031</b>	<b>48.788.954</b>	<b>\$ 11.904.716</b>	<b>\$ 825.714</b>	<b>\$ 4.405.324</b>	<b>\$ 1.009.225</b>	<b>\$ 100.628.964</b>
<b>Movements in intangible assets</b>							
Additions (*)	-	-	-	551.411	9.288.386	-	9.839.797
Transfers(**)	-	-	-	8.426.800	(8.426.800)	-	-
Withdrawals (***)	(29.220.023)	-	-	-	-	-	(29.220.023)
Amortization	(1.068.374)	(2.484.120)	(2.697.058)	(541.394)	-	(126.717)	(6.917.663)
Other increases (decreases)	-	-	-	-	-	-	-
<b>Total movements in identifiable intangible assets</b>	<b>(30.288.397)</b>	<b>(2.484.120)</b>	<b>(2.697.058)</b>	<b>8.436.817</b>	<b>861.586</b>	<b>(126.717)</b>	<b>(26.297.889)</b>
<b>Final Balance 31/Dec/17</b>	<b>\$ 3.406.634</b>	<b>\$ 46.304.834</b>	<b>\$ 9.207.658</b>	<b>\$ 9.262.531</b>	<b>\$ 5.266.910</b>	<b>\$ 882.508</b>	<b>\$ 74.331.075</b>

(\*) During 2017, the increase is mainly generated by developments for the ERP system - E4E for \$3,800,703, cybersecurity activity software for \$1,521,472, environmental software development for \$1,311,910 and other commercial and corporate projects for \$3,205,712

(\*\*) Transfers to operations carried out in 2017 correspond mainly to the following projects: ERP.E4E \$3,652,336, environmental software development \$1,311,910, software activity of cybersecurity \$1,118,427 and other computer programs \$2,344,127.

(\*\*\*) The losses stated in the previous numeral 2, according to the analyses carried out by the Business Development Management, which reviews current situations to withdraw from the portfolio of projects under development.

The composition and movements of the intangible asset during 2016:

Movements in intangible assets at December 31 of 2016	Patents, Trademarks and other rights			Other Identifiable Intangible Assets		Intangible Assets	
	Development Costs	Rights	Licenses	Computer Programs	Constructions and work progress		Other intangible resources
<b>Initial balance at Dec/31/15</b>	<b>\$ 25.729.367</b>	<b>\$ 54.961.578</b>	<b>\$ 4.634.553</b>	<b>\$ 1.190.334</b>	<b>\$ 2.690.832</b>	<b>\$ 1.053.431</b>	<b>\$ 90.260.095</b>
<b>Movements in intangible assets</b>							
Additions (*)	2.520.635	4.657.388	9.842.860	-	1.644.556	-	18.665.439
Withdrawals (**)	8.735	-	(494.259)	2.198.342	(1.712.818)	-	-
Amortization							
Other increases (decreases)	(3.610.692)	-	-	-	-	-	(3.610.692)
Amortización	(264.035)	(1.518.991)	(2.078.438)	(780.208)	-	(44.206)	(4.685.878)
Otros incrementos (disminuciones)	-	-	-	(1.782.754)	1.782.754	-	-

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(Figures in thousand pesos)

<b>Total movements in identifiable intangible assets</b>	<b>(1.345.357)</b>	<b>3.138.397</b>	<b>7.270.163</b>	<b>(364.620)</b>	<b>1.714.492</b>	<b>(44.206)</b>	<b>10.368.869</b>
<b>Final Balance 31/Dec/16</b>	<b>\$ 24.384.010</b>	<b>\$ 58.099.975</b>	<b>\$ 11.904.716</b>	<b>\$ 825.714</b>	<b>\$ 4.405.324</b>	<b>\$ 1.009.225</b>	<b>\$100.628.964</b>

## 11. Property, plant and equipment, net

	<b>At December 31 of 2017</b>	<b>At December 31 of 2016</b>
Plants and equipment (1)	\$ 7.412.389.799	\$ 7.424.945.002
Construction in progress (2)	204.451.802	159.306.414
Land	268.950.793	268.950.793
Buildings	42.607.220	44.219.117
Fixed premises and other	15.265.775	20.075.590
Financial leases (3)	5.416.218	6.772.669
<b>Properties, plants and equipment, net</b>	<b>\$ 7.949.081.607</b>	<b>\$ 7.924.269.585</b>
<i>Cost</i>		
Plants and equipment	10.466.449.156	10.286.726.643
<i>Hydroelectric generation plants</i>	9.637.395.064	9.485.351.764
<i>Thermoelectric generation plants</i>	829.054.092	801.374.879
Construction in progress	204.451.802	159.306.414
Land	268.950.793	268.950.793
Buildings	75.886.663	76.135.326
Fixed premises and other	73.124.413	86.910.076
<i>Fixed premises and accessories</i>	31.227.127	34.514.429
<i>Other premises</i>	41.897.286	52.395.647
Finance leases	8.001.351	8.093.197
<b>Properties, plants and equipment, gross</b>	<b>\$ 11.096.864.178</b>	<b>\$ 10.886.122.449</b>
<i>Depreciation</i>		
Plants and equipment	(3.054.059.357)	(2.861.781.641)
<i>Hydroelectric generation plants</i>	(2.727.648.589)	(2.578.856.343)
<i>Thermoelectric generation plants</i>	(326.410.768)	(282.925.298)
Fixed premises and other	(57.858.638)	(68.770.928)
<i>Fixed installations and accessories</i>	(24.615.468)	(26.761.086)
<i>Other facilities</i>	(33.243.170)	(42.009.842)

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(Figures in thousand pesos)

Buildings	(33.279.443)	(31.916.209)
Finance leases	(2.585.133)	(1.320.528)
<b>Accumulated depreciation</b>	<b>\$ (3.147.782.571)</b>	<b>\$ (2.963.789.306)</b>

(1) At December 2017 the item of plants and equipment is composed as follows:

Thermal Power Stations			
At December 31 of 2017			
Plant	Gross Cost	Accumulated Dep.	Net Cost
CC – Termozipa	\$ 632.686.052	\$ (237.911.732)	\$ 394.774.320
CF – Cartagena	196.368.040	(88.499.036)	107.869.004
<b>Total Thermal Power Stations</b>	<b>\$ 829.054.092</b>	<b>\$ (326.410.768)</b>	<b>502.643.324</b>
CH – Quimbo	\$ 3.395.646.700	\$ (96.972.369)	\$ 3.298.674.331
CH – Guavio	3.228.891.843	(1.080.052.585)	2.148.839.258
CH – Betania	1.898.484.542	(972.936.095)	925.548.447
CH – Pagua	821.193.029	(437.835.832)	383.357.197
CH – Minor Plants (Rio Bogotá)	293.178.950	(139.851.708)	153.327.242
<b>Total Hydraulic Power Stations</b>	<b>9.637.395.064</b>	<b>(2.727.648.589)</b>	<b>6.909.746.475</b>
<b>Total Plants and Equipment</b>	<b>\$ 10.466.449.156</b>	<b>\$ (3.054.059.357)</b>	<b>\$ 7.412.389.799</b>

CH – Hydraulic Central

CC – Coal Central

CF – Central Fuel Oil

At December 2016 the item of plants and equipment is composed as follows:

Thermal Power Stations			
At December 31 of 2016			
Plant	Gross Cost	Accumulated 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
<b>Total Thermal Power Stations</b>	<b>\$ 801.374.879</b>	<b>\$ (282.925.298)</b>	<b>\$ 518.449.581</b>

Hydraulic Power Stations			
Hydraulic Power Stations			
Plant	Gross Cost	Accumulated 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 Plants (Rio Bogotá)	161.995.174	(91.801.799)	70.193.375
CH – Salaco	89.895.990	(31.096.057)	58.799.932
<b>Total Hydraulic Power Stations</b>	<b>9.485.351.764</b>	<b>(2.578.856.343)</b>	<b>6.906.495.421</b>

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<b>Total Plants and Equipment</b>	<b>\$10.286.726.643</b>	<b>\$(2.861.781.641)</b>	<b>\$7.424.945.002</b>
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CH – Hydraulic Central

CC – Coal Central

CF – Central Fuel Oil

(2) Corresponds to the investments made by the Group at December 31, 2017, in the different plants, the main assets under construction are improvements, replacements and modernizations of the following plants:

<b>Plant</b>	<b>At December 31 of 2017</b>
CC – Termozipa	\$ 101.061.910
CH – Quimbo	35.080.641
CF – Cartagena	35.295.800
CH – Guavio	8.147.644
CH – Minor Centrals (Rio Bogotá)	8.719.325
CH – Betania	7.337.423
CH - Pagua	6.446.107
Other Investments	2.362.952
<b>Total ongoing constructions</b>	<b>\$ 204.451.802</b>

CH- Hydraulic Central    CF- Central Fuel Oil    CC - Coal Central

Corresponds to the investments made by the Group at December 31, 2016, in the different plants, the main assets under construction are improvements, replacements and modernizations of the following plants:

<b>Plant</b>	<b>At December 31 of 2016</b>
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 Plantts (Rio Bogotá)	7.246.849
Other investments	3.532.947
CH – Betania	3.527.337

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(Figures in thousand pesos)

**Total ongoing constructions** **\$ 159.306.414**

CH- Central Hidroeléctrica CT- Central Termoeléctrica

Composition and movements of the item property, plant and equipment is:

Movement in property, plant and equipment at December 31, 2017	Ongoing Construction	Land	Buildings	Plants and Equipment		Fixed premises and accessories		Financial Leases	Property, Plant and Equipment
				Hydroelectric Generation Plants	Thermoelectric Generation Plants	Fixed premises and accessories	Other Premises		
<b>Initial Balance 31/dec/2016</b>	<b>\$ 159.306.414</b>	<b>\$ 268.950.793</b>	<b>\$ 44.219.117</b>	<b>\$ 6.906.495.421</b>	<b>\$ 518.449.581</b>	<b>\$ 7.753.343</b>	<b>\$ 12.322.247</b>	<b>\$ 6.772.669</b>	<b>\$ 7.924.269.585</b>
<b>Initial Balance 31/dec/2016</b>									
<b>Movement in property, plant and equipment</b>									
Additions	230.386.962	-	-	-	-	-	-	-	230.386.962
Transfers	(185.241.574)	-	-	156.321.652	28.790.670	-	-	129.252	-
Withdrawals			(67.757)	(1.300.955)	(139.409)	(143.963)	(340.027)	(52.771)	(2.044.882)
Depreciation expense	-	-	(1.544.140)	(151.769.643)	(44.457.518)	(997.722)	(3.328.103)	(1.432.932)	(203.530.058)
Other increases (decreases)	-	-	-	-	-	-	-	-	-
Total movements	45.145.388	-	(1.611.897)	3.251.054	(15.806.257)	(1.141.685)	(3.668.130)	(1.356.451)	24.812.022
<b>Final Balance 31/dec / 17</b>	<b>\$ 204.451.802</b>	<b>\$ 268.950.793</b>	<b>\$ 42.607.220</b>	<b>\$ 6.909.746.475</b>	<b>\$ 502.643.324</b>	<b>\$ 6.611.658</b>	<b>\$ 8.654.117</b>	<b>\$ 5.416.218</b>	<b>\$ 7.949.081.607</b>

Movement in property, plant and equipment at December 31, 2017	Ongoing Construction	Land	Buildings	Plants and Equipment		Fixed premises and accessories		Financial Leases	Property, land and equipment
				Hydroelectric Generation Plants	Thermoelectric Generation Plants	Fixed premises and accessories	Other Premises		
<b>Initial Balance 31/dec/2015</b>	<b>\$ 156.042.415</b>	<b>\$ 275.680.415</b>	<b>\$ 44.442.206</b>	<b>\$ 6.918.197.820</b>	<b>\$ 463.006.679</b>	<b>\$ 8.984.410</b>	<b>\$ 11.667.256</b>	<b>\$ 581.767</b>	<b>\$ 7.878.602.968</b>
<b>Initial Balance 31/dec/2015</b>									
<b>Movement in property, plant and equipment</b>									
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	-	-
Withdrawals	-	-	(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)



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(Figures in thousand pesos)

Other increases (decreases)	-	-	-	-	-	-	-	-	-
<b>Total movements</b>	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
<b>Final Balance 31 / dec / 16</b>	<b>\$ 159.306.414</b>	<b>\$ 268.950.793</b>	<b>\$ 44.219.117</b>	<b>\$ 6.906.495.421</b>	<b>\$ 518.449.581</b>	<b>\$ 7.753.343</b>	<b>\$ 12.322.247</b>	<b>\$ 6.772.669</b>	<b>\$ 7.924.269.585</b>

### Additional information on property, plant and equipment, net

#### Main investments

During 2017, the main additions to property, plant and equipment correspond to investments made in the adaptation, modernization, expansion, improvements in efficiency and quality of the service level, in the different plants. Below the most important of the period:

Plant	Main Projects	January 1 to December 31 of 2017
CH - Betania	Recovery of major equipment; modernization speed regulators and excitation system	\$5.201.323
CF - Cartagena	Environmental management plan and equipment recovery to increase reliability; reliability and plant improvement plan	16.897.778
Minor Plants (Rio Bogotá)	Modernization of equipment and recovery of auxiliary facilities; acquisition of electromechanical equipment and recovery of structures.	42.883.777
CH – Guavio	Recovery of civil structures and installations and equipment (ball valve, transformer) Investment unit 5 fails to generate power plant stop.	28.228.526
CH – Pagua	Recovery stator windings and acquisitions of spare parts, equipment and impellers; Recovery of civil structures and installations and equipment (ball valve, transformer)	5.919.850
CH - Quimbo	Recovery of Civil structures. In 2017, necessary works were executed to improve the performance of civil works of the reservoir, as well as to meet additional works and commitments derived from the natural resources generated during the construction of the plant.	70.502.910
CC - Termozipa	Life Extension Project; BEEP environmental improvement project; Reliability plan for boilers and turbines units, Central civil works; acquisition of electromechanical equipment	60.752.798
<b>Total</b>		<b>\$ 230.386.962</b>

CH- Hydroelectric Plant   CF- Central Fuel Oil   CC - Coal Plant

#### Main transfers to operation

In 2017, transfers of course assets to exploitation were made mainly at the following plants, and corresponded to improvements in equipment, major maintenance and modernizations to improve performance, reliability and efficiency at the plants:

	From January 1 to December 31 of 2017
Plant	Total Activation
CH – Quimbo	\$ 58.103.524
CC – Termozipa	26.724.173
CH - Minor Plants (Rio Bogotá)	36.464.403
CH – Pagua	32.675.320
CH – Guavio	28.590.106

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(Figures in thousand pesos)

CF – Cartagena	2.066.498
CH – Betania	488.299
Other Investments	129.251
<b>Total</b>	<b>\$ 185.241.574</b>

CH. – Hydro-electric Plant, CC. – Coal Central CF- Fuel oil plant

### Fully depreciated assets in use

At December 31, 2017, fully depreciated assets correspond mainly to equipment from the Thermal and Hydraulic power plants for \$36,409,246.

(3) Financial leasing

Correspond to the financial leasing agreements of vehicles entered into mainly with Consorcio Empresarial and Transportes Especializados JR S.A.S. aimed to support the operation of the Group; Mareauto Colombia S.A.S., Banco Corpbanca and Equirent S.A. for transportation of directors of the organization.

The term of the agreements vary in average between 36 and 48 months, period in which the assets are amortized.

53% of the vehicle fleet is contracted with Transportes Especializados JR S.A.S and 36% with Equirent S.A., which will be repaid in a maximum period of 36 installments.

Current value of future payments derived from said contracts is the following:

Minimum payments for lease, liabilities for financial leasing	At December 31 of 2017			At December 31 of 2017		
	Gross	Interest	Current	Bruto	Interés	Valor presente
	Value	Gross	Interest	Current		
Below one year	Value	\$ 437.115	\$ 2.326.961	\$ 2.815.849	\$ 698.786	\$ 2.117.063
More than one year but less to five years	2.195.835	140.909	2.054.926	4.815.162	556.839	4.258.323
<b>Total</b>	<b>\$ 4.959.911</b>	<b>\$ 578.024</b>	<b>\$ 4.381.887</b>	<b>\$ 7.631.011</b>	<b>\$ 1.255.625</b>	<b>\$ 6.375.386</b>

### Operative Leasing

The income statement as of December 31, 2017 and 2016, includes \$3,412,655 and \$3,694,879, respectively, corresponding to the accrual of operating lease agreements, including:

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(Figures in thousand pesos)

Administrative Facilities	Initial Date	Final Date	Purchase Option
Offices Q93	jun-14	may-19	No

At December 31, 2017, the listed agreements are adjusted annually by the Consumer Price Index (CPI), thus applying for the offices of Q93 IPC + 1.0575 points.

At December 31, 2017, future payments derived from said contracts are as follows:

Minimum Future Payments of Leasing non-cancelable, Lessees	At December 31 of 2017	At December 31 of 2016
No later than one year	\$ 742.220	\$ 906.761
After a year but less than five years	321.628	1.312.285
	<b>\$ 1.063.848</b>	<b>\$ 2.219.046</b>

- The above information does not include VAT

### Insurance Policy

The following are the policies for the protection of the Group's assets:

Bien asegurado	Riesgos cubiertos	Valor asegurado (Cifras expresadas en miles)	Vencimiento	Compañía aseguradora
	Tort liability	USD \$20.000	1/11/2018	Axa Colpatría
Group's Equity	Tort liability (coverage of USD \$ 200 million in excess of USD \$ 20 million)	USD \$200.000	1/11/2018	Mapfre Seguros Colombia
	Tort Liability (coverage of EUR 300 million in excess of EUR 200 million)	€ 500.000	1/11/2018	Mapfre Seguros Colombia
Civil works, equipment, contents, stores and loss of profits	All risk material damage, earthquake, tsunami, HMAAC – AMIT, Loss of profits and break of machinery.	USD 1.047.420	1/11/2018	Mapfre Seguros Colombia
Vehicles	Tort liability	\$ 900.000 per vehicle	01/01/2018	Seguros Mundial

(\*)The agreements of the policies of the Group are executed in dollars and euros.

Indemnities received for casualties at December 31 of 2017 are:

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(Figures in thousand pesos)

Casualty	Casualty Date	Insurance Company	Affected Coverage	Claimed value (figures in USD)
Guacal Plant Transformer fire (1)	08/02/2016	Mapfre	Fire	\$ 1.153.151

(1) This casualty occurred in 2016 but it was indemnified by the insurance company on March 30th of 2017.

## 12. Deferred Taxes

Below is the detail of asset for deferred taxes at December 31 of 2017:

	Initial balance at December 31 of 2016	Increase (Decrease) for deferred taxes in Results	Increase (Decrease) for Deferred Taxes in other Integral Result	Final Balance at December 31 of 2107
Depreciation and adjustments for inflation of property, plant and equipment	\$ 42.633.203	\$ (42.626.705)	\$ -	\$ 6.498
Other provisions (1)	49.156.447	(15.166.554)	-	33.989.893
Defined contribution obligations	7.564.782	(65.740)	(213.345)	7.285.697
<b>Asset deferred tax</b>	<b>\$ 99.354.432</b>	<b>\$ (57.858.999)</b>	<b>\$ (213.345)</b>	<b>\$ 41.282.088</b>
Excess of tax depreciation on book value (2)	-	(\$73.716.961)	-	(73.716.961)
Forward and swap	(2.190.389)	-	516.781	(1.673.608)
<b>Deferred tax liability</b>	<b>(2.190.389)</b>	<b>(73.716.961)</b>	<b>516.781</b>	<b>(75.390.569)</b>
<b>Net asset deferred tax</b>	<b>\$ 97.164.043</b>	<b>(\$ 131.575.960)</b>	<b>\$ 303.436</b>	<b>\$ (34.108.481)</b>

(1)At December 31 of 2017 the detail of the active deferred tax for other provisions correspond to:

	Initial balance at December 31 of 2016	Increase (Decrease) for deferred taxes in Results	Final Balance at December 31 of 2107
Provisions of works and services			
Provision Labor Obligations	2.393.604	(1.942.468)	451.136
Provision Quality Compensation	1.535.858	947.979	2.483.837
Others	1.788.438	(1.245.386)	543.052
Provision of uncollectible accounts	37.538.764	(13.101.375)	24.437389
Provision of Industry and Commerce	76.848	(76.848)	-
	<b>\$ 49.156.447</b>	<b>\$ (15.166.554)</b>	<b>\$ 33.989.893</b>

(2) The excess of tax depreciation over the book value arises because:

- > Assets classified or belonging to the Quimbo project have special treatment: Assets in 2016 were depreciated according to the useful life classified as per the type of asset according to the regulations in effect until that year, for the year 2017 despite that the reform (law 1819 of 2016) established new rates for depreciation, the assets that belong to Quimbo will

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(Figures in thousand pesos)

follow those of the regulation since this project has legal stability.

- > Assets to which accelerated depreciation was applied with the balance reduction method.
- > Other assets are depreciated by straight line.
- > Beginning in 2017, assets acquired as new or that will be activated will take into account the accounting useful life unless this is not greater than that established in law 1819 of 2016.

Deferred tax at December 31, 2017 by tariff is shown below:

	Income	2018 Surcharge	2019 Surcharge
Fixed Assets	\$ (232.336.220)	\$ (381.044)	\$ (231.955.176)
Estimated provisions and liabilities	27.755.975	20.760.217	6.995.758
Defined contribution obligations	21.431.819	5.329.861	16.101.958
Portfolio	69.821.111	34.910.556	34.910.556
	<b>(113.327.315)</b>	<b>60.619.590</b>	<b>(173.946.904)</b>
CREE Rate and Surcharge	-	4%	0%
Income rate	-	33%	33%
CREE Tax and Surcharge	-	2.424.785	-
Income tax	<b>(37.398.011)</b>	<b>20.004.466</b>	<b>(57.402.475)</b>
Occasional earnings	8.647.462		
Rate	10%		
Tax	864.746		
Total deferred tax debit	<b>\$ (34.108.481)</b>		

The recovery of deferred tax asset balances depends on obtaining sufficient tax profits in the future. The Administration considers that projections of future profits cover what is necessary to recover these assets.

The following is the detail of the deferred tax asset at December 31, 2016:

	Initial balance at December 31 of 2015	Increase (Decrease) for deferred taxes in Results	Increase (Decrease) for Deferred Taxes in other Integral Result	Final Balance at December 31 of 2106
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

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(Figures in thousand pesos)

<b>Active deferred tax</b>	<b>\$ 215.428.169</b>	<b>\$ (121.283.961)</b>	<b>\$ 5.210.224</b>	<b>\$ 99.354.432</b>
Excess of tax depreciation on book value	(132.710.293)	132.710.293	-	-
Forward and swap	(1.402.169)	-	(788.220)	(2.190.389)
<b>Deferred tax liability</b>	<b>(134.112.462)</b>	<b>132.710.293</b>	<b>(788.220)</b>	<b>(2.190.389)</b>
<b>Net active deferred tax</b>	<b>\$ 81.315.707</b>	<b>\$ 11.426.332</b>	<b>\$ 4.422.004</b>	<b>\$ 97.164.043</b>

At December 31 of 2016 the detail of deferred tax asset for other provisions corresponds to:

	<b>Initial balance at December 31 of 2015</b>	<b>Increase (Decrease) for deferred taxes in Results</b>	<b>Final Balance at December 31 of 2106</b>
Provisions of works and services			
Provision Labor Obligations	2.366.713	26.891	2.393.604
Provision Quality Compensation	1.793.368	(257.510)	1.535.858
Others	-	1.788.438	1.788.438
Provision of uncollectible accounts	677.815	36.860.949	37.538.764
Provision of Industry and Commerce	206.856	(130.008)	76.848
	<b>\$ 14.496.762</b>	<b>\$ 34.659.793</b>	<b>\$ 49.156.555</b>

Deferred taxes at December 31 of 2016 per tariff are listed below:

	<b>2016</b>		<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Income</b>	<b>CREE and surcharge</b>	<b>Surcharge</b>	<b>Surcharge</b>	<b>Surcharge</b>
Fixed Assets	\$ 127.331.238	\$ -	\$ 19.350.644	\$ 17.719.007	\$ 90.261.587
Estimated provisions and 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
	<b>269.098.188</b>	<b>11.053.124</b>	<b>65.667.871</b>	<b>53.160.600</b>	<b>139.216.593</b>
CREE Rate and Surcharge		15%	6%	4%	0%
Income rate		25%	34%	33%	33%
CREE Tax and Surcharge		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%			

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Tax	864.747
Total deferred tax debit	<b>\$ 97.164.043</b>

The recovery of deferred tax asset balances depends on obtaining sufficient tax profits in the future. The Administration considers that projections of future profits cover what is necessary to recover these assets.



### 13. Other financial liabilities

	At December 31 of 2017			At December 31 of 2017		
	Corriente		No Corriente	Corriente		No Corriente
	Capital	Intereses		Capital	Intereses	
Issued bonds (1)	\$ 218.200.000	\$ 90.247.846	\$ 3.517.794.451	\$ 170.000.000	\$ 119.989.589	\$ 3.735.015.353
Club Deal (2)	40.666.669	548.495	203.333.333	40.666.667	875.042	244.000.000
Bank loans (2)	103.926.861	1.793.078	-	130.000.000	622.916	-
Leasing liabilities (3)	2.326.960	-	2.054.927	2.117.063	-	4.258.323
Derived Instruments (4)	4.872.194	-	-	-	-	-
	<b>\$ 369.992.684</b>	<b>\$ 92.589.419</b>	<b>\$ 3.723.182.711</b>	<b>\$ 342.783.730</b>	<b>\$ 121.487.547</b>	<b>\$ 3.983.273.676</b>

(1) The January to December 2017 bond movement is summarized as follows:

Non-Current Bonds: Amortization of transaction costs for \$(979,098) and long-term to short-term reclassification of Bond B9-09 for \$ 218,200,000 with due date on July 7, 2018.

Currents Bonuses: Reclassification mentioned in the previous item and payment of the B103 bond for \$ (170,000,000) on February 20, 2017.

In financial debt, the Group has seven (7) bond issues in the local market under the program for bonds issuance and placement of the Group and one (1) bond issue in the international market.

The following are the main financial characteristics of the bonds issued since 2005 and in effect as of December 31, 2017:

#### Programa de emisión y colocación de bonos ordinarios del Grupo en el mercado local

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(Figures in thousand pesos)

The Group has a bond issuance and placement program that allows for successive issues of such securities under the global quota authorized and available, and during the term of validity thereof. At December 31, 2017, the Group had offered and placed eight (8) bond issues (also referred to as "Tranches" according to the terminology established in the program's prospectus) charged to the program, which were in effect at the aforementioned date, with the exception of the first tranche for \$170,000,000 past due in February 20, 2017. All bond issues made under the Group Program are rated AAA (Triple A) by Fitch Ratings Colombia SCV, and are dematerialized under the administration of Deceval S.A.

Below is the description of general financial conditions of the program for the issuance and placement of bonds of the Group in the local market:

Class of Securities	Ordinary Bonds
Initial approval Financial Superintendence	Resolution No. 1235 of July 18, 2006
Initially Approved Global Quota	\$ 700,000,000
Approval of the first extension of the quota and extension of placement period:	Resolution No. 0833 of June 16, 2009
First Increase in the Authorized Global Quota:	In additional \$ 1,200,000,000
First extension in placement period	Until June 26, 2012
Approval to 2nd extension of placement period:	Resolution No. 1004 of June 29, 2012
Second extension of placement period	Until July 18, 2015
Second increase to Authorized Global Quota:	At additional \$ 850,000,000
Approval to 3rd increase of placement quota:	Resolution No. 1980 of November 6, 2014
Third increase to the Authorized Global Quota:	At additional \$ 315,000,000
Approval of the fourth extension of the quota and extension of placement period:	Resolution No. 1235 of September 8, 2015.
Fourth increase to the Authorized Global Quota:	In additional \$ 650,000,000
Third extension to term of placement:	Until September 14, 2018
Total Authorized Global Quota as of Dec. 31, 2017	\$ 3,715,000,000
Amount issued under the Program as of Dec. 31, 2017	\$ 3,315,000,000
Global quota available as of December 31, 2017:	\$ 400,000,000
Administration	Deceval S.A.

The Group has issued 8 tranches of bonds under the afore mentioned program as follows:

*First Tranche:*



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(Figures in thousand pesos)

Total placed value	\$170.000.000
Balance at December 31 of 2017	Sub-series B10: \$0
Face Value per bond	\$10.000
Term of Issue	10 years
Date of Issue:	February 20 of 2007
Due Date:	February 20 of 2017
Coupon Rate	IPC + 5,15% E.A.

On February 20th was made the payment on due date of the Sub-Series B-10 for \$170.000.000.

*Second Tranche:*

Total Placed Value	\$265.000.000 as follows:
	Sub-series A5: \$ 49.440.000
	Sub series B10: \$160.060.000
	Sub series B15: \$ 55.500.000
Current Balance at December 31 of 2017	\$215.560.000
Face value per bond	\$10.000
Issuance Term	Sub-series A5: 5 years Sub-series B10: 10 years Sub-series B15: 15 years
Date of issue:	February 11 of 2009, for all sub-series
Maturity Date:	Sub-series A 5: February 11 of 2014 Sub-series B10: February 11 of 2019 Sub-series B15: February 11 of 2024
Coupon Rate	Sub-series A 5: DTF T.A. + 1,47% Sub-series B10: IPC + 5,78% E.A. Sub-series B15: IPC + 6,09% E.A.

February 11 of 2014 was made the payment on due date of the bonds of the Sub-series A5 for \$49.440.000.

*Third Tranche:*

Total placed value	\$400.000.000 as follows:
	Sub-series E5: \$ 92.220.000
	Sub-series B9: \$218.200.000
	Sub-series B12: \$ 89.580.000
Current balance at December 31 of 2017	\$307.780.000
Face value per bond	\$10.000
Issuance term	Sub-series E5: 5 years Sub-series B9: 9 years

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	Sub-series B12: 12 years
Issue Date	July 2 of 2009 for all sub-series
Maturity Date	Sub-series E5: July 2 of 2014 Sub-series B9: July 2 of 2018 Sub-series B12: July 2 of 2021
Coupon Rate	Sub-series E5: Fixed Rate 9,27% E.A. Sub-series B9: IPC + 5,90% E.A. Sub-series B12: IPC + 6,10% E.A.

On July 2 of 2014 was made the payment on due date of the bonds of the Sub-series E5 for \$92.220.000.

### *Fourth Tranche:*

Total placed value	\$500.000.000 as follows: Sub-series B10: \$ 300.000.000 Sub-series B15: \$ 200.000.000
Transaction costs at December 31 of 2017	\$358.488
Current balance at December 31 of 2017	\$499.641.512
Face value per bond	\$10.000
Issuance term	Sub-series B10: 10 years Sub-series B15: 15 years
Issuance Date	December 13 of 2012
Maturity Date	Sub-series B10: December 13 of 2022 Sub-series B15: December 13 of 2027
Coupon Rate	Sub-series B10: IPC + 3,52% E.A. Sub-series B15: IPC + 3,64% E.A.

### *Fifth Tranche:*

Total placed value	\$565.000.000, as follows: Sub-series B6: \$201.970.000 Sub-series B12: \$363.030.000
Costs of transaction at December 31, 2017	\$314.368
Current balance at December 31 of 2017	\$564.685.632

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(Figures in thousand pesos)

Face value per bond	\$10.000
Issuance term	Sub-series B6: 6 years Sub-series B12: 12 years
Issuance date	September 11 of 2013
Maturity date	Sub-series B6: September 11 of 2019 Sub-series B12: 11 de Septiembre de 2025
Coupon Rate	Sub-series B6: IPC + 4,25% E.A. Sub-series B12: IPC + 5,00% E.A.

### *Sixth Tranche*

Total placed value	\$590.000.000 as follows: Sub-series B6: \$241.070.000 Sub-series B10: \$186.430.000 Sub-series B16: \$162.500.000
Transaction Costs at Dec. 31 of .2017	\$439.133
Current balance at December 31 of 2017	\$589.560.867
Nominal value per bond	\$10.000
Issuance term	Sub-series B6: 6 years Sub-series B10: 10 years Sub-series B16: 16 years
Issuance date	May 16th of 2014
Maturity date	Sub-series B6: May 16, 2020 Sub-series B10: May 16, 2024 Sub-series B16: May 16, 2030
Coupon Rate	Sub-series B6: IPC + 3,42% E.A. Sub-series B10: IPC + 3,83% E.A. Sub-series B16: IPC + 4,15% E.A.

### *Seventh Tranche*

Total placed value	\$525.000.000, as follows: Sub-series B3 \$234.870.000 Sub-series B7: \$290.130.000
Transactions costs at Dec. 31 of 2017	\$426.760
Current balance at December 31 of 2017	\$524.573.240
Face value per bond	\$10.000

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(Figures in thousand pesos)

Term of Issue	Sub-series B3: 3 years Sub-series B7: 7 years
Issuance Date	February 11th of 2016
Maturity Date	Sub-series B3: February 11th of 2019 Sub-series B7: February 11th of 2023
Coupon Rate	Sub-series B3: IPC + 3,49% E.A. Sub-series B7: IPC + 4,69% E.A.

### *Eighth Tranche:*

Total placed value	\$300.000.000 as follows: Sub-series E6: \$300.000.000
Transaction costs at Dec. 31 of 2017	\$349.036
Current balance at December 31 of 2017	\$299.650.964
Face value per bond	\$10.000
Issuance term	Sub-series E6: 6 years
Issuance date	September 27 of 2016
Maturity date	Sub-series E6: September 27th of 2022
Coupon Rate	Sub-series E6: 7,59% E.A.

### **International Global Funds in Pesos**

On January 20, 2011, the Group placed its first bond issue in the international capital market for \$736,760,000, for a term of 10 years. The bonds issued by the Group, denominated in pesos and payable in dollars.

According to the Offering Memorandum, the Group paid interest in 2017, at a final rate of 9.11%.

The operation forms part of the financial structure of El Quimbo hydroelectric project and made possible to obtain pre-financing resources for the project's needs for 2011 and part of 2012 and to refinance other financial liabilities.

Registration form	144 A/ Reg S
Total value of issue in pesos	\$736.760.000
Transaction cost at December 31 of 2017	\$2.217.761
Current balance at December 31 of 2017	\$734.542.239

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Use of funds	Financing of new projects as El Quimbo and refinancing of other financial obligations besides other general uses of the Group.
Face value	\$5,000 each bond
Term	10 years, with amortization at mature date.
Periodicity of interest	Annual
Days count	365/365
Issuance 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

Details of liabilities for debt bond at December 31 of 2017 is the following:

Descripción	Tasa EA	Current			No corriente							Total no corriente	
		Menor a 90 días	Mayor a 90 días	Total Corriente	1 a 2 años	2 a 3 años	3 a 4 años	4 a 5 años	5 a 10 años	más de 10 años			
Program Second Tranche B104-10	10%	\$ 2.186.103	\$ -	\$ 2.186.103	\$160.060.000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160.060.000
Program Second Tranche B104-15	11%	781.280	-	781.280	-	-	-	-	55.500.000	-	-	-	55.500.000
Program Third Tranche B105-9	11%	5.380.814	218.200.000	223.580.814	-	-	-	-	-	-	-	-	-
Program Third Tranche B105-12	12%	2.252.284	-	2.252.284	-	-	89.580.000	-	-	-	-	-	89.580.000
Bond abroad Z47	9%	7.663.755	-	7.663.755	-	-	90.000.000	-	-	-	-	-	90.000.000
Bond abroad Z58	10%	55.073.450	-	55.073.450	-	-	644.390.805	-	-	-	-	-	644.390.805
Program Fourth Tranche B10	8%	1.156.213	-	1.156.213	-	-	-	-	299.800.714	-	-	-	299.800.714
Program Fourth Tranche B15	8%	800.027	-	800.027	-	-	-	-	-	-	199.829.656	-	199.829.656
Program Fifth Tranche B12	10%	1.882.952	-	1.882.952	-	-	-	-	362.771.043	-	-	-	362.771.043
Program Fifth Tranche B6-1	10%	726.897	-	726.897	152.477.065	-	-	-	-	-	-	-	152.477.065
Program Fifth Tranche B6-2	10%	235.611	-	235.611	49.423.489	-	-	-	-	-	-	-	49.423.489
Program Sixth Tranche B16	10%	1.676.594	-	1.676.594	-	-	-	-	-	-	162.606.712	-	162.606.712
Program Sixth Tranche B10	9%	1.849.758	-	1.849.758	-	-	-	-	186.257.191	-	-	-	186.257.191
Program Sixth Tranche B6-2	9%	1.233.893	-	1.233.893	-	130.993.406	-	-	-	-	-	-	130.993.406
Program Sixth Tranche B6-1	9%	1.035.540	-	1.035.540	-	109.938.193	-	-	-	-	-	-	109.938.193
Program Seventh Tranche B-3	9%	2.474.445	-	2.474.445	234.714.210	-	-	-	-	-	-	-	234.714.210
Program Seventh Tranche B-7	10%	3.534.947	-	3.534.947	-	-	-	-	289.814.914	-	-	-	289.814.914
Bond series and subseries E6	8%	303.283	-	303.283	-	-	-	299.637.053	-	-	-	-	299.637.053
<b>Total bonds</b>		<b>\$90.247.846</b>	<b>\$218.200.000</b>	<b>\$ 308.447.846</b>	<b>\$596.674.764</b>	<b>\$ 240.931.599</b>	<b>\$823.970.805</b>	<b>\$299.637.053</b>	<b>\$1.194.143.862</b>	<b>\$362.436.368</b>	<b>\$3.517.794.451</b>		

The detail of liabilities for debt bonds at December 31 of 2016 is as follows:

Description	Rate EA	Current				Non-Current				Total Non-Current
		Total Current Less than 90 days	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years		
Program First Tranche B103	11%	\$ 186.805.847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program Second Tranche B104-10	12%	2.588.489	-	160.060.000	-	-	-	-	-	160.060.000
Program Second Tranche B104-15	12%	920.897	-	-	-	-	-	55.500.000	-	55.500.000
Program Third Tranche B105-9	12%	6.359.811	218.200.000	-	-	-	-	-	-	218.200.000
Program Third Tranche B105-12	12%	2.654.290	-	-	-	89.580.000	-	-	-	89.580.000
External Bond Z47	10%	8.554.859	-	-	-	90.000.000	-	-	-	90.000.000
External Bond Z58	10%	61.477.114	-	-	-	643.936.502	-	-	-	643.936.502
Program Fourth Tranche B10	10%	1.460.910	-	-	-	-	-	299.778.726	-	299.778.726

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Program Fourth Tranche B15	10%	986.269	-	-	-	-	-	199.821.890	199.821.890
Program Fifth Tranche B12	11%	2.257.780	-	-	-	-	362.755.283	-	362.755.283
Program Fifth Tranche B6-1	10%	884.099	-	152.458.663	-	-	-	-	152.458.663
Program Fifth Tranche B6-2	10%	286.566	-	49.417.296	-	-	-	-	49.417.296
Program Sixth Tranche B16	10%	2.043.600	-	-	-	-	-	162.348.899	162.348.899
Program Sixth Tranche B10	10%	2.270.438	-	-	-	-	186.244.241	-	186.244.241
Program Sixth Tranche B6-2	10%	1.529.325	-	-	130.976.019	-	-	-	130.976.019
Program Sixth Tranche B6-1	10%	1.283.480	-	-	109.923.060	-	-	-	109.923.060
Program Seventh Tranche B3-16	10%	3.061.906	-	234.634.163	-	-	-	-	234.634.163
Program Seventh Tranche B7-16	11%	4.260.625	-	-	-	-	289.782.272	-	289.782.272
Program Eighth Tranche E6-16	8%	303.284	-	-	-	-	299.598.339	-	299.598.339
<b>Total bonds</b>		<b>\$ 289.989.589</b>	<b>\$ 218.200.000</b>	<b>\$ 596.570.122</b>	<b>\$ 240.899.079</b>	<b>\$ 823.516.502</b>	<b>\$ 1.493.658.861</b>	<b>\$ 362.170.789</b>	<b>\$ 3.735.015.353</b>

(2) Club Deal credits have capital amortization in 15 equal semi-annual instalments as of December 2016, and earn an interest rate of IBR + 2.20% SV for Banco Bogotá and IBR + 2.17% SV for BBVA, it is so that on December 19, 2016 the first instalment of principal was cancelled for \$ 20,333,333 and during 2017 an instalment was cancelled on June and another in December for a total of \$(40,666,666) and originated the reclassification of two other instalments for this same value of the long-term to the short term period.

In loans from abroad during the year 2017 a debt acquisition was generated with the Banco de Credito del Peru (BCP) for \$100,000,000 (USD 34,828), TE1.90% and maturity on February 22, 2018, increasing as a result of the difference in change at \$ 3,926,861. On the other hand, in June 2017, the credit with the Bank of Tokyo was cancelled for \$ (130,000,000).

The detail of Club Deal obligations and bank loans as of December 31, 2017 is as follows:

Description	Rate EA	Current		Non- Current						Total Non- Current
		Less than 90 days	More than 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	
Banco Bogotá	10%	\$ 144.347	\$ 10.666.669	\$ 10.811.016	\$ 10.666.667	\$ 10.666.667	\$ 10.666.667	\$ 10.666.667	\$ 10.666.667	\$ 53.333.335
Banco BBVA	9%	404.148	30.000.000	30.404.148	30.000.000	30.000.000	30.000.000	30.000.000	30.000.000	150.000.000
<b>Total Club Deal</b>		<b>\$ 548.495</b>	<b>\$ 40.666.669</b>	<b>41.215.164</b>	<b>\$ 40.666.667</b>	<b>\$ 40.666.667</b>	<b>\$ 40.666.667</b>	<b>\$ 40.666.667</b>	<b>\$ 40.666.667</b>	<b>203.333.335</b>
Banco del Crédito del Perú	2%	105.719.939	-	105.719.939	-	-	-	-	-	-
<b>Total Bank Loans</b>		<b>\$ 105.719.939</b>	<b>-</b>	<b>\$ 105.719.939</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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The detail of the Club Deal obligation and bank loans at December 31 of 2016 is as follows:

Description	Rate EA	Current			Non- Current					
		Less than 90 days	More than 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%	\$230.083	\$10.666.667	\$ 10.896.750	\$10.666.667	\$10.666.667	\$10.666.667	\$10.666.667	\$ 1.333.332	\$64.000.000
Banco BBVA	9%	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
<b>Total Club Deal</b>		<b>\$875.042</b>	<b>\$40.666.667</b>	<b>\$ 41.541.709</b>	<b>\$ 40.666.667</b>	<b>\$40.666.667</b>	<b>\$40.666.667</b>	<b>\$40.666.667</b>	<b>\$81.333.332</b>	<b>\$244.000.000</b>
The Bank Of Tokyo	7%	622.916	130.000.000	130.622.916	-	-	-	-	-	-
<b>Total Bank Loans</b>		<b>\$ 622.916</b>	<b>\$ 130.000.000</b>	<b>\$ 130.622.916</b>	<b>\$</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>\$</b>	<b>-</b>

(3) The detail of obligations for commercial leasing at December 31 of 2017 is the following:

Description	Rate	Type of	Current		Non- Current			Total No Corriente
			Menos de 90 días	Más de 90 días	Total Corriente	1 a 2 años	2 a 3 años	
Banco Corpbanca	rate	Less than 90 days	More than 90 days	Total Current	1 to 2 years	2 to 3 years	Total Non- Current	\$ -
Equirent S.A	7,58%	Fija	195.975	594.911	790.886	753.412	46.704	800.115
Mareauto Colombia S.A.S	11,78%	Fija	37.678	117.868	155.546	154.091	95.835	249.926
Transportes Especializados JR S.A.S.	11,69%	Fija	308.759	1.004.891	1.313.650	1.004.886	-	1.004.886
Consortio Empresarial	7,08%	Fija	14.647	30.051	44.697	-	-	-
<b>Total Leasing</b>			<b>\$ 562.990</b>	<b>\$ 1.763.971</b>	<b>\$ 2.326.960</b>	<b>\$ 1.912.389</b>	<b>\$ 142.539</b>	<b>\$ 2.054.927</b>

The detail of obligations for commercial leasing at December 31 of 2016 is the following:

Description	Rate	Type of rate	Current			Non-Current			
			Less than 90 days	More than 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	Total Non- Current
Banco Corpbanca	8,40%	Fija	\$ 24.619	\$ 62.604	\$ 87.223	\$ 61.005	\$ -	\$ -	\$ 61.005

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Equirent S.A	7,70%	Fija	184.539	572.004	756.543	732.030	749.646	50.469	1.532.145
Mareauto Colombia S.A.S	10,08%	Fija	23.896	75.964	99.860	101.670	105.816	67.657	275.143
Transportes Especializados JR S.A.S.	11,69%	Fija	266.461	866.666	1.133.127	1.227.520	1.132.767	-	2.360.287
Consortio Empresarial	7,08%	Fija	9.812	30.498	40.310	29.743	-	-	29.743
<b>Total Leasing</b>			<b>\$ 509.327</b>	<b>\$ 1.607.736</b>	<b>\$ 2.117.063</b>	<b>\$ 2.151.968</b>	<b>\$ 1.988.229</b>	<b>\$ 118.126</b>	<b>\$ 4.258.323</b>

(4) At December 31 of 2017 the Group has current derived liabilities SWAP for debt underlying and withholding tax (WHT) with Banco de Crédito de Perú for \$4.872.194 and coverage type of cash flow.

## 14. Commercial accounts payable and other accounts payable

	At December 31 of 2017	At December 31 of 2016
Commercial accounts payable	\$ 48.482.550	\$ 42.791.475
Other accounts payable (1)	168.582.499	288.537.565
<b>Commercial accounts payable and other accounts payable</b>	<b>\$ 217.065.049</b>	<b>\$ 331.329.040</b>

(1) The detail of the commercial accounts payable and other accounts payable is the following:

	At December 31 of 2017	At December 31 of 2016
Accounts payable for goods and services (a)	\$ 126.220.943	\$ 239.115.851
Suppliers for energy purchase (b)	48.289.030	42.791.475
Other accounts payable	22.152.112	22.352.461
Taxes other than Income (c)	20.396.492	27.049.334
<i>Provision for payment of taxes</i>	15.035.756	17.081.243
<i>Territorial taxes, contributions, municipal and related</i>	5.360.736	9.968.091
Fee	6.472	19.919
<b>Total commercial accounts payable and other accounts payable</b>	<b>\$ 217.065.049</b>	<b>\$ 331.329.040</b>

(a) The variation corresponds mainly to the payment in 2017 of the liability recognized in 2016 associated with El Quimbo project in accordance with addendum 17, certificate 436 of October 19, 2016, for \$74,800,000.

(b) The variation between December 31, 2017 and 2016 corresponds to the increase in the estimate for liabilities of the



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variable margin associated with the costs of generating electricity for \$5,497,414.

(c) At December 31, 2017 and 2015, taxes other than income taxes correspond to:

	At December 31 of 2017	At December 31 of 2016
Provision for tax payment (*)	\$ 15.035.756	\$ 17.081.243
Territorial taxes, contributions, municipal and related taxes (**)	5.360.736	9.968.091
	<b>\$ 20.396.492</b>	<b>\$ 27.049.334</b>

(\*)The variation of December 2017 and 2016, corresponds to the withholding at source made to third parties for \$3,067,308 and \$ 4,374,545 and self-withholdings of \$11,968,448 and \$12,706,698, respectively.

(\*\*) At December 31, 2017 and 2016, corresponds mainly to the contribution of law 99 for \$5,139,383 and \$9,273,368 respectively.

## 15. Provisions

	At December 31 of 2017		At December 31 of 2017	
	Current	Non- Current	Current	Non- Current
Other provisions (*)	\$ 92.361.840	\$ 131.993.691	\$ 84.023.026	\$ 180.341.134
<i>Environmental and Quimbo works (1)</i>	58.519.505	28.877.162	76.720.927	-
<i>Quimbo restoration plan (1)</i>	33.842.335	103.116.530	7.302.099	180.341.134
Other	-	-	-	-
Provision for legal claims (2)	-	10.712.379	-	11.677.255
<i>Civil and other</i>	-	9.602.379	-	10.677.255
<i>Laboral</i>	-	1.110.000	-	1.000.000
Dismantling (3)	-	989.639	-	3.936.873
<b>Total Provisions</b>	<b>\$ 92.361.840</b>	<b>\$ 143.695.710</b>	<b>\$ 84.023.026</b>	<b>\$ 195.955.262</b>

(\*)Includes provision, environmental investment program 1% Quimbo

(1) Provision corresponding to El Quimbo Hydroelectric Power Plant, as follows: I) Environmental and Quimbo works, mainly correspond to obligations to replace infrastructure, liquidation of contracts associated with executed works and minor works necessary for the operation of the plant which are expected to be executed within the schedule of works proposed by the project between 2017 and 2019. II) Restoration plan includes works necessary to mitigate environmental impact at the time of filling the reservoir and which involves estimated execution flows in 30 years.

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Among the main activities of this obligation is the restoration of forests, creation of a protection strip, fish and fishery programs and wildlife and flora monitoring programs.

(2) At December 31, 2017, the value of the claims in the claims to the Group for administrative, civil, labor litigation and constitutional actions amounts to \$3,045,860,586 based on the evaluation of the probability of success in the defense of these cases, \$4,118,526 have been provisioned to cover probable losses for these contingencies. Management believes the outcome of the lawsuits corresponding to the non-provisioned part will be favorable to the interests of the Group and would not cause significant liabilities that should be accounted for or that, if they arise, would not significantly affect the financial position of the Group. Additional sanctions are provided for El Quimbo Hydroelectric Power Plant for \$3,147,969, which are specified in note 32. Sanctions, on the other hand successful premiums for \$ 2,766,242, which will be effective when the lawyer obtains a ruling in favor of the Group of the agreed processes and a fiscal process of Compensar for \$679,642.

At December 31, 2017, the value of claims for administrative, civil, labor and contractor litigation is detailed as follows:

Processes	Grading	No. de processes	No. of Process (undetermined amount)	Value of contingency (a)	Value of the provision
Floods before 1997	Possible	18	1	\$ 19.020.515	\$ -
	Probable	14	-	3.894.717	2.907.700
<b>Total Floods A.1997</b>		<b>32</b>	<b>1</b>	<b>\$ 22.915.232</b>	<b>\$ 2.907.700</b>
Floods after 1997	Possible	19	-	977.754	-
	Probable	4	1	265.805	100.826
<b>Total Floods D.1997</b>		<b>23</b>	<b>1</b>	<b>\$ 1.243.559</b>	<b>\$ 100.826</b>
Labor	Possible	28	-	1.344.800	-
	Probable	2	12	1.110.000	1.110.000
	Remote	10	-	22.081.000	-
<b>Total Labor</b>		<b>40</b>	<b>12</b>	<b>\$ 24.535.800</b>	<b>\$ 1.110.000</b>
Other	Possible	50	29	104.359.844	-
	Remote	72	21	171.026.702	-
<b>Total Other</b>		<b>122</b>	<b>50</b>	<b>\$ 275.386.546</b>	<b>\$ -</b>
Quimbo	Possible	137	26	305.702.185	-
	Remote	2	1	5.377.741	-
<b>Total Quimbo</b>		<b>139</b>	<b>27</b>	<b>\$ 311.079.926</b>	<b>\$ -</b>
<b>Total Processes</b>		<b>356</b>	<b>91</b>	<b>\$ 635.161.063</b>	<b>\$ 4.118.526</b>

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

Additionally, sanctions of El Quimbo Hydroelectric Power Plant have been provisioned, which are detailed in note 32.

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Sanctions, success premiums and a Compensar tax process which is also disclosed in "The main fiscal litigation the Group has at December 31, 2017 classified as probable":

Concept	Value
Sanction ANLA- Quimbo, Res.0381	\$ 2.503.259
Sanction CAM- Quimbo, Res 2239	492.700
Sanction CAM- Quimbo, Res.3590	50.670
Sanction CAM- Quimbo, Res.3653	50.670
Sanction CAM- Quimbo, Res.3816	50.670
Fiscal Process (Compensar)	679.642
Success Bonuses of legal processes	2.766.242
<b>Total provision</b>	<b>\$ 6.593.853</b>

### Detail of the main legal processes the Group has at December 31, 2017, classified as probable:

Plaintiff: **Yohana Farley Rodríguez Berrio**

Start date: 2014

Claim: \$ 300,000

Provisioned: \$ 1,000,000

Purpose of the trial: Full compensation for damages for employer responsibility.

Current status and procedural situation: The process is pursuing the appeal of the first instance filed by the Group in the Superior Court of Neiva.

Since July 4, 2017, the file is under study awaiting the date of the hearing of arguments and ruling in the Superior Court of Neiva.

Plaintiff: **Ramiro Tovar Coronado, Argemiro Torres, Juan E. Méndez Ana Luisa Silvestre and Alejandro Sánchez Guarnizo (2002-0063)**

Start date: 2005

Claim: \$63,832

Provisioned: \$726,263

Purpose of the trial: Collection of damages to crops due to flooding of the Magdalena River, of April 1 to 5 of 1994.

Current status and procedural situation: Is in the Supreme Court under appeal cassation procedure.

Plaintiff: **Ramiro Tovar Coronado, Argemiro Torres, Juan E Méndez, Ana Luisa Silvestre and Alejandro Sánchez Guarnizo (2005-0077)**

Start date: 2005

Claim: \$604,762

Provisioned: \$ 609,477

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Purpose of the trial: Collection of damages to crops due to flooding of the Magdalena River, occurred from April 1 to 5, 1994.

Current status and procedural situation: Is in the Supreme Court under appeal cassation procedure.

Plaintiff: **Hernán Useche Culma**

Start date: 2010

Claim: \$ 100,000

Provisioned: \$ 240,911

Object of the trial: Collection of damage to crops of papaya of 10 hectares due to the flooding of the Magdalena River, on April 1 to 5, 1994 in the property Horizonte, Mercadillo de Natagaima.

Current status and procedural situation: It is in the process of payment of convictions and costs.

Plaintiff: **Diomedes Lozano Apache and Ananías Ortiz Vásquez**

Start date: 2008

Claim: \$63,649

Provisioned: \$343,403

Object of the trial: Collection of damages to crops of lemon and cotton due to the flooding of the Magdalena River, on April 1 to 5 of 1994 in Cachira, San Judas Tadeo and 8 Aceituno properties Velu de Natagaima.

Current status and procedural situation: Pending payment, as the plaintiff's attorney has filed appeals against the order approving the settlement of costs.

Plaintiff: **Abundio Carrillo and Edgar Antonio Sánchez Guarnizo**

Start date: 2008

Claim: \$ 62,917

Provisioned: \$ 141,088

Object of the trial: Collection of damage to plantain crops due to flooding caused by flooding of the Magdalena River from April 1 to 5 of 1994 in La Manga and Bocas de Cajón property, Tinajas.

Current status and procedural situation: Pending date setting for the hearing for the supporting allegations and ruling in the Court. Art. 327 paragraph 2 CGP.

### **The main tax litigation the Group has at December 31, 2017 classified as probable are:**

Plaintiff: **Compensar**

Start date: 2016

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Claim: \$ 679,642

Provisioned: \$ 679,642

Purpose of the trial: Compensar filed a lawsuit against the Group in order to obtain a refund of \$ 679,642, originated in the delay in the payment of the solidarity contribution from May 2009 to July 2012. Compensar alleges it is excluded from the contribution in three of its offices because it is a non-profit entity that develops assistance activities in these offices. The Group granted the exclusion and later revoked said concession and made the retroactive payment to Compensar under the Commercial Offer subscribed between the Parties.

Current status and procedural situation: On July 18, 2017, an initial hearing was held in where appeals were filed against the decision of the magistrate not to declare proven the exceptions of lack of competence and inept demand, and against the decision of lack of legitimacy for passive of the SSPD. On July 19, 2017 the process was sent to the Consejo de Estado. On August 2, 2017, the process was distributed to Magistrate Milton Chaves.

The movement of provisions at December 31, 2016 and December 31, 2017 is as follows:

	Provision of legal claim	Dismantlement, costs of restoration and rehabilitation	Total
<b>Initial balance at January 1 of 2016</b>	\$ 4.193.295	\$ 464.812.970	\$ 469.006.265
Increase (Decrease) in existing provisions	8.088.385	50.794.938	58.883.323
Used provision	(473.419)	(262.939.253)	(263.412.672)
Financial effect update	-	15.632.378	15.632.378
Recoveries	(131.006)	-	(131.006)
Another increase (Decrease)	-	-	-
<b>Total movements in provisions</b>	<b>7.483.960</b>	<b>(196.511.937)</b>	<b>(189.027.977)</b>
<b>Final balance At December 31 of 2016</b>	<b>\$ 11.677.255</b>	<b>\$ 268.301.033</b>	<b>\$ 279.978.288</b>
Increase (Decrease) in existing provisions	1.176.407	-	523.361
Provision used	(972.390)	(59.338.380)	(60.068.956)
Financial effect update	-	16.382.522	16.382.522
Recoveries	(1.168.893)	-	(291.816)
Another increase (Decrease)	-	-	(465.845)
<b>Total movements in provisions</b>	<b>(964.876)</b>	<b>(42.955.858)</b>	<b>(43.920.734)</b>
<b>Final balance At December 31 of 2017</b>	<b>\$ 10.712.379</b>	<b>\$ 225.345.171</b>	<b>\$ 236.057.550</b>

The movement of the provision of legal claims in 2017 corresponds mainly to:

Type of Process	Plaintiff	Purpose of the claim	Value	Date of Movement
Civil_Ordinary	Rafael Bernate	Ordinary process for tort liability for facts of 1989	\$ 4.376	March, June and December 2017
Civil_Ordinary	Saúl Cárdenas Trujillo	Ordinary process for tort liability for facts of 1994	138.638	November and December 2017
Civil_Ordinary	Angel E Guerra	Ordinary process for tort liability for facts of 1989	6.336	Julio and August 2017
Civil_Ordinary	Diomedez Lozano Apache	Ordinary process for tort liability for facts of 1994	(10.826)	March, June and octubre 2017
Civil_Ordinary	Angel Antonio Diaz Leyton	Ordinary process for tort liability for facts of 1994	(1.054.285)	March and June 2017
Civil_Ordinary	José Tadeo Alarcón Pérez	Ordinary process for tort liability for facts of 1994	(19.129)	May 2017

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Civil_Ordinary	Eduardo Sanchez Rojas	Ordinary process for tort liability for facts of 1994	(31.617)	May 2017
Civil_Ordinary	Evelia Florez Serrano	Ordinary process for tort liability for facts of 1994	(5.481)	May 2017
Civil_Ordinary	Gerardo Charry	Ordinary process for tort liability for facts of 1994	4.162	November and December 2017
Civil_Ordinary	Alvaro Andrés Charry	Ordinary process for tort liability for facts of 1994	3.826	April and May 2017
Civil_Ordinary	Tirso Sanchez Solorzano	Ordinary process for tort liability for facts of 2007	(448)	May 2017
Civil_Ordinary	Gonzalo Sanchez	Ordinary process for tort liability for facts of 2007	(11.496)	March 2017 and May 2017
Civil_Ordinary	Jairo Osorio	Ordinary process for tort liability for facts of 2007	(10.213)	March 2017 and May 2017
Civil_Ordinary	Miller Vanegas Gutierrez	Ordinary process for tort liability for facts of 2007	(4.789)	March, April and May 2017
Civil_Verbal	Hector Vanegas Vanegas	Ordinary process for tort liability for facts of 2007	(6.316)	June, August and September 2017
Civil_Ordinary	Raquel Bustos	Ordinary process for tort liability for facts of 1994	(9.248)	March and August 2017
Civil_Ordinary	Luis Felipe Vanegas	Ordinary process for tort liability for facts of 2007	(6.162)	May 2017
Labor_Ordinary	Dionel Narvaez Castillo	Solidarity	110.000	August 2017
<b>Total</b>			<b>\$ (902.671)</b>	

### Claim of Consortium Impregilo

During 2015, Impregilo OHL Consortium submitted to the Group a series of claims and notes of exchange orders (Noc's) due to financial damages for the works executed in the CEQ-21 contract for the main civil works of El Quimbo Hydroelectric Project.

In the ordinary session of the board of directors No. 436 held on October 19, 2016, the technical and legal analyses of the contract agreed between the Group and the Impregilo Consortium were carried out, as a result of the previous negotiation sessions held between September 2015 and March 2016. In order to avoid a future arbitration process, the Group decided to close the negotiation with the contractor during the last quarter of 2016. The initial claim of the contractor amounted to \$224,560,000 between claims and notes of change order. As a result of the negotiation the agreement was closed for \$57,459,000 pesos plus \$2,800,000 for the agreement closing minutes, and a readjustment to the claims for \$14,541,000, for a total of \$74,800,000, these values were authorized by the Group to be included in the CEQ 021 contract through Addendum 17 signed in January 2017.

In November 2016, the Group, as part of the analysis of the activities included in the provision set up to guarantee compliance with the obligations arising from the construction of the plant, made recoveries for activities deemed unnecessary and including readjustments to the Contract prices agreed in board of directors and formalized in addendum 17 which was executed and paid during the first quarter of 2017.

Currently this agreement enters the liquidation stage, once the term of protection, quality and stability of the works is fulfilled.

### Provision Environmental Investments Program 1%

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In accordance with Resolution 0899 of May 15, 2009, through which the National Environmental Licenses Authority (ANLA) granted an Environmental License for El Quimbo Hydroelectric Project, the Group at December 31, 2017 has registered as part of the total provisioned \$15,744 million corresponding to the 1% investment program submitted within the framework of 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 law 99 of 1993 regulated by Decree 1900 of September 12, 2006. On August 31, 2016 a partial settlement was made and submitted to ANLA for review and approval for \$9,702 million with a cut-off date of September 30, 2016, which will be re-settled once the final cost of the project is determined in accordance with paragraph 2 of article 4 of Decree 1900 of 2006. During 2017, no decisions have been received from the Authority of National Environmental Licenses-ANLA.

(3) This provision refers to the dismantling of electromechanical equipment in El Quimbo and the decrease is caused by the increase in the interest rate used for the discount future flows, VPN, the rates used are 2017; 8.10% EA and 2016; 5.10%.



## 16. Provisions for benefits to employees

	At December 31 of 2017		At December 31 of 2016	
	Current	Non-Current	Current	Non-Current
Liabilities for defined benefits post-employment and long term (1)	\$ 8.682.337	\$ 77.059.947	\$ 8.746.382	\$ 80.315.258
Social benefits and legal contributions	21.843.209	-	20.022.664	-
Benefits for retirement plans (2)	-	-	333	-
	<b>\$ 30.525.546</b>	<b>\$ 77.059.947</b>	<b>\$ 28.769.379</b>	<b>\$ 80.315.258</b>

(1) The Group grants different defined benefit plans, post-employment liabilities and long-term benefits to its active or retired employees, according to the fulfilment of previously defined requirements, which refer to:

### *Retirement pensions*

The Group has a defined benefit pension plan over which it does not register specific assets, except for own resources originated in the development of its operational activity. Benefit pension plans establish the amount of pension benefit an employee will receive upon retirement, which usually depends on one or more factors, such as the employee's age, years of service and compensation.

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The liability recognized in the financial position statement, with respect to defined benefit pension plans, is the present value of the defined benefit obligation at the date of the financial position, together with the adjustments for unrecognized actuarial gains or losses. The defined benefit obligation is calculated by independent actuaries using the projected credit unit method.

The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using the interest rates calculated from the yield curve of the Colombian Government Debt Securities (TES) denominated in units of interest real value (UVR) with terms that approximate the terms of the pension obligation until its expiration.

Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to net equity in other comprehensive result, in the period in which they arise.

The obligation for retirement pensions includes the effects of the application corresponding to the new mortality rates authorized by the Financial Superintendence by means of Decree 1555 of July 30, 2010.

The base of pensioners on whom the recognition of this benefit is made corresponds to:

Concept	At December 31 of 2017	At December 31 of 2016
Pensioners	296	299
Average Age	65.43	64,40

Other post-employment obligations

### *Benefits to pensioners*

The Group grants the following benefits to its retired employees for pension: (i) Educational assistance and (ii) Energy assistance in accordance with the provisions of the collective bargaining agreement.

The right to the aforementioned benefits is generally given to the independent employee who has worked until retirement age. Expected costs of these benefits accrue during the period of employment using a methodology similar to that of the defined benefit plans. Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by qualified independent actuaries.

The base of pensioners upon which the recognition of this benefit is made corresponds to:

At December 31 of 2017

At December 31 of 2016



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<b>Educational Aid</b>		
Pensioners	52	62
Average age	19,12	19,44
<b>Energy Aid</b>		
Pensioners	291	293
Average age	65,40	64,40
<b>Health Service(*)</b>		
Pensioners	101	111
Average age	56,98	52,25

(\* In 2016, the Group's health benefit was recognized, consisting of the hiring of an operator for the provision of medical and dental services to family members (basic family group) of pensioners of the Group. This benefit was under the management of the Trade Union Organization (Sintraelecol) until March 31, 2016. As of April 1, 2016, the administration was left to the employer under an agreement entered into by Grupo MEDPLUS a company of prepaid medicine to ensure provision. The benefit covers the beneficiaries of pensioners and, in the event of the death of the pensioner, the benefit remains 6 months more for the beneficiaries of the pensioner, term in which it ends. The Group recognized in its accounting this benefit as of May 2016, which was valued by an actuary of the Group AON. This benefit continues in effect for 2017.

### *Retroactive severance*

The retroactive severance payments, considered as post-employment benefits, are settled to those workers belonging to the labor regime prior to Law 50 of 1990 and who did not accept the regime change. This social benefit is paid for all the time worked based on the last earned salary and is paid regardless of whether the employee is fired or retired. Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to other comprehensive income.

The base of employees on whom the recognition of this obligation is made corresponds to:

Concept	At December 31 of 2017	At December 31 of 2016
Employees	90	91
Average age	52,58	51,52
Seniority	24,01	23,00

### *Long-term benefits*

The Group recognizes its active employees, benefits associated with their service time, such as five-year periods, which consists of making a payment for every 5 years of uninterrupted service to workers whose contracting date was made

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before September 21, 2005 and accrues from the second year, according to the definitions of the collective labor agreement.

The expected costs of these benefits accrue during the period of employment, using a methodology similar to that used for the defined benefit plans. Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are charged or credited to the result of the period in which they arise. These obligations are valued by qualified independent actuaries.

The base of employees on whom the recognition of this obligation is made corresponds to:

Concept	At December 31 of 2017	At December 31 of 2016
Employees	149	149
Average age	51,55	50,50
Seniority	22,46	21,50

At December 31, 2017, the actuarial calculation of post-employment benefits was made by the firm AON Hewitt México, using the following set of hypotheses:

*Financial Hypothesis:*

Type of rate	At December 31 of 2017	At December 31 of 2016
Discount rate	6,82%	6,54%
Salary increase rate (active personnel)	4,50%	4,50%
Pensions increase rate	3,50%	3,50%
Estimated Inflation	3,50%	3,50%
Medical service inflation	8,00%	9,00%

*Demographic Hypothesis:*

Biometric Bases	
Mortality rate	Colombian mortality table 2008 (valid rentiers)
Invalid mortality rate	Enel internal table
Total and permanent disability rotation	EISS
Retirement	Enel internal table
	Men: 62

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Women: 57

Movement of liabilities for defined benefits at December 31 of 2017 is the following:

	Retired Personnel		Active Personnel		Plan of defined benefits
	Pensions (a)	Benefits	Retroactive severance	Five-year	
<b>Initial balance at December 31 of 2016</b>	\$ 71.232.320	\$ 8.334.760	\$ 4.959.087	\$ 4.535.473	\$ 89.061.640
Current Service Cost	-	-	228.847	208.834	437.681
Cost for Interest	4.434.655	529.073	280.378	280.530	5.524.636
Paid Contributions	(7.388.670)	(488.981)	(800.050)	(763.597)	(9.441.298)
(Earnings) actuarial losses arising from changes in financial assumptions	(2.090.096)	(585.730)	(132.190)	(43.225)	(2.851.241)
(Earnings) actuarial losses arising from changes in adjustments by experience	1.812.840	94.665	755.112	348.249	3.010.866
<b>Final balance At December 31 of 2017</b>	<b>\$ 68.001.049</b>	<b>\$ 7.883.787</b>	<b>\$ 5.291.184</b>	<b>\$ 4.566.264</b>	<b>\$ 85.742.284</b>

(a) Complying with the provisions of Article 4 of Decree 2131 of 2016 that allows the application of IAS 19 for the determination of the post-employment benefit liability for future retirement pensions, additionally requiring the disclosure of the calculation of pension liabilities in accordance with the parameters established in Decree 1625 of 2016, which restates the provisions of Decree 2783 of 2001; the result is that applying these parameters at December 31, 2017 and 2016, the post-employment benefits liability for future retirement pensions amounts to \$57,453,578 and \$58,710,707, respectively. The sensitivity in mention was made by the firm Aon Hewitt Mexico, which used the following set of hypotheses:

Type of rate	At December 31 of 2017	At December 31 of 2016
Discount rate	10.82%	9,96%
Technical Interest	4,80%	4,80%
Estimated Inflation	5,74%	4,93%

The movement of liabilities for defined benefits at December 31 of 2016 is the following:

	Retired Personnel		Active Personnel		Plan of defined benefits
	Pensions (a)	Benefits	Retroactive severance	Five-year	
<b>Initial balance as of December 31, 2015</b>	<b>\$62.820.259</b>	<b>\$3.825.876</b>	<b>\$4.009.538</b>	<b>\$ 3.474.747</b>	<b>\$74.130.420</b>
Current Service Cost	-	-	192.107	172.265	364.372
Cost for Interest	4.615.998	272.080	296.398	246.804	5.431.280
Paid Contributions	(6.927.592)	(504.613)	(1.319.267)	(462.245)	(9.213.717)
Cost past services	-	3.288.421	-	-	3.288.421

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(Earnings) actuarial losses arising from changes in financial assumptions	8.102.223	1.096.437	594.985	147.830	9.941.475
(Earnings) actuarial losses arising from changes in adjustments by experience	2.621.432	356.559	1.185.326	956.072	5.119.389
<b>Final balance At December 31 of 2016</b>	<b>\$71.232.320</b>	<b>\$8.334.760</b>	<b>\$4.959.087</b>	<b>\$ 4.535.473</b>	<b>\$89.061.640</b>

The following table shows the behavior in present value of the obligation for each of the defined benefits, in relation to the percentage variation in 100 basis points above or below the discount rate used for the current calculation.

Change in discount rate	Retired Personnel		Active Personnel		Plan of defined benefits
	Pensions	Benefits	Retroactive Severance	Five-Year	
- 100 basis points	76.031.894	8.691.700	5.784.204	4.724.605	95.232.403
+ 100 basis points	61.388.205	7.196.738	4.852.935	4.418.543	77.856.421

## Collective Labor Agreement

### Collective Labor Agreement 2015 - 2018

On August 5, 2015, the direct settlement stage between the Group and Sintraelecol union was closed with a total agreement between the parties. The Collective Labor Agreement was signed on August 13, 2015 and deposited with the Ministry of Labor on the same date becoming effective. Among the main aspects agreed is a validity of 3 years for the Collective Convention (2015-2018), maintaining the same field of application of the current convention (beneficiary workers), the increase in the value of current conventional benefits and recognition of prerogatives in terms of savings, free investment and health.

### Collective Convention Emgesa – ASIEB

On June 1, 2016 the Collective Labor Agreement with the ASIEB Trade Union Organization was signed. This Collective Convention applies to all the working engineers of the Group affiliated to the trade union of engineers to the services of the energy companies - ASIEB. The validity of the Convention is from June 1, 2016 until December 31, 2019.

(2) In November 2015, the Group initiated the communication and implementation of the voluntary retirement plan "Plan San José", addressed to 56 employees under an indefinite term agreement that meet the characteristics described in the following groups:

*Group 1:* Workers under the Convention who: (i) joined the Group before January 1, 1992. (ii) did not meet the

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requirements of a conventional pension at July 31, 2010 (Legislative Act 01 of 2015) (iii) At the date of the San José Plan, are between 0 and 10 years to meet the retirement age in accordance with the Law.

*Group 2:* Integral salary workers under the Convention who are currently between 0 and 2 years old to meet the legal pension age requirement.

*Group 3:* Integral and under Convention workers to whom it applies according to the new organizational structure of the Group.

Taking into account that the level of reception of offers was lower than expected for the closing date, the Group extended the acceptance period until March 31, 2016 in order to provide a prudent period for workers to analyze and consult their decision individually, as well as with their social environment. At December 31 of 2017 the actuarial calculation of temporary benefit was made by the company Aon Hewitt México, which used the hypothesis stated in the post-employment benefits plan.

Retirement Bonus: Consists of a single payment made to the worker at the time of signing the corresponding conciliation act, where the employment contract ends by mutual agreement and will be settled taking into account the worker's salary and seniority. This benefit was offered to workers with the characteristics described in group 3. At December 31, 2015, the proposal was accepted by 17 workers out of 35 offers submitted.

For the workers who accepted, the Group recognized the effect on the income statement in accordance with the settlement and payment of the Retirement Bonus.

Additionally, the Group established a provision in accordance with the probability of acceptance of workers pending acceptance according to the extension period.

Other Benefits: In addition to the benefits described, the Group offered common benefits to workers under convention and integral salary workers after the termination of the contract of employment by mutual agreement and until December 31, 2016, among which are benefits of prepaid medicine and life insurance among others.

	<b>Temporary Income</b>	<b>Retirement Bond</b>	<b>Other Benefits</b>	<b>Total Benefits Plan of Voluntary Retirement</b>
<b>Initial balance at January 1, 2016</b>	<b>\$ 2.281.235</b>	<b>\$ 534.982</b>	<b>\$ 34.037</b>	<b>\$ 2.850.254</b>

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Cost (recovery) of the period due to acceptance of offers	101.833	-	11.910	113.743
Financial Cost of the period	13.273	-	-	13.273
Employer contributions	(2.825.468)	(952.644)	(45.614)	(3.823.726)
(Profits) actuarial losses	846.789	-	-	846.789
Other movements	(417.662)	417.662	-	-
<b>Final balance at December 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 333</b>	<b>\$ 333</b>
Cost (recovery) of the period due to acceptance of offers	-	-	(333)	(333)
Employer contributions	54.892	-	-	54.892
(Profits) actuarial losses	(54.892)	-	-	(54.892)
<b>Final balance at December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

San José plan ended on 2016 and the obligations derived therefrom are annually updated within the actuarial calculation.

## 17. Taxes to pay

### Income tax

	At December 31 of 2017	At December 31 of 2016
Current income tax (1)	\$ 482.918.458	\$ 493.360.946
Year income advance	(190.118.487)	(218.833.008)
Tax deductions and withholdings at the source	(651.478)	(6.667.905)

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Self-retention of with-holding at source	(80.466.417)	(73.699.967)
Self-retention CREE	(50.367.180)	(49.626.517)
Other current taxes	12.072	40.022
Current Tax (Assets) liabilities	<b>\$ 161.326.968</b>	<b>\$ 144.573.571</b>

(1) (At December 31 of 2017 and 2016, the liability for current income tax is composed by:

	At December 31 of 2017	At December 31 of 2016
Income taxes related to the result of the period (See note 27)	\$ 483.066.156	\$ 493.020.244
Income taxes related to components of other comprehensive income (See Note 29)	(147.698)	340.702
	<b>\$ 482.918.458</b>	<b>\$ 493.360.946</b>

The main reconciling items between profit before tax and taxable net income that explain the difference between the rate for companies of 34% corresponding to the income tax and the Income Tax Surcharge of 6% with respect to the effective rate on profits of 38,96% at December 31, 2017 and 39.03% at December 31, 2016, are the following:

Concept	At December 31 of 2017 Value	Rate (%)	At December 31 of 2016 Value	Rate (%)
<b>Accounting profit before income tax</b>	<b>\$ 1.453.434.511</b>		<b>\$ 1.236.492.411</b>	
<b>Items that increase liquid income</b>				
Wealth tax	12.531.610	0.29	31.408.370	2,54
Deductible provisions	(29.599.110)	(0.69)	69.312.621	5,61
Taxed income			32.102.886	2,60
Contribution to financial transactions	4.438.962	0.10	3.982.513	0,32
Other	0	0.00	1.001.360	0,08
Non-deductible expenses	(1.389.907)	(0.03)	1.480.357	0,12
Non-deductible taxes	544.313	0.01	2.002.958	0,16
Amortization in science and technology			-	0,00
Difference of para-fiscal contributions and pensions	(326.136)	(0.01)	326.136	0,03
Presumptive interest	17.116	0.00	15.810	0,00

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<b>Total items that increase liquid income</b>	<b>(13.783.152)</b>	<b>(0.32)</b>	<b>141.633.011</b>	<b>11,46</b>
<b>Items that reduce liquid income</b>				
Deductions for productive real fixed assets	(22.885.353)	0.54	(56.649.461)	(4,58)
Depreciation and tax amortization	(209.255.257)	(4.90)	(109.231.390)	(8,83)
Non taxed Income	-		(175.303)	(0,01)
<b>Total items that reduce liquid income</b>	<b>(232.140.610)</b>	<b>(5.43)</b>	<b>(166.056.154)</b>	<b>(13,43)</b>
<b>Net income taxable</b>	<b>1.207.510.749</b>		<b>1.212.069.268</b>	<b>25</b>
Tax rate	34%		25%	
<b>Income tax</b>	<b>410.553.655</b>	<b>28.25</b>	<b>303.017.316</b>	<b>23,02</b>
Occasional earnings	65.169		-	
Occasional earning tax rate	10%		10%	
<b>Occasional gain tax</b>	<b>6.517</b>		<b>-</b>	
<b>Total income tax and complementary taxes</b>	<b>\$ 410.560.172</b>		<b>\$ 303.017.316</b>	

As a result of the tax reform Law 1819 of 2016, as of 2017 the equity income tax CREE was eliminated and the CREE tax surcharge of 6% was replaced by a surcharge of the current tax for the year 2017 equivalent to the same 6%. In consideration of the foregoing, the tax effects in a comparative form for 2017 and 2016 are shown:

Concept	At December 31 of 2017		At December 31 of 2016	
	Value	Rate	Value	Rate
<b>Ordinary taxable liquid income</b>		(%)		(%)
<b>More special deductions</b>	-	-		
Donations	-	-	716.658	0,06
Deductions for productive real fixed assets	-	-	56.649.461	4,68
<b>Less untaxed income and deductible expenses</b>				
Amortization investment science and technology	-	-	(15.810)	0,00
	-	-		
<b>CREE taxable liquid income</b>	<b>1.207.399.852</b>		<b>1.269.064.482</b>	<b>9</b>
Tax Rate CREE and Surcharge	0%	-	9%	
<b>CREE income tax</b>	<b>-</b>	<b>-</b>	<b>114.215.803</b>	<b>13,73</b>
CREE taxable liquid income	1.207.399.852		1.269.064.482	
Non-taxable CREE surcharge base	(800.000)	(0,07)	(800.000)	(0,06)
Taxable liquid income CREE surcharge	1.206.599.852		1.268.264.482	6
CREE tax rate	6%		6%	
Surcharge CREE Income Tax	72.395.991		76.095.869	
<b>Income tax, CREE and income surcharge</b>	<b>\$ 482.956.163</b>		<b>\$ 493.360.946</b>	
Total income tax and complementary	\$ 410.560.172		\$ 303.017.316	
CREE Income Tax and Surcharge	72.395.991		190.343.630	



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<b>Total</b>	<b>\$ 482.956.163</b>	<b>\$ 493.360.946</b>
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### Equity conciliation

	<b>At December 31 of 2017</b>	<b>At December 31 of 2016</b>
Accounting assets	\$ 3.848.885.171	\$ 3.496.479.805
Estimated liabilities	303.229.932	56.363.486
Para-fiscal contributions and pensions and other benefits for employees	28.769.544	326.136
Fiscal adjustment to assets (*)	(531.431.300)	93.411.122
Tax adjustment to deferred	7.665.605	14.944.864
Provision debtors	69.821.111	104.079.205
Fiscal adjustment to investments	4.494.789	2.846.161
Deferred tax	34.108.481	(97.164.043)
Fiscal property	<b>\$ 3.765.543.333</b>	<b>\$ 3.671.286736</b>

(\*) Corresponds to the difference of the net cost between the accounting fiscal value since fiscal depreciation is higher than the accounting depreciation.

### Transfer Prices

Taxpayers of the income tax that enter into operations with economic related parties or related parties from abroad, are obliged to determine, for purposes of the income tax, their ordinary and extraordinary income, their costs and deductions, their assets and liabilities, considering for these operations, the prices and profit margins that would have been used in comparable operations with independent entities. External advisors carried out the study and supporting documentation of prices corresponding to the 2016 taxable year, which was recorded without adjustments to the income statement of the same year. The informative statement and supporting documentation were submitted on July 18, 2017.

For the 2017 taxable year, external advisors validated the operations carried out with each economic related party and the study and supporting documentation will begin in 2017, to be submitted in the month of September 2018, on the date of expiration.

Management and its advisors consider the study will be concluded in a timely manner and will not produce significant changes to the basis used to determine the 2017 income tax provision.

### Legal Stability Agreement

The main aspects of the legal stability agreement entered into between the Nation (Ministry of Mines and Energy) and the Group, on December 20, 2010, are described below:

Purpose: The Group agrees to build the "El Quimbo" hydroelectric plant

Investment Amount and Time Limits: The committed investments of the Group related to El Quimbo project were

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\$1,922,578,000. In the first half of the year, an increase in the budget of \$583,184,000 was approved, which, together with the financial expense incurred and projected to be incurred to finance the project (\$450,712,000), represents a higher value of the investment. In accordance with the provisions of paragraph 2 of clause 2 of the legal stability agreement, the higher value of the investment involved paying, in December 2014, the amount of \$ 6,299,000 for the adjustment of the premium established in the agreement of legal stability. In March / 2016, a second adjustment was paid for an amount of \$4,657,000 on occasion of the increase in the amount of the investment. In 2017, a greater investment was made to the one established in the agreement, and consequently the exact amount of increase in said investment is currently being established in order to proceed with the request for approval of re-settlement and payment of the premium in the Legal Stability Committee. Process the Group expects to complete in the first semester of 2018.

Key rules object of Legal Stability (with favorability):

- a. Rental rate (33%), exclusion of presumptive income calculation and special deductions for investments in scientific development and investments in the environment, among others.
- b. It allows to ensure the stability of the special deduction for investment in productive real fixed assets (30%), which was dismantled as of January 1, 2011.

### *Obligations of the Parties*

#### a. Obligations of the Group:

- Comply with the amount of the investment planned for the construction and start-up of El Quimbo hydroelectric project.
  - Pay the legal stability bonus for \$9,617,000 (recorded on December 23, 2010)- (Note 11) and adjust it in the event that increases in the amount of the investment are made, as was done according to the prior explanation. In December 2014, the Group paid \$6,299,000 for the adjustment of the premium on the occasion of the larger proven investment. In March 2016, the Group paid \$4.657.000 for a second adjustment of the premium for the higher investment made. In 2017, a greater investment was made to the one established in the agreement, and consequently the exact amount of increase in said investment is currently being established in order to proceed with the request for approval of re-settlement and payment of the premium in the Legal Stability Committee.
  - Timely pay taxes.
- Hire and independent auditing for the revision and certification of compliance with the commitments entered into in the agreement. For this purpose the Group hired a third party expert who advised with no exceptions on March 2017, in relation to the commitments referring to 2016. The Group's Management deems it will obtain the same concept as a result of the auditing carried out of the compliance with the liabilities related to 2017.

#### b. Obligations of the Nation:

- To guarantee for 20 years the stability of the standards included in the agreement (with favorability) for El Quimbo project.

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### 18. Other non- financial liabilities

	At December 31 of 2017	At December 31 of 2016
Deferred income	\$ 4.296.624	\$ 3.814.849
Advance payments for sale of Energy	77.213.798	6.332.797
<b>Total</b>	<b>\$ 81.510.422</b>	<b>\$ 10.147.646</b>

(1) Corresponds to income received in advance for partial sales of properties for \$ 3,818,047 and non-refundable premium for energy backup with the client Termonorte for \$ 478,577.

(2) The variation between December 31, 2017 and 2016 corresponds mainly to the advance of purchases of energy from the client Electricaribe S.A. E.S.P bilaterally agreed prior collection for energy delivery for \$71,332,405.



### 19. Equity

#### Capital

The authorized capital is composed of 286,762,927 shares, with face value of \$4,400 per share.

Subscribed and paid capital is represented by 127,961,561 ordinary shares and 20,952,601 shares with a preferential dividend for a total of 148,914,162 shares with a par value of \$4,400, distributed as follows:

Shareholding at December 31, 2017

Shareholding	Ordinary Shares With Right to Vote		Preferred Shares Without Right to Vote		Shareholding	
	(%) Participation	Number of Shares	(%) Participation	Number of Shares	(%) Participation	Number of Shares
Grupo Energía de Bogotá S. A. E.S.P.(1) (2)	43,57%	55.758.250	100%	20.952.601	51,51%	76.710.851
Enel Américas S.A.	56,42%	72.195.996	–%	–	48,48%	72.195.996

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Other minority shareholding	0,01%	7.315	–%	–	0,01%	7.315
	<b>100%</b>	<b>127.961.561</b>	<b>100%</b>	<b>20.952.601</b>	<b>100%</b>	<b>148.914.162</b>

(1) Of the total shares of Grupo Energía de Bogotá S.A. ESP, 20,952,601 shares correspond to non-voting shares with a preferential dividend of US \$0.1107 per share.

(2) As a result of the extraordinary session of the General Assembly of Shareholders of the Energy Company of Bogotá S.A. E.S.P. held on October 6, 2017, the change of the corporate name was approved to Grupo Energía de Bogotá S.A. E.S.P.

### Shareholding as of December 31, 2016

Reorganization Enersis S.A. and Endesa Chile S.A.: As a result of the reorganization Enersis S.A. and Endesa Chile S.A. (Chilean Companies shareholders of Group), on July 8th, 2016 the inscription was made in the book of shareholders of the Group in Deceval S.A. of the companies resulting from the spin-off carried out in Chile (Endesa Américas S.A.), without affecting shareholdings. Subsequently, on December 1, the reorganization of Enersis Américas S.A. and Endesa.

Américas S.A. (Chilean Companies shareholders of Emgesa) was concluded, in which Enersis Américas absorbed Endesa Américas S.A. and later changed its corporate name to Enel Américas S.A. The inscription in the book of shareholders of Emgesa of Enel Américas S.A was made on January 16, 2017. In consideration of the foregoing, the resulting shareholding composition at January 16, 2017 is shown below:

Shareholders	Ordinary Shares With Right to Vote		Preferred Shares Without Right to Vote		Shareholding	
	(%) Participation	Number of Shares	(%) Participation	Number of Shares	(%) Participation	Number of Shares
Grupo Energía de Bogotá S. A. E.S.P.	43,57%	55.758.250	100%	20.952.601	51,51%	76.710.851
Enel Américas S.A.	56,42%	72.195.996	–%	–	48,48%	72.195.996
Other minority shareholding	0,01%	7.315	–%	–	0,01%	7.315
	<b>100%</b>	<b>127.961.561</b>	<b>100%</b>	<b>20.952.601</b>	<b>100%</b>	<b>148.914.162</b>

### Distribution of dividends

The General Assembly of Shareholders of March 28, 2017, according to Certificate No. 96, ordered to distribute dividends for \$527,607,248 charged to the net income of December 31, 2016. Dividends on the 2016 profit are paid as follows: 100% of the preferred dividend and 38% of the ordinary dividend on May 15, 2017, 37% on October 27, pending payment of 25% on January 15, 2018.

The General Assembly of Shareholders of March 28, 2016, according to Certificate No. 94, ordered that the profit comprised between January 1 and December 31, 2015 for \$885,455,396, be distributed in dividends for \$807,284,040 and the remaining \$78,171,355, to create a reserve by application of accelerated depreciation according to article 130 of the Tax Statute. 40.53% of the dividends were paid as follows: June 28, 2016, and 34.69% on October 26, 2016; the remainder was paid on January 27, 2017.

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(Figures in thousand pesos)

### Arbitration Court of Grupo Energía Bogotá SA ESP VS. Enel Américas SA

On December 4, 2017, Enel Américas S.A. was notified of the request for initiation of arbitration proceedings filed by Grupo Energía Bogotá S.A. E.S.P. in relation to the differences arising in the profits distribution of the year 2016 for Emgesa SA ESP and Codensa SA ESP as regulated by the Investment Framework Agreement -AMI-.

Grupo Energía Bogotá S.A. E.S.P. argues Enel Américas acted against its own actions when voting for a profits distribution of 70%, in breach of provisions of clause 3.8 of AMI which establishes the form of profits distribution compelling the parties to vote favorably for the distribution of the 100% possible to distribute during each exercise.

The claims are (i) Declaration of non-compliance of AMI by Enel Américas S.A. (ii) Legitimacy of Grupo Energía de Bogotá S.A. E.S.P. to convene an Extraordinary Shareholders' Meeting that includes in the agenda the distribution of the percentage pending distribution for the year 2016. (iii) Distribution of 100% of the percentage pending distribution for each Company.

On December 12, 2017, a public draw for arbitrators was held for the arbitration court; however the parties wish to choose their own arbitrators as indicated in the Investment Framework Agreement (AMI).

This process is attended directly by the lawyers of Enel Américas; taking into account the initial phase of the process, the contingency is qualified as eventual.

### Reserves

	At December 31 of 2017	At December 31 of 2016
Legal Reserve (1)	\$ 327.611.157	\$ 327.611.157
Reserve for Deferred Depreciation (Art. 130 ET) (2)	241.806.480	176.473.996
Other Reserves	178.127	178.127
	<b>\$ 569.595.764</b>	<b>\$ 504.263.280</b>

(1) In accordance with Colombian Law, the Group must transfer at least 10% of the year's profit to a legal reserve, until it equals 50% of the subscribed capital. This reserve is not available for distribution; however, it can be used to absorb losses.

(2) The General Assembly of Shareholders of March 28, 2017, according to Certificate No. 96, ordered to constitute a reserve for accelerated depreciation established in accordance with Article 130 of the Tax Statute for \$65,332,484 charged to net income of the period between January 1 and December 31, 2016. Highlighting that for fiscal purposes the depreciation method for balance decrease has been used as of 2014 and accounting would continue by the straight line system.

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### 20. Income of ordinary activities and other income

	Period of twelve months from January 1st to December 31 of 2017	Period of twelve months from January 1st to December 31 of 2016
Energy sales (1)	\$ 3.178.636.048	\$ 2.672.557.006
Energy sales in stock market (1)	164.424.368	767.873.456
<b>Energy sales</b>	<b>\$ 3.343.060.416</b>	<b>\$ 3.440.430.462</b>
Gas sales (2)	56.945.227	44.776.288
<b>Total revenue from ordinary activities</b>	<b>\$ 3.400.005.643</b>	<b>\$ 3.485.206.750</b>

(1) The variation in energy sales including sales in the stock market as of December 31, 2017 is mainly due to:

- a) Increase in demand by 358 Gwh for the unregulated market, higher sales for \$62,716,334.
- b) Increase in demand in 2014 Gwh for the wholesale market, higher sales for \$483,343,221.
- c) Decrease in the recognition of thermal compensation for 2016 of \$ 37,482,632 (January to April), on October 27, 2015, the Energy and Gas Regulatory Commission, CREG (as per Spanish wording), issued Resolution 178 "Whereby measures to guarantee the provision of the public service of electric power with the occurrence of extraordinary risk situations, are set forth", this Resolution sought to recover part of the cost not covered by the scarcity price in thermal power plants operating with liquid fuel, in order to ensure its operation during the critical condition, the Company as a generator and operating with Central Cartagena under these conditions, as of November 4 represents to this regulating entity to abide the option set forth the resolution.
- d) Negative effect due to decrease in sales in the stock market (2,231 Gwh), lower sale price in the stock exchange compared to 2016 (97 \$/kwh), impacting income from this market (\$605,946,969).

(2) Gas sales show an increase of 21% compared to 2016, mainly due to the increase in the price per Mt3 in 0.00038.

#### Negative Conciliations CREG Resolution 176 of 2015

On February 26, 2016, the Group submitted an application for pre-judicial conciliation with the Attorney General's Office - Administrative Judicial Prosecutor's Office, in order to review by the Energy and Gas Regulation Commission CREG, the liquidation of negative reconciliations caused in October 2015, taking into account the Group deems such reconciliations must be subject to the regulations in effect according to resolutions CREG 034 of 2001, 159 and 168 of 2015; therefore, these cannot be liquidated with retroactive effect since the methodology under the new resolution CREG 176 of 2015 can only have future effects, that is, as of October 28, 2015 date of its publication. The amount of the claims relating to

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reinstatement of the breached right and compensation for the damage is \$100,410,738.

The XM market administrator, through communication filed on February 22, 2016, stated that the non-conformity submitted by the Group regarding Article 1 of CREG Resolution 176 of 2015 was appropriate; however, it did not define the forms, dates or amounts in which adjustments would be applied in the invoicing of 2016. Before any adjustment was carried out, the CREG issued Resolution 043 of 2016, which clarifies that settlements corrected by Resolution 176 of 2015, are those made from September 20th to October 28th, 2015, closing any possibility for XM to make adjustments and reaffirming the retroactive effect of the aforementioned resolution.

The Group files a nullity claim with reinstatement of the right against CREG and XM S.A. E.S.P. on May 24, 2016, correctly admitted on September 2, requesting annulment of Resolution CREG 176 of 2015 and 043 of 2016 and as restoration, payment of \$100,410,738 that corresponds to the value the Group had to assume as a result of negative reconciliations. The claim was admitted, notified and answered by the Energy and Gas Regulatory Commission on April 17, 2017.

On June 9, 2017, the reform of the lawsuit filed by the Group was admitted, in which XM S.A. E.S.P. is excluded as defendant since it was deemed that the error came from the CREG, addressing only against this entity. This will allow obtaining a decision in less time, approximately 5 years for first and second instance. On July 5, 2017, the reform of the demand was answered by the CREG. The Administrative Court of Cundinamarca fixed the hearing date on December 6, 2017, in which the evidence requested by the parties was decreed.

### Other operation income

Below is the detail of other income:

	<b>Period of twelve months from January 1 to December 31, 2017</b>	<b>Period of twelve months from January 1 to December 31, 2016</b>
Rental of measuring equipment and other	\$ 430.005	\$ 1.327
Real estate leases SD	424.978	334.465
Equipment rental	30.455	393
Other services MNR	832	79.728
<b>Other services provision</b>	<b>\$ 886.270</b>	<b>\$ 415.913</b>
Fines and penalties (1)	9.727.026	449.486

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Secondary market charge for reliability (2)	8.079.310	5.286.097
Compensation for damages (3)	3.386.597	14.919.637
Other services	2.658.148	4.445.345
Trader deviation income	233.993	2.440.302
Commissions	60.852	156.553
Sale of obsolete material	52.624	684.154
Material leftovers	-	66.560
<b>Other operating income</b>	<b>\$ 24.198.550</b>	<b>\$ 28.448.134</b>
<b>Total otros ingresos de explotación</b>	<b>\$ 25.084.820</b>	<b>\$ 28.864.047</b>

(1) At December 31, 2017, includes sanction applied to the works agreement CEQ-516 with contractor Consorcio Obras Quimbo for the execution of works in El Quimbo project for non-compliance with the timetables or execution times of \$ 8,937,735.

(2) Revenue increase by Secondary Market for \$ 2,793,213. In 2016 there were no negotiations in the secondary market in the months of January to April due to the "El Niño" phenomenon; deviations shown in the stock price versus the shortages price do not favor transactions in this market.

(3) Corresponds to the indemnity recognized by Mapfre for \$3,386,597 in 2017 for loss damage Guaca unit.

## 21. Supplies and services

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Energy purchases (1)	\$ 487.393.265	\$ 595.525.932
Energy transport expenses	378.883.232	324.527.649
Other variable supplies and services (*)	118.253.744	93.724.915
Taxes associated with the business (**)	105.087.626	95.832.246
Fuel consumption (2)	40.624.527	170.272.931
Purchase of gas (3)	40.117.228	43.013.903
	<b>\$ 1.170.359.622</b>	<b>\$ 1.322.897.576</b>

(1) Decrease in energy purchases occurs mainly in purchases on the stock exchange due to price reduction of \$54 \$/kWh equivalent to (\$120,409,245) and the increase in the price of energy purchases in contracts \$28 \$/kWh equivalent to \$12,389,218.



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(2) In 2016, there was greater thermal generation due to the safety requirements resulting from the “El Niño” phenomenon.

In 2017 the decrease is in the consumption of coal used in thermal generation of Termozipa Power Plant in -473 GWh equivalent to (\$30,316,769), liquid fuel consumption of the Cartagena Power Plant in -276 GWh equivalent to (\$88,811,376).

(3) Variation due to purchases of natural gas in 11,489,307 M3, equivalent to \$2,896,675 due to decrease in commercialization.

Other variable supplies and services (\*)

	<b>Period of twelve months from January 1 to December 31, 2017</b>	<b>Period of twelve months from January 1 to December 31, 2016</b>
Restrictions (1)	\$ 88.351.225	\$ 57.571.243
Cost CND, CRD, SIC	15.594.842	14.750.291
Other generation support services	9.446.021	5.163.361
Contributions Regulatory Entities	3.718.418	1.313.421
Secondary Market Charge for Reliability (2)	1.014.885	10.053.781
Reading services	128.353	4.872.818
	<b>\$ 118.253.744</b>	<b>\$ 93.724.915</b>

(1) Corresponds to limitations of the National Interconnected System – SIN (as per Spanish wording), to meet energy requirements. Restrictions give rise to forced generations of energy that can be more expensive than generations in ideal conditions.

The increase in restrictions is based on the fact that as of the declaration of “El Niño” phenomenon, Resolution 195 of 2016 was issued and transfers the costs of thermal plants with liquids to the value of restrictions (these have no ceiling). Additionally, attacks to infrastructure of the national interconnected system have increased, which increases restrictions. Regarding the costs of thermal plants, the idea is that the market bears restrictions covering the costs generated by the phenomenon “El Niño” associated with the operation thereof, during 36 months.

(2) Decrease in purchases in the secondary market is mainly due to the fact that for 2016 there was a greater assignment of Firm Energy obligations of 100%, so that the reference energy available for backups was limited, making it necessary to resort to third parties to supply the backup energy required.

Taxes associated with the business and other variable supplies and services (\*\*)

	<b>Period of twelve months from January 1 to December 31, 2017</b>	<b>Period of twelve months from January 1 to December 31, 2016</b>
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Contributions and Royalties Law 99 of 1993 (1)	\$	64.291.672	\$	62.164.265
Solidarity Fund Law Reform 633 (2)		27.587.156		28.008.599
Other local taxes associated with the business		10.614.260		3.096.681
Industry and Commerce Tax		2.594.538		2.562.701
	<b>\$</b>	<b>105.087.626</b>	<b>\$</b>	<b>95.832.246</b>

(1) In accordance with Law 99 of 1993, the Group is obliged to make transfers for basic sanitation projects and environmental improvement to the municipalities and autonomous regional corporations, equivalent to 6% of gross sales of energy by own generation in hydraulic plants, and 4% in thermal plants, according to the tariff set forth by the Regulatory Commission of Energy and Gas (CREG) for block sales

(2) According to Law 633 of 2000, the Financial Support Fund for the Energization of Non-Interconnected Zones – (Fondo de Apoyo Financiero para la Energización de las Zonas no Inter-conectadas) FAZNI, is a fund which resources are allocated in accordance with the law and with energization policies for non-interconnected areas, as determined by the Ministry of Mines and Energy, to finance plans, programs and/or prioritized investment projects for the construction and installation of the new electrical infrastructure and for the replacement or rehabilitation of the existing one, with the purpose of expanding coverage and seeking satisfaction of energy demand in the Non-Interconnected Zones.

Generating agents pay to FAZNI according to the monthly generation of its centrally dispatched plants and the water edge, at the applicable annual rate. The corresponding values are collected by the wholesale energy market and sent to the Ministry of Finance and Public Credit.

## 22. Personnel Expenses

	Period of twelve months from January 1 to December 31, 2017		Period of twelve months from January 1 to December 31, 2016	
Salaries and wages (1)	\$	62.676.044	\$	53.192.697
Social security service and other social charges		16.175.892		16.254.487
Expenditure for obligation for post-employment benefits		785.929		1.320.444
Other personnel expenses		895.140		726.608
Retirement plans benefits obligation expenditure (2)		-		521.654
	<b>\$</b>	<b>80.533.005</b>	<b>\$</b>	<b>72.015.890</b>

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- (1) At December 31, 2017 and 2016, it corresponds to wages and salaries for \$43,359,653 and \$35,718,592, bonuses for \$5,314,953 and \$7,115,446, vacation and vacation premium for \$4,929,710 and \$4,001,249, premium for services for \$3,582,920 and \$3,123,193, severance and severance interest for \$3,012,494 and \$2,913,547 and amortization of employee benefits for \$2,476,314 and \$320,670 respectively.
- (2) At December 31, 2017, there is no cost recognition for "San Jose Plan" retirement plan since it was completed during 2016.

## 23. Other Fixed Operation Expenses

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Independent professional services, outsourced and other (1)	\$ 41.215.470	\$ 31.530.450
Other supplies and services (2)	32.589.970	29.048.660
Insurance premiums	21.249.657	25.681.920
Tributes and Rates (3)	17.611.171	36.591.842
Repairs and conservation	11.856.759	9.548.223
Transportation and travel expenses	3.272.161	1.521.508
Arrendamientos y cánones	3.267.621	3.702.412
	<b>\$ 131.062.809</b>	<b>\$ 137.625.015</b>

(1) Below is the detail of independent professional, outsourced and other services:

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Plants' maintenance and operation (*)	\$ 24.211.558	\$ 17.158.027
Software development services and computer applications (**)	5.347.926	1.660.570
Casino and cafeteria	3.941.815	3.079.140
Other administration and operation agreements	2.612.748	4.920.380
Telecommunications service (***)	1.714.086	725.119
Fees	1.714.689	1.640.049
Industrial Security	714.348	1.993.079
Fuels and lubricants	639.347	4.000
Office materials and supplies	318.953	351.803
	<b>\$ 41.215.470</b>	<b>\$ 31.532.167</b>

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(\*) In 2017, the increase is mainly due to the project of ash system improvement of Termozipa \$5,514,943 and intervention of the Chivor River tunnel for Guavio sedimentation management for \$3,054,518.

(\*\*) The increase in 2017 corresponds mainly to the contracting and implementation of services associated with the Cloud architecture \$815,600 and Cybersecurity and digital \$1,141,232 respectively. For the provision of the CLOUD service, the Company entered into commitments in 2017 with Enel Italy. For the services of Cybersecurity and digital the signature of an addendum is currently under processing to include these services in the main agreement. Also, during 2017 includes support provided by Amazon Web Services corresponding to Cloud Memory services for \$ 276,347 and projects in the Trading area for systemization of the commercial system for \$1,257,450.

(\*\*\*) In the year 2017, telecommunications service also includes projects related to the maintenance of communications links and network infrastructure executed by TIVIT S.A.S.

(2) At December 31, 2017 and 2016 corresponds mainly to security and surveillance services, \$7,602,915 and \$7,078,621; Expat costs of \$2,205,429 and \$2,634,300, research and development costs of \$3,531,743 and \$1,145,130, cleaning of \$3,338,711 and \$1,769,799, and Telemetry service of \$4,140,024 recorded in 2016 in variable margin.

In 2016, Telemetry service was recorded as other variable supplies and services; this concept was analyzed and classified during 2017 as a fixed cost in other fixed operating expenses of \$4,140,024.

(3) Corresponds mainly to the recognition of tax on wealth that in 2017 was \$12,531,610 and in 2016 for \$31,408,370, in accordance with Law 1739 of December 2014 that created the wealth tax for the years 2016 to 2017 for legal persons

It also includes property tax for \$3,068,626 and \$2,351,643 for the years 2017 and 2016 respectively.

## 24. Expenses for depreciation, amortization and losses for impairment

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	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Depreciations (1)	\$ 203.530.060	\$ 187.257.158
Impairment financial assets (2)	(429.180)	102.320.470
Amortizations	6.917.664	4.685.878
	<b>\$ 210.018.544</b>	<b>\$ 294.263.506</b>

(1) Depreciation expense at December 31, 2017 showed an increase with respect to the same period in 2016, mainly due to the depreciation generated in the year 2017 in thermal power plants, of which an increase of \$14,519,520 is shown (Central Cartagena and Termozipa); hydroelectric plants have an increase of \$1,413,973; constructions and machineries have a decrease of \$ (837,931); the depreciation expense of leasing assets in 2017 is \$1,077,761.

According to the annual reviews of the remaining useful lives of operating assets, 78 assets were identified associated with the Thermal Plants (Termozipa and Cartagena) and Hydraulic plants (Guavio, Pagua and Betania), of which a technical analysis is carried out by plant, thus determining the expected life of the respective good; the effect in the decrease in the year's expense due to the modifications carried out corresponds to \$(3,643,027).

(2) At December 31, 2017, there is a variation in impairment of financial assets, mainly because in 2016 impairment of the client portfolio Electrificadora del Caribe was recognized, which by resolution No. 20171000062785 of November 14, 2017, the Superintendency of Public Services ordered to take possession thereof; in this way, taking into account the financial difficulties of Electrificadora del Caribe, the Group provisioned 100% of its portfolio according to the analysis performed, which it is classified by concept (see note 7). The provisioned amount is \$98,975,809.

## 25. Financial Results

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Revenue from cash and other equivalent means (1)	\$ 22.156.697	\$ 41.333.524
Interest on customer financing	2.242.019	3.013.681
Interest on accounts receivable	2.582.043	2.179.493
<b>Financial income, net</b>	<b>26.980.759</b>	<b>46.526.698</b>
Financial Obligations (2)	(342.190.090)	(462.779.828)
Tax on financial transactions	(8.877.923)	(7.965.026)
Obligation for post-employment benefits	(5.481.412)	(5.592.383)
Other financial costs	(27.059.388)	(20.610.031)
Financial leasing (Leasing)	(739.911)	(340.419)
Financial derivatives valuation	-	207.975
<b>Financial expenses</b>	<b>(384.348.724)</b>	<b>(497.079.712)</b>
Capitalized financial expenses (3)	5.745.998	5.062.047
<b>Financial expenses, net</b>	<b>(378.602.726)</b>	<b>(492.017.665)</b>
Income for realized difference in exchange (4)	9.805.149	11.842.281

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(Figures in thousand pesos)

Expense for un-realized exchange difference (4)	(10.250.982)	(9.617.132)
<b>Exchange differences, net</b>	<b>(445.833)</b>	<b>2.225.149</b>
<b>Total net financial result</b>	<b>\$ (352.067.800)</b>	<b>\$ (443.265.818)</b>

(1) Corresponds mainly to financial returns of national currency of deposits and investments in different financial entities supervised and controlled by the Financial Superintendence of Colombia. The variation from one year to another basically corresponds to the following points:

a. Banco de la República increased interest rates during 2016, going from 5.75% in January to 7.50% in December; for 2017 it had an opposite effect going from 7.50% in January to 4.75% in December. The Bank's average rate for 2016 was 6.97% and for the year 2017 it was 5.92%.

b. Returns of the Group's average placements during 2016 were 7.79% and the average for 2017 was 6.72%.

(2) Financial obligations at December 31, 2017, correspond to interest on the bonds issued and generated under the bond issuance and placement program by the Group, as follows:

Transaction	Value
Issued bonds	\$ 313.380.997
Club Deal	23.104.095
Bank loans (Bank of Tokyo Mitsubishi UFJ)	3.911.920
Bank loans (Banco de Crédito del Perú)	1.793.078
<b>Financial Obligations Total Expense</b>	<b>\$ 342.190.090</b>

Financial obligations at December 31 of 2016 correspond to interest on bonds issued and generated under the bond's issuance and placement program by the Group as follows:

Transaction	Value
Issued bonds	\$ 412.543.140
Club Deal	26.998.258
Bank loans Bank of Tokyo	9.119.500
Treasury Credits	8.596.343
Bank loans Banco de Crédito del Perú	5.522.587
<b>Financial Obligations Total Expense</b>	<b>\$ 462.779.828</b>

(3) Financial expense in 2017 to be capitalized corresponds to the following projects:

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Plant	Project	Value
Thermic	Works and installations of Termozipa plant equipment	\$ 2.972.395
Thermic	Llife ExtensionTermozipa Project	242.260
Thermic	BEEP OTHERS project (Termozipa environmental improvement project)	167.354
Hydraulic	Recovery of runners and installation of Central Paraíso equipment	892.254
Hydraulic	Works and installations of equipment Guavio Plant	708.407
Hydraulic	Additional works dam and galleries Quimbo Plant	380.004
Hydraulic	Regulators of speed, works and installations of central equipment Guaca, Muña and Dvs	288.578
Hydraulic	Works and installations of central equipment Betania	94.746
<b>Total</b>		<b>\$ 5.745.998</b>

(4 Origins of the effects in the result due to exchange difference correspond to:

	At December 31 of 2017	
	Income for difference in exchange	Expenses for difference in exchange
Balances in banks	\$ 8.812.788	\$ (8.012.394)
Commercial accounts, net	4.007	(2.247)
Current accounts receivable from related entities	176	-
Other assets	197.849	(99.787)
Investments accounted using the equity method	-	(22.268)
<b>Total assets</b>	<b>\$ 9.014.820</b>	<b>\$ (8.136.696)</b>
Accounts payable for goods and services	741.645	(1.914.560)
Accounts payable to related current entities	48.684	(199.726)
<b>Total liabilities</b>	<b>790.329</b>	<b>(2.114.286)</b>
<b>Total difference in change</b>	<b>\$ 9.805.149</b>	<b>\$ (10.250.982)</b>

	At December 31 of 2016	
	Income for difference in exchange	Expenses for difference in exchange
Cash	\$ 7.604	\$ (3.516)
Balances in banks	469.978	(992.744)
Cash and cash equivalents	477.582	(996.260)
Current accounts receivable	689.200	(475.862)
<b>Total assets</b>	<b>1.166.782</b>	<b>(1.472.122)</b>
Accounts payable for goods and services	9.533.233	(7.594.107)
Advanced payments to customers	1.142.266	(550.903)

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Commercial accounts and other current payable accounts	10.675.499	(8.144.864)
Total liabilities	10.675.499	(8.145.010)
<b>Total difference in exchange</b>	<b>\$ 11.842.281</b>	<b>\$ (9.617.132)</b>

## 26. Assets sale and disposal

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Result in Assets Sale	\$ (30.200.139)	\$ (11.366.645)
	<b>\$ (30.200.139)</b>	<b>\$ (11.366.645)</b>

At December 31, 2017, the variation corresponds mainly to write-off made in the expansion projects, Agua Clara \$(13,350,901), Guaicaramo \$(9,445,277) and Campo Hermosa \$(6,410,682); write-off of these projects has been due to technical guidelines that make their construction impossible and to corporate decisions associated with the non-development of projects involving large hydroelectric power plants.

Other losses originated in the Espiritu Santo Project (\$471,637) and Col Scouting \$(12,691), three-phase transformer Guaca and Paraíso \$(720,256), Pagua \$(324,370) winding losses, hardware losses \$(299,343), hydraulic plant losses \$(236,584), losses in thermal power plants \$(243,080), losses Pagua plants \$(21,990), other assets \$(105,629); the profit for sale of vehicles and backhoe loaders corresponds to \$(971,136).

## 27. Income Tax Expense

The provision charged to results for the period, for income tax and income surcharge has the following breakdown:



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(Figures in thousand pesos)

	At December 31 of 2017	At December 31 of 2016
Current income tax	410.679.198	\$ 302.771.114
Income Surcharge	72.418.146	190.249.130
Windfall tax	6.517	
	<b>483.103.861</b>	<b>493.020.244</b>
Income tax previous years (1)	(5.050.622)	952.026
Deferred tax movement	88.244.645	(11.426.332)
	<b>\$ 566.297.884</b>	<b>\$ 482.545.939</b>

(1) The General Assembly of Shareholders of March 28, 2017, according to Certificate No. 94, ordered to constitute a reserve for accelerated depreciation established in accordance with Article 130 of the Tax Code for \$65,332,484 charged to net income of December 31, 2016. Taking into account that for fiscal purposes the depreciation method for balance decrease has been used as of 2014 and accounting would continue by the straight line system.

The income tax of previous years is composed by:

- (a) The value for adjustment in the useful life of fixed assets of El Quimbo project for \$52,478,984, which was taken as the greater depreciation deduction for the 2016 income.
- (b) 2016 income adjustment value of \$4,101,243, which corresponds to the difference between the provisioned value and the actual expense of the income statement.
- (c) Deferred tax amount for difference between the fiscal and accounting cost of the fixed assets of El Quimbo project for \$43.331.313.

Below is the reconciliation between the income tax that would result from applying the current general tax rate to the "result before taxes" and the expense recorded for the aforementioned tax in the consolidated statement of income for December 31, 2017:

Reconciliation effective tax rate	At December 31 of 2017	At December 31 of 2016
Profit (Loss)	<b>\$ 887.080.160</b>	<b>\$ 753.946.472</b>
Expense (Income) for income tax	566.354.351	482.545.939
Profit (loss) before tax	<b>1.453.434.511</b>	<b>1.236.492.411</b>
Legal rate of current tax	40%	40%
Tax according to current legal rate	<b>(581.366.413)</b>	<b>(494.576.715)</b>
<b>Permanent differences:</b>		
Non-deductible taxes (1)	(1.993.447)	(1.870.068)

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Non-deductible wealth tax	(5.012.644)	(12.563.348)
Expenses without a causal relationship and other non-deductible expenses (2)	(440.715)	(740.940)
Net effect movement estimated liabilities and permanent provisions	1.007.780	(2.596.534)
Presumptive interest	(6.846)	(6.324)
Accounting depreciation vs fiscal depreciation	7.342.724	
Deductions for productive real fixed assets	9.148.913	14.162.365
Profit from the sale of fixed assets taxed with windfall taxes	6.517	-
Other permanent differences	(30.077)	(179.166)
Income adjustment year 2016 income statement (3)	5.046.319	1.244.246
Adjustment of difference in rates - deferred adjustment previous years (Tax reform)	5	14.532.554
Adjustment effect on CREE Surcharge	-	48.000
<b>Total permanent differences</b>	<b>15.068.529</b>	<b>12.030.776</b>
<b>(Expense) Income for Income Tax</b>	<b>\$ (566.297.884)</b>	<b>\$ (482.545.939)7</b>

(1) Corresponds mainly to 40% of the tax on financial movements for \$1,775,585, to the vehicle tax for \$17,507, to the public lighting tax \$200,218 and a fee of 34% of the tax on financial movements of Sociedad Portuaria for \$138.

(2) Corresponds to 40% of non-deductible expense provisions for \$205,390 and non-deductible donation for \$ 235,200 and a tariff of 34% in Sociedad Portuaria corresponds to paid sanctions for the value of \$125.

(3) Corresponds to the adjustment of the income tax statement in 2016 for (\$ 5,046,427) and adjustment of Sociedad Portuaria for \$108.

## 28. Profit per share

Basic profits per share are calculated by dividing the profit attributable to shareholders of the Group adjusted by preferential dividends after taxes, by weighted average of outstanding common shares in the year. At December 31, 2017, there are no common shares acquired by the Group.

	Period of twelve months from January 1 to December 31 of 2017	Period of twelve months from January 1 to December 31 of 2016
Profits for the year attributable to owners	\$ 887.055.685	\$ 753.724.640
Preferred Dividends (1)	608.754	608.754
Profits for the year attributable to owners adjusted by Preferential Dividends	880.134.437	746.764.634
Weighted average of outstanding shares	148.914.162	148.914.162
<b>Profits per basic share (*)</b>	<b>\$ 5.910,35</b>	<b>\$ 5.014,73</b>

(\*) Figure stated in Colombian pesos

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(1) Out of the total shares of Grupo Energía de Bogotá S.A. E.S.P., 20,952,601 shares correspond to shares without voting rights with an annual preferential dividend of US \$0.11 per share.

## 29. Integral Result

The detail of the other integral result is shown below:

	Period of twelve months from January 1 to December 31 of 2017	Period of twelve months from January 1 to December 31 of 2016
<b>Components of other comprehensive income that will not be reclassified to the result of the year</b>		
(Losses) in new measurements of financial instruments measured at fair value with changes in the ORI (1)	\$ (2.432.129)	\$ 2.966.983
Earnings (losses) from new measurements of defined benefit plans (2)	145.401	(14.803.751)
Gains (losses) from cash flow hedges (4)	(5.288.417)	(2.822.410)
<b>Other comprehensive result that will not be reclassified to result for the year, net of taxes</b>	<b>\$ (7.575.145)</b>	<b>\$ (14.659.178)</b>
Income taxes related to components of other comprehensive results that will not be reclassified to income for the year		
Earnings (losses) from new measurements of defined benefit plans (3)	226.749	4.869.522
Income tax related to cash flow hedges of other comprehensive income (5)	224.383	1.198.822
<b>Total income taxes related to components of other comprehensive result that will not be reclassified to results for the year</b>	<b>451.132</b>	<b>6.068.344</b>
<b>Total Other comprehensive income</b>	<b>\$ (7.124.013)</b>	<b>\$ (8.590.834)</b>

(1) At December 31, 2017, corresponds to losses derived from the investment in Electricaribe S.A E.S.P as a result of the valuation by the multiples method and the update of the investment in subsidiaries resulting from the application of the equity method.

(2) Corresponds to the effect of the actuarial losses valued by the company Aon Hewitt México. At December 31, 2017 and 2016, actuarial losses with an effect on equity are shown below:

	Year ended at December 31 of 2017		Year ended at December 31 of 2016	
	Pensions and Benefits	Retroactive Severance	Pensions and Benefits	Retroactive Severance
<b>Initial balance</b>	<b>\$ (19.178.502)</b>	<b>\$ 743.209</b>	<b>\$ (5.814.360)</b>	<b>\$ (2.686.704)</b>
Actuarial Profits (loss)	768.321	(622.922)	(13.023.441)	(1.780.311)
Current and Deferred tax	226.749	-	(340.701)	5.210.224
<b>Final Balance</b>	<b>\$ (18.183.432)</b>	<b>\$ 120.287</b>	<b>\$ (19.178.502)</b>	<b>\$ 743.209</b>

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The value of losses is transferred directly to accumulated earnings and will not be reclassified to the result of the equivalent period.

(3) Corresponds to the effect on equity of income tax and deferred tax generated by actuarial losses at December 31, 2017 and 2016, respectively, as detailed below:

	Year ended in December 31 of 2017	Year ended in December 31 of 2016
Income tax	\$ 147.698	\$ (340.702)
Deferred tax	79.051	5.210.224
<b>Final Balance</b>	<b>\$ 226.749</b>	<b>\$ 4.869.522</b>

(4) At December 31, 2017, corresponds to the Mark to Market (MTM) result of the valuation of hedging derivatives for both forward and swap.

(5) At December 31, 2017 and 2016, corresponds to the income tax of the difference in exchange originated by the financial obligation acquired in Peruvian Soles and the deferred tax related to cash flow hedges, detailed below:

	Year ended in December 31 of 2017	Year ended in December 31 of 2016
Income tax for exchange difference in foreign currency	\$ -	\$ 1.987.042
Deferred tax related to cash flow hedges	224.383	(788.220)
<b>Final Balance</b>	<b>\$ 224.383</b>	<b>\$ 1.198.822</b>

## 30. Assets and liabilities in foreign exchange

Current regulations in Colombia allow free negotiation of foreign currencies through banks and other financial institutions at free exchange rates. However, most transactions in foreign currency require compliance with certain legal requirements.

Summary of assets and liabilities denominated in foreign exchange:

	At 31 December of 2017				
	(in EUR)	(in US Dollars)	(Chilean CLP)	(Real BRL)	(in thousand pesos)
Cash and cash equivalent (Note 4)	6336	76.582	-	-	251.224
Debtors	-	13.310	-	-	251.911.663
Accounts payable	(9.944)	(20.760)	(8.966.813)	(827)	(377.306.592)
<b>Net Position (liability)</b>	<b>(3.608)</b>	<b>69.132</b>	<b>(8.966.813)</b>	<b>(827)</b>	<b>\$ (125.143.705)</b>

Al 31 de diciembre de 2016		
(en EUR)	(en US Dólares)	(en miles de pesos)

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Cash and cash equivalent (Note 4)	1.890	568.556	1.712.057
Debtors	106.645	98.275	632.473
Accounts payable	(1.106.251)	(5.973.082)	(21.425.258)
<b>Net Position (liability)</b>	<b>(997.716)</b>	<b>(5.306.251)</b>	<b>(19.080.728)</b>

## 31. Sanctions

At December 31, 2017 the status of sanctions is shown below:

- a) No resolution is pending that implies a possible sanction by the Superintendence of Residential Public Services, due to breaches to the legal system, specifically Law 142, Law 143 and the Regulation issued by the Regulation Commission of Energy and Gas. At December 31, 2017, there is only one sanctioning procedure closed in 2013, the sanction of which consisted of an admonition (without monetary value) for matters similar to those mentioned in this paragraph.
- b) The National Authority of Environmental Licenses (ANLA) confirmed the sanction against the Group for a value of \$2,503,259MM, for the alleged breach of the Environmental License, in relation to the removal of the wood and biomass product of the forest use of the vessel of the reservoir of El Quimbo Hydroelectric Project. A claim for nullity and reinstatement of the right was filed and it is still pending decision.
- c) The Autonomous Regional Corporation of the Alto Magdalena (CAR) decided in the appealing against Resolution No. 2239 of July 29, 2016, in which the Group was sanctioned for \$758,864 MM, for breach of environmental regulations, since activities were carried out without having the prior environmental permit as established by the regulation (opening of the road above the 720 level of El Quimbo Hydroelectric Project-PHEQ), the sanction was reduced to \$492,700.MM The conciliation request was submitted to exhaust the procedural requirement and the demand of nullity and reinstatement of the right was filed. (Judicial actions), is pending decision.
- d) The Regional Autonomous Corporation (CAR) imposed three (3) sanctions consisting of a fine of \$50,670 each, the following are the resolutions and the facts underlying our sanctions:
  - RESOLUTION No. 3590 of November 10, 2016, the CAM sanctions the Group for not having permission to discharge Montea resettlement dumping.
  - RESOLUTION No. 3653 of November 10, 2016, the CAM sanctions the Group for not having permission to discharge Santiago and Palacios resettlement dumping.
  - RESOLUTION No. 3816 of November 10, 2016, the CAM sanctions the Group for not having permission to discharge La Galda resettlement dumping.

See note No. 38. Subsequent Events

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### 32. Other insurances

The Group, in addition to the insurance related in the Note of Property, Plant and Equipment (see note 11), has the following:

Good/insured person	Covered risks	Insured value Figures in thousand	Maturity	Insurance Company
Merchandise transports	Losses or damages of transported goods	Limit \$5.000.000 per dispatch	31/07/2018	Generali Colombia
Employees with direct agreement of the Group	Death, total and permanent incapacity	Individual maximum insured amount: \$1.800.000	01/01/2018	Generali Colombia
Advisors or Directors	Tort liability of directors and administrators	USD \$ 5.000	10/11/2018	SBS Insurances (before AIG Seguros)

### 33. Commitments and contingencies

#### I. Purchase commitments:

At December 31, 2017 the Group has commitments for purchase of energy and fuels as follows:

Period	Natural Gas	Coal	Fuels	Energy	Total
2018-2021	\$ 161.020.136	\$ 85.993.188	\$ 37.679.880	\$ 104.220.020	\$ 388.913.224
2022-2023	36.464.002	-	-	-	36.464.002
<b>Total</b>	<b>\$ 197.484.138</b>	<b>\$ 85.993.188</b>	<b>\$ 37.679.880</b>	<b>\$ 104.220.020</b>	<b>\$ 425.377.226</b>

#### II. Contingencies and Arbitrations

The Group faces litigation classified as possible or eventual, for which management, with the support of its external and internal legal advisors, estimates the outcome of the lawsuits corresponding to the part not provisioned will be favorable for the Group and will not cause significant liabilities, that must be accounted for, or that, if effective will not significantly affect the financial position.

#### Main legal procedures of the Group at December 31 of 2017 classified as eventual:

Plaintiff: **Policarpo Agudelo and others.**

Start date: 2014

Claim: \$50,000,000

Provisioned: \$ 0

Purpose of the trial: That it be declared that Group is responsible for the totality of the damages caused (material, moral, emergent damage and lost profit), for the closing of the bridge "Paso El Colegio" on the Magdalena River, caused by the

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scour of the base of the right base of the right margin, generated by the use of drag material in the extraction source, located just upstream of the bridge.

Current status and procedural situation: The evidentiary stage ended and the case passed to the office of the Court for Judgment from December 1, 2016.

Plaintiff: **Jesús Hernán Ramírez Almarío and Others**

Start date: 2017

Claim: \$41,707,715

Provisioned: \$ 0

Object of the trial: Compensation for damages for being tenants of a property acquired by the PHEQ.

Current status and procedural situation: On November 17, 2017, service of process of the respective Court is received electronically on the response of the interposed lawsuit. Currently the Group proceeded to respond to the Court and is awaiting a new service of process.

Plaintiff: **Jesús María Fernández and Others**

Start date: 2017

Claim: \$24,673,189

Provisioned: \$ 0

Object of the trial: Compensation for damages in the form of loss of profits due to permanent occupation of El Quimbo Dam in the area of a mining concession agreement - Predio La Mina.

Current status and procedural situation: Admission of November 15, 2017, in terms of transfer to all procedural parties to answer.

Plaintiff: **Ruber Cufiñe Hernandez and Others**

Start date: 2017

Claim: \$18,508,364

Provisioned: \$ 0

Purpose of the trial: Compensation for damages for their activity as day laborers in various jobs in short-cycle crops in properties located in PHEQ properties.

Current status and procedural situation: The current court where the claim lies, declared lack of competence to hear the process, so now the Group is pending the claim to be transferred to the competent court, in this case, Garzon's Circuit Court.

Plaintiff: **Israel Urriago Longas and Other**

Start date: 2015

Claim: \$14,519,332

Provisioned: \$0

Object of the trial: Grievous damage

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Current status and procedural situation: Process in first instance. A date was set for the hearing of Art 373 of C.G. Pending evidence will be collected and Decision will be issued.

Plaintiff: **CHIVOR SA ESP (2004-05441)**

Start date: 2004

Claim \$13,102,000

Provisioned: \$ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until the withdrawal of the claim by Chivor S.A. E.S.P. is resolved.

Plaintiff: **CHIVOR SA ESP (2006-1458)**

Start date: 2006

Claim \$10,892,000

Provisioned: \$ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until the waiver of the claim by Chivor S.A. E.S.P. is resolved.

Plaintiff: **Fanol Bermeo Bermeo and Others**

Start date: 2016

Claim \$10,400,000

Provisioned: \$ 0

Object of the trial: Damages caused to "paleros".

Current status and procedural situation: Pending an initial hearing on April 3, 2018

Plaintiff: **Carlos Arrigui Ramon**

Start date: 2014

Claim \$10,000,000

Provisioned: \$ 0

Object of the trial: Grievous Damage

Current status and procedural situation: Process with favorable ruling in first instance. Appeal admitted. Pending date fix for Sustaining Hearing and Second Instance Judgment. (Article 327 paragraph 2 CGP)

Plaintiff: **Aura Lucia Diaz Garcia and Others**



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Start date: 2017  
Claim \$9,880,959  
Provisioned: \$ 0

Purpose of the trial: Compensation as a non-resident population

Current status and procedural situation: Claimant filed a written amendment to the lawsuit, pending the court's decision on the admission of the reform

Plaintiff: **CHIVOR SA ESP (2006-3179)**

Start date: 2006  
Claim \$8,770,000  
Provisioned: \$ 0

Object of the judgment: Impleader procedure within the nullity against the resolution that unduly liquidated the capacity charge in favor of CHIVOR.

Current status and procedural situation: The process is suspended until it is resolved on the waiver of the claim by Chivor S.A. E.S.P.

Plaintiff: **Piscicola New York S.A., Procesadora and Comercializadora de Alimentos S.A. - Proceal S.A. and Piscicola Rios S.A.**

Start date: 2017  
Claim \$7,792,000  
Provisioned: \$0

Object of the trial: The defendants are ordered to collectively compensate for material damages (consequential damages) and moral damages received for the construction of El Quimbo hydroelectric plant.

Current status and procedural situation: We are in the service of process stage and an appeal was filed against the admission order to clarify the procedure and the terms to answer the claim.

Plaintiff: **Antonio Jesús Moreno**

Start date: 2017  
Claim \$7,706,705  
Provisioned: \$0

Object of the trial: Damages caused to artisan fishermen.

Current status and procedural situation: The court accepted the reform of the lawsuit. Currently the Group answered regarding the amendment and is awaiting a response from the Court.

Plaintiff: **Fernando Alfonso Rojas Rincón**

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(Figures in thousand pesos)

Start date: 2016

Claim \$6,684,787

Provisioned: \$ 0

Object of the trial: Payment of greater quantities of work by transport of Biomass from the vase of El Quimbo reservoir to the storage facilities.

Current status and procedural situation: Next January 19th, 2018 will be held the hearing of final allegations before the ruling.

Plaintiff: **CHIVOR S.A. ESP (2005-03558)**

Start date: 2017

Claim \$6,033,460

Provisioned: \$0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until the waiver of the claim by Chivor S.A. E.S.P. is resolved.

Plaintiff: **Deyanira Fernández Cruz and Others**

Start date: 2017

Claim \$6,033,460

Provisioned: \$0

Purpose of the trial: Compensation as a non-resident population

Current status and procedural situation: Pending to set date for initial hearing.

Plaintiff: **Gloria Cecilia Vargas Iriarte**

Start date: 2015

Claim \$5,822,874

Provisioned: \$ 0

Object of the trial: Grievous Damage

Current status and procedural situation: Process in first instance. Date was set for the hearing of Art 373 of C.G. Pending evidence will be collected and Decision will be issued.

Plaintiff: **CHIVOR S.A. ESP (2005-6553)**

Start date: 2005

Claim \$5,632,000

Provisioned: \$ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until it is resolved on the withdrawal of the claim by

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Chivor SA ESP:

Plaintiff: **Lucia Motta de Barrera**

Start date: 2016

Claim \$5,596,309

Provisioned: \$ 0

Object of the trial: Grievous Damage

Current status and procedural situation: Process in first instance. A date was set for the hearing of h Art 372 of C.G. Stages of Conciliation, Lawsuit setting, Lawsuit Errors Correction and decree of evidences will be exhausted.

Plaintiff: **Yaneth Joven Suarez**

Start date: 2015

Claim \$5,486,229

Provisioned: \$ 0

Object of the trial: Grievous Damage

Current status and procedural situation: Process in first instance. A date was set for hearing of Art. 373 of the C.G. Pending evidence will be collected and decision will be issued.

Plaintiff: **Ricardo Rivera Chaux**

Start date: 2016

Claim \$5,416,668

Provisioned: \$ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. Probatory stage. Pending collection of testimonies.

Plaintiff: **Alba Myriam Chaux Montealegre and Others**

Start date: 2017

Claim \$ 5,162,857

Provisioned: \$ 0

Purpose of the trial: Fish merchants compensation

Current status and procedural situation: The Group responded to the complainant, this procedure is focused on the non-existence of liability of the Group. To date, waiting to receive a response from the counterpart.

Plaintiff: **Alberto Diaz Polania and Others**

Start date: 2017

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Claim \$ 4,816,690

Provisioned: \$ 0

Purpose of the trial: Non-resident compensation

Current status and procedural situation: The Group is waiting for the initial hearing date.

Plaintiff: **Luis Hermison Rodriguez Sanchez and Others**

Start date: 2016

Claim \$ 4,500,000

Provisioned: \$ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for the hearing of Art. 373 of the C.G. Pending evidence will be collected and decision will be issued.

Plaintiff: **Lucas Lozano Pacheco**

Start date: 2014

Claim \$ 3,168,000

Provisioned: \$ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for hearing of Art. 373 of the C.G. Pending evidence will be collected and Decision will be issued.

Plaintiff: **Justiniano Garcia Duarte and others**

Start date: 2017

Claim \$4,441,207

Provisioned: \$ 0

Object of the trial: "Partijeros" (land administrators) claiming damages for the execution of El Quimbo

Current status and procedural situation: The plaintiff filed a written amendment to the lawsuit. The Group is vigilant to the Court's decision in relation to the amendment of the demand.

Plaintiff: **Ermilo Vidal Cuellar y Otros**

Fecha de inicio: 2017

Pretensión \$ 4.245.045

Provisionado: \$ 0

Object of the trial: Land tenants of AID

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Current status and procedural situation: The court of knowledge declared lack of competence to hear about the process, now Group is waiting to be notified about the competent Court.

### **Main tax processes the Group has at December 31, 2017 classified as contingent:**

#### **Industry and Commerce Tax (ICA).**

The companies of the power generation line have been required by some municipalities in order to be taxed by ICA on the basis of their income; however, this ignores the application of the special regime contained in Law 56 of 1981, according to which this tax must be settled taking into account the capacity of power generation installed in the plant.

In relation to the above, it is worth highlighting the action of nullity and restoration of the right, promoted against the settlement of capacity proffered by the Municipality of Yaguará, for the concept of ICA and fiscal period 2003, which amounts to \$32,481,000, and in relation to which there is a favorable ruling in the first instance, but we are in the course of the second instance. Similarly, it should be borne in mind that the process of nullity and restoration of the right of the municipality of Yaguará for the fiscal periods from 1998 to 2002 is closed as it concluded in favor of the Group with a second instance ruling notified on December 4 of 2017.

The Group, together with its external and internal advisors, based on reiterated jurisprudential criteria, concluded contingent events related to industry and commerce tax have a loss probability of less than 50%. The foregoing, to the extent that the Constitutional Court declared the enforceability of Article 181 of Law 1607 of 2014, which reiterated that sale of energy is the culmination of the generation activity so that whenever energy sold has been generated by the seller, is taxed with ICA only in the municipality where the plant is located and based on the installed capacity thereof. The Consejo de Estado assumed what was stated by the Constitutional Court and in 2016 resolved several processes favorable to the interests of the Group.

#### **Income tax fiscal year 2003.**

The process is based on the non-recognition by the DIAN of the benefits derived from the application of the Páez Law. In that order, the tax authority considers the Group was not subject to the application of the benefits derived from said Law on all its income.

In relation to this process, on July 25, 2017, the Group was notified of an unfavorable ruling against the Group at first instance, against which we filed an appeal on August 10, 2017 and the second instance is currently in process on the Consejo de Estado.

The amount of the process amounts to \$114,655 million at December 31, 2017. In any case, the Group, together with its external advisors, maintains loss probability in less than 50%.

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### Forestry Rate

Under Agreement 048 of 1982 issued by Inderena, the CAM issued Resolution No. 237 in which a forestry levy is settled at the expense of the Group for the alleged provision of technical services. The defense of the Group is based on the illegal collection of the rate, since Agreement 048 suffers from supervening nullity, in addition to the fact that CAM has not rendered any service to the Group. Simultaneously, Agreement 048 of 1982 proffered by Inderena was sued in action of simple nullity.

The amount of the process amounts \$28,605 million. The Group, together with its external advisors, concluded that the contingent event related to the forestry rate, has a loss probability lower than 50%.

### Income Tax Fiscal Year 2013

The origin of the auditing is the Legal Stability Contract, which included an estimated investment schedule that, according to the DIAN, serves as a limit to calculate the deduction for investment in productive real fixed assets; however, the Group made an investment higher than that estimated in the Contract (which implied payment of an additional premium); for this reason, the deduction was calculated based on the investment actually made and not in the estimated investment. DIAN argues the deduction should be calculated based on the estimated investment and not based on the actual investment, and for this reason rejects the deduction exceeding the estimated investment, thus generating a higher tax against the Group.

Currently, the process is in preparation for the lawsuit that may be filed until April 20, 2018, as the administrative stage ended on December 21, 2017 when service of process was received of the Resolution that resolved the appeal for reconsideration confirming the rejection of the deduction for investment in productive real fixed assets and that reduced to 100% the sanction of inaccuracy, for which the amount under discussion as of December 31, 2017 amounts to \$41,068 million.

## 34. Market of Energetic Derivatives

In July 2016, the Group entered the energy derivatives market with the objective of entering into energy futures contracts to mitigate the risk associated with volatility of energy prices in the SPOT market. With the foregoing, the Group manages its contracts' portfolio.

At December 31, 2017, there are purchase agreements of energy futures for 5.4 GWh, for the period from January to March 2017. These purchases support an energy sale agreement in the wholesale market.

At December 31, 2017, 24.23 GWh of sale agreements and 77.45 GWh of energy futures purchases were settled, equivalent to 57 and 74 agreements respectively.

Futures transactions with Derivex are backed by guarantees, which at December 31, 2017 amount to \$663,748 in cash and \$1,014,563 in TES, which are considered as restricted cash.

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During 2017 Derivex transactions coverage amounted \$ (6,912,000), which allowed securing Wholesale Market Income for \$ 9,212,000, representing a variable margin of \$ 2,300,000.

## 35. Risks Management

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

Among the basic principles defined by the Group in the establishment of its risk management policy are the following:

- a) Comply with the rules of good corporate governance.
- b) Strictly comply with the entire regulatory system of the Group.
- c) Each management and corporate area defines:
  - Markets of operation based on sufficient knowledge and skills to ensure an effective risk management.
  - Criteria on counterparts.
  - Authorized operators.
- d) Management, corporate areas and business lines establish for each market in which they operate their predisposition to risk in a manner consistent with the defined strategy.
- e) All the operations of the management, corporate areas and business lines are carried out within the limits approved for each case.
- f) The management, corporate areas and business lines establish risk management controls necessary to ensure transactions in the markets are carried out in accordance with the policies, rules and procedures of the Group.

### **Interest Rate Risk**

Changes in interest rates modify the fair value of those assets and liabilities that accrue a fixed interest rate, as well as the flows of assets and liabilities referenced at a variable interest rate.

The objective of interest rate risk management is to reduce volatility of financial expense reflected in the income statement.

Depending on the estimates of the Group and the objectives of the debt structure, hedging transactions are carried out through the contracting of derivatives that mitigate these risks. Instruments that can be used correspond to rate Swaps, which fix from variable to fixed rate.

Currently, the Group does not have interest rate hedges contracted.

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Interest Rate	At December 31 of 2017		At December 31 of 2016	
	Variation (pbs)*	Sensitivity in thousand COP	Variation (pbs)*	Sensitivity in thousand COP
IPC	+/- 5,59%	(+/-) \$ 157.846.931	+/- 2,69%	(+/-) \$ 80.742.300
IBR	+/- 3,68%	(+/-) \$ 9.566.080	+/- 2,00%	(+/-) \$ 6.148.281
DTF	+/- 2,76%	(+/-) \$ -	+/- 2,19%	(+/-) \$ -

(a) Variations or movements of interest rates were calculated based on their historical volatility in a period of three years (2015-2017 and 2014-2016 for calculations of 2017 and 2016 respectively), taking twice the standard variation of the series.

### Exchange rate risk

Risks of exchange rates can occur, fundamentally, with the following transactions:

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

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

Instruments that can be used correspond to derivatives (forwards and Swaps) of exchange rate. Currently the Group enters into hedging operations for exchange rate in order to cover payment of invoices in dollars for purchase of assets in foreign currency and to cover the debt taken in foreign currency.

### Risk of commodities

The Group is exposed to the risk of variation in the price of commodities, (fuels) and spot price of energy (Colombian energy market), mainly through fuel purchase operations for the operation of its thermal power plants and purchase-sale of energy carried out in the wholesale energy market (MEM).

The Group carries out the majority of energy sales transactions through contracts in the energy market (MEM) and in the financial derivatives market, in which a price has been previously agreed upon with indexation to the IPP, thus mitigating risk of spot price of the generation portfolio.

Liquid fuels are bought at market price and do not have any type of risk coverage due to changes in commodity prices. Solid fuels such as coal are fixed in agreements with price indexing by IPP in the local market in order to keep purchase value stable at market prices.

### Riesgo de Liquidez



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The Group keeps a liquidity policy consisting in entering into long-term credit facilities, cash and temporary financial investments, for amounts appropriate to support projected needs for a period based on the situation and expectations of debt and equity markets. Available resources must cover projected needs of financial debt (capital plus interest) net services, that is, after financial derivatives. Below are the contractual cash flows of financial liabilities with third parties until their maturity without discounting:

Concept	Current			Non- Current				
	Less than 90 days	More than 90 days	Total Current	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total Non-Current
Bonds Issued (capital + interests)	\$ 127.226.738	\$ 393.057.179	\$ 520.283.917	\$ 1.323.642.538	\$ 1.774.320.897	\$ 1.028.861.452	\$ 363.979.159	\$ 4.490.804.046
Bank loans (capital + interests)	111.994.961	55.743.885	167.738.846	100.802.787	91.221.222	42.760.754	-	234.784.763
Liabilities for financial leasing (capital + interests)	699.190	2.064.887	2.764.077	2.054.927	140.909	-	-	2.195.836
Trade accounts payable and other accounts payable	294.085.326	-	294.085.326	-	-	-	-	-
<b>Total</b>	<b>\$ 534.006.215</b>	<b>\$ 450.865.951</b>	<b>\$ 984.872.166</b>	<b>\$ 1.426.500.252</b>	<b>\$ 1.865.683.028</b>	<b>\$ 1.071.622.206</b>	<b>\$ 363.979.159</b>	<b>\$ 4.727.784.645</b>

### Credit Risk

The Group closely monitors credit risk.

### Commercial Accounts Receivable

Credit risk in the Group is historically limited given the collection short term granted to clients, which allows not accumulating individually significant amounts. Likewise, the regulation allows to cut-off the provision, and in almost all the agreements, default is stipulated as grounds for termination thereof. To this end, credit risk is constantly monitored through the assessment of general and individual portfolio indicators.

### Financial Nature Assets

Investments of the Group's available resources (treasury investments) originated in the operation, and in other non-operating income and financial derivatives transactions will be carried out with leading national and foreign financial entities that meet the minimum risk rating requested by the Group.

The minimum risk rating of financial counterparts must be a long-term international investment degree, or its equivalent at the local scale, taking into account the minimum international foreign currency rating of the Republic of Colombia. It can only be invested in counterparties with lower rating, within the limits established for risks for non-investment degree counterparties, or prior approval by means of a current Waiver granted for risks. Local risk ratings must be issued by an acknowledged risk rating agency legally established in Colombia. For international risk ratings, those granted by Moody's, S&P and Fitch will be acceptable. When a Financial Counterpart has more than one qualification, the lowest will be taken for purposes of the provisions of this paragraph.

Surplus liquidity operations must meet the following general criteria:

> **Security:** In order to preserve the value of the investment portfolio, available resources to be placed must comply with credit

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rating requirements contained in this document.

- > **Liquidity:** Instruments part of investments must have high liquidity in the market.
- > **Profitability:** Within permitted risk limits, the maximum possible return on investments must be sought.
- > **Diversification:** Concentration of risk in a certain type of issuer or counterparty must be avoided
- > **Transparency:** All operations and commitments made in the management of available resources must be explicitly registered and supported, and be governed by rules and procedures in force.

### Risk Measurement

In exchange rate risk, the Group performs the calculation of effectiveness of foreign currency forwards that replicate in 100% flows of the underlying, entered into to cover the risk of variation of the Colombian peso with respect to the foreign currency for payments coverage.

Thus, calculation of effectiveness is made by means of retrospective and prospective tests. Prospective test is defined as the quotient between the quarterly difference of fair value (MTM) of the real forward and the quarterly difference of fair value of the hypothetical forward.

Hypothetical derivative is defined as the forward that at the date of entering into the agreement reduces in its entirety the exchange rate risk and replicates in 100% the flows of the underlying for the covered period. On each assessment date, which will be quarterly, quotient should be in the range of 80-125% for forward to be considered as effective, and therefore, qualified as accounting hedge.

The prospective effectiveness test will be performed comparing changes in fair value between the real derivative acquired and a hypothetical derivative for different exchange rate cases. This simulation analysis consists in shifting the forward exchange rate to two hypothetical scenarios: + 20% and -20%. The results of variations in fair value of both instruments will be compared, and should be found in a range between 80% - 125% in order to apply hedge accounting. In this way, it is shown that shifts in exchange rate affect the fair value of hypothetical derivative and real derivative in the same way.

## 36. Fair Value

Fair value of financial assets and financial liabilities is recorded at the amount in which the instrument could be exchanged in a current transaction mutually agreed between parties and not in a forced or settlement transaction, according to the defined policy.

Below are the financial assets and financial liabilities showing a variation between book value and fair value, at December 31, 2017:

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	Financial liabilities (2)		Valores razonables	
	At December 31 of 2017			
<b>Financial assets (1)</b>	Bank loans			
Integral Housing		Club Deal Credits		4.519.226
Conventional Housing		Liabilities for leasing		6.619.366
Pensioned housing		Total liabilities		92.173
Other loans		3.688.445		2.976.499
PSJ Housing		710.132		508.845
Total assets		\$ 21.575.645		\$ 14.716.109
<b>Financial liabilities (2)</b>	(En miles de pesos)			
Bonds issued	\$	3.826.242.297	\$	4.174.416.209
Bank loans		105.719.939		105.269.334
Club Deal Credits		244.548.497		258.313.863
Liabilities for leasing		4.381.887		4.995.611
<b>Total liabilities</b>	<b>\$</b>	<b>4.180.892.620</b>	<b>\$</b>	<b>4.542.995.017</b>

(1) The Group assesses accounts receivable and other long-term accounts receivable, based on parameters such as interest rates, risk factors of each country in particular, client's solvency and risk characteristics of the financed portfolio. Based on this evaluation, provisions are recorded to account for expected losses on these accounts receivable.

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

Fair values of cash and cash equivalents and commercial accounts payable approximate their carrying amounts, to a large extent, due to the short-term maturities of these instruments.

At December 31, 2017, the Group keeps in the statement of financial position the following financial assets and financial liabilities measured at fair value, classified by levels according to the defined policy (See note 3.13):

Financial Assets	Nivel 3
Financial investments - unlisted companies or that have poor liquidity	\$ 3.266.532
Investments kept until maturity	\$ 26.523
	Nivel 2
Derivative instruments (See Note 5)	\$ 3.690.097
Financial Liabilities	
Derivative Instruments (See Note 14)	\$ 4.872.194

## 37. Approval of Financial Statements

General purpose financial statements of the Group at December 31, 2017, were approved by the Board of Directors pursuant to Certificate No. 453 of February 21, 2018 in order to be submitted to the General Shareholders' Meeting in accordance with the Commercial Code.

## 38. Subsequent Events

### **Lawsuits Decision**

On January 12th, 2018 the Group was notified of the resolutions dated December 4th No. 3567, 3568 and 3569, confirming sanctions imposed by CAM in November 2016 in relation to resolutions 3590, 3653 and 3816 of November 2016 derived from the lack of discharge permits for Resettlements of the PHEQ project, in accordance with environmental regulations. The total amount of these sanctions is \$152,010 pesos, provisioned by the Group during 2016.

Due to the foregoing, the Group will proceed with the nullity process thereof within four (04) months from the next day to the service of process, which would expire on May 13th, 2018.

### **Change of corporate purpose of the Group**

On December 18th, 2017, an extraordinary session of the General Assembly of Shareholders was held at which the opening of new business lines was approved and as a result of the foregoing, the expansion of the Group's corporate purpose for the import of fuels, mainly. This modification is subject to the approval by the Bond Holders Assembly to be held in 2018.

### **Received Indemnities**

In January 2018, Mapfre Seguros Group recognized to the Group compensation in the amount of \$15,862,689 in a casualty occurred in 2016 at Guavio plant over Chivor river tunnel. This amount corresponds to \$8,726,939 for consequential damages and \$7,135,750 for loss of profits. This process is still under review by the parties and is expected to be completed in 2018.

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### 39. Concession Agreement

The modification of the wharf's design was requested to the National Infrastructure Agency - ANI; as well as the extension of the term for its construction, having obtained favorable technical and legal concept and it was determined to formalize Addendum No.001 to the concession agreement.

On December 22, 2014, Addendum No. 001 was signed whereby it was agreed or modified what is related to the investment plan and the respective execution schedule, reversion of the port infrastructure in favor of the Nation, confirmation of the cargo volume and annual growth of 3%, obligation of priority use and access of 20% of the annual installed port capacity to load hydrocarbons from royalties and property of the National Hydrocarbons Agency (ANH per the Spanish wording) and modification of insurance policies according to a new legal provision on the subject.

On March 11th, 2016, Sociedad Portuaria Central Cartagena S.A. (SPCC) was notified of Resolution Cardique 1911 of December 14th, 2015, whereby this entity approved the start of construction works of the fixed dock agreed in the concession Agreement.

On November 1st, 2016, SPCC filed with the National Infrastructure Agency (hereinafter ANI) a request for the transfer of the contractual investment plan for the start of construction work in August 2018 and the completion thereof in January 2019.

On January 5th, 2018, the Company received a response from the ANI, whereby the request for reprogramming the investment plan was rejected; the Company will continue to carry out the necessary procedures and internal steps to continue with the execution of the construction works and the investment plan for the port concession agreement, which will begin in 2018.

In line with the above and because the investment plan foreseen in the concession agreement will be executed, the possible regulatory changes foreseen in Resolution CREG 109 of 2016 will not affect the development of the port concession.