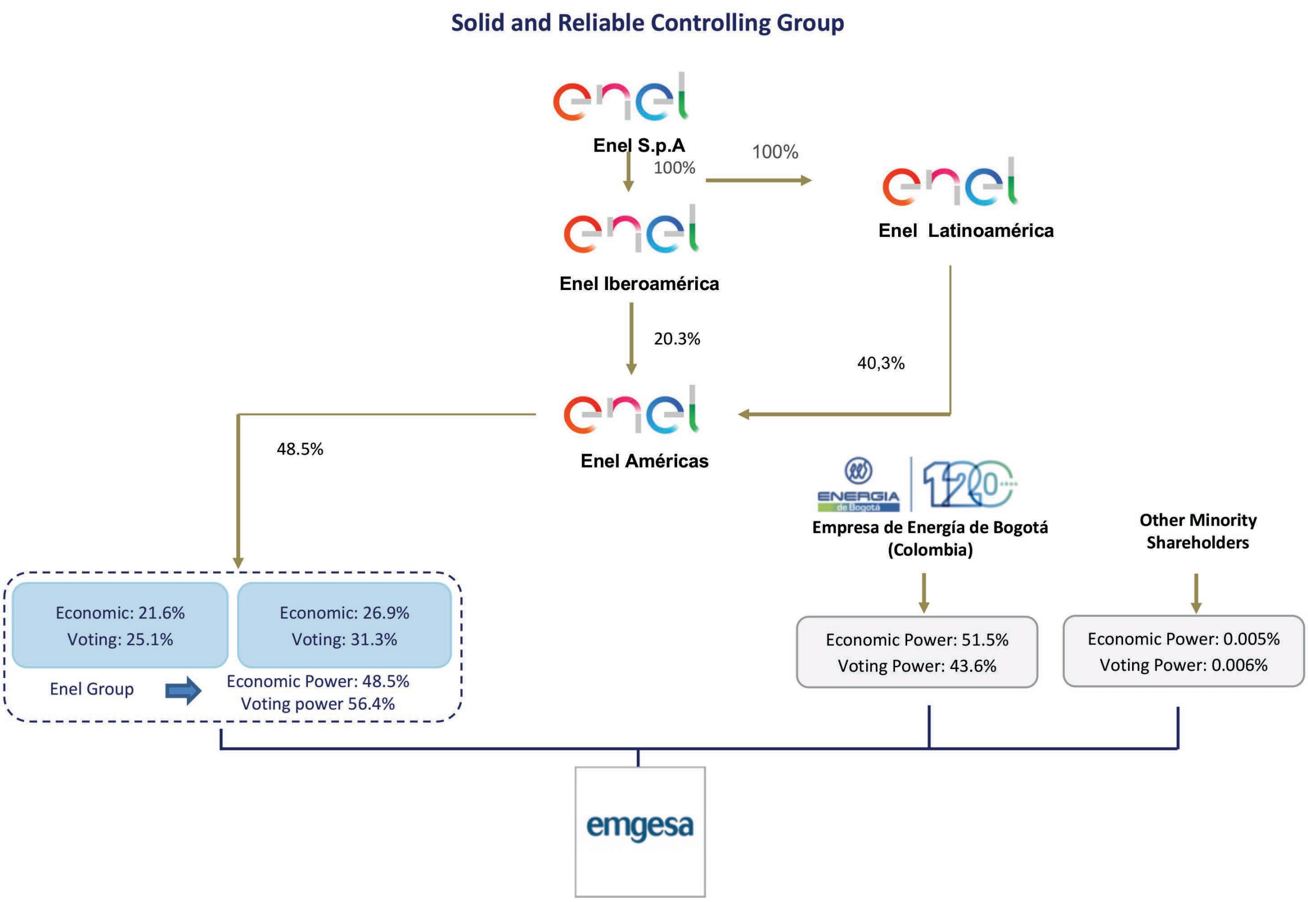
Annual Report 2016

emgesa

Grupo Enel

Table of Contents

Ownership Structure



Shareholding Structure

Shareholder	Common Shares	% Com	Preferred Shares	% pref.	Total Shares	% Total
Empresa de Energía de Bogotá S.A.	55.758.250	43,5742%	20.952.601	100%	76.710.851	51,5135%
Enel Américas S.A.	72.195.996	56,4201%	-	0%	72.195.996	48,4816%
Other minority shareholders	7.315	0,0057	0	0	7.315	0,0049
Total	**127.961.561**	**100,0000%**	**20.952.601**	**100,0000%**	**148.914.162**	**100,0000%**

Board of Directors

SEAT	PRINCIPAL	ALTERNATE
FIRST	BRUNO RIGA	DIANA MARCELA JIMÉNEZ
SECOND	LUCIO RUBIO DÍAZ	FERNANDO GUTIÉRREZ MEDINA
THIRD	JOSÉ ANTONIO VARGAS LLERAS	DANIELE CAPRINI
FOURTH	ASTRID ÁLVAREZ HERNÁNDEZ	DIANA MARGARITA VIVAS
FIFTH	JOSÉ ALEJANDRO HERRERA LOZANO	SERGIO GÓMEZ NAVARRO
SIXTH (Independent)	MARÍA CONSUELO ARAÚJO	RICARDO ROMERO RAAD
SEVENTH (Independent)	LUISA FERNANDA LAFAURIE	ANDRÉS LÓPEZ VALDERRAMA

Chairman of the Board
José Antonio Vargas Lleras

First Alternate CEO
Lucio Rubio Díaz

CEO
Bruno Riga

Second Alternate CEO
Fernando Javier Gutiérrez Medina

Audit Committee

PRINCIPAL	ALTERNATE
LUCIO RUBIO DÍAZ	FERNANDO GUTIÉRREZ MEDINA
ASTRID ÁLVAREZ HERNÁNDEZ	DIANA MARGARITA VIVAS
MARÍA CONSUELO ARAÚJO	RICARDO ROMERO RAAD
LUISA FERNANDA LAFAURIE	ANDRÉS LÓPEZ VALDERRAMA

Good Governance Committee

PRINCIPAL	ALTERNATE
LUCIO RUBIO DÍAZ	FERNANDO GUTIÉRREZ MEDINA
JOSÉ ANTONIO VARGAS LLERAS	DANIELE CAPRINI
ASTRID ÁLVAREZ HERNÁNDEZ	DIANA MARGARITA VIVAS

Corporate Purpose

"The Company's main purpose is the generation and trade of electric power according to Act 143/1994, as regulated, complemented, amended, or derogated, as well as all types of activities, supplementary or auxiliary, either directly or indirectly related to the fuel gas trading business, taking the necessary steps to protect the environment and the good relations with the community in the area of influence of its projects, performing work, designs, and consultancy services in electrical engineering and trading products in benefit of its customers. The company may perform all activities related to exploration, development, investigation, exploitation, trading, storage, marketing, transportation, and distribution of minerals and rock material, as well as administrative, operational, and technical management related to production of minerals and exploration and exploitation of deposits in the Republic of Colombia, including purchase, sale, lease, distribution, import, and export of raw materials, elements, machinery, and equipment for the mining sector. The company may promote and create establishments or agencies in Colombia and abroad, acquire in any manner all types of real and personal properties, lease and sell them, apply liens to them and use them as collateral; exploit brands, trade names, patents, inventions, or any other intangible good; participate in public and private tenders; execute all types of agreements and acts, either civil, labour, commercial, financial, or of any other nature required, convenient, or adequate in order to achieve its purposes; give or receive from its shareholders, parent companies, subsidiaries, and third parties money under loan; draw, accept, endorse, collect, and pay all types of securities, negotiable instruments, shares, executive titles, and other documents; execute company agreements or acquire shares in companies and participate as a partner in other public utilities companies; spinoff and merge with other companies with similar corporate purposes; assume any corporate association or collaboration form with natural or legal persons, national and foreign, in order to perform activities related or supplementary to its corporate purpose."


codensa
emgesa

Letter to Shareholders

Dear Shareholders:

We are pleased to share the outstanding accomplishments achieved by the Company in 2016, which are the result of the approach of a renewed strategy based on an inspiring concept: Open Power to solve the biggest challenges, reflecting teamwork, passion for good results and firm commitment to provide our customers a quality product that leverages the development and growth of the communities where we operate.

2016 was characterised as the year with the lowest macroeconomic growth in the last five years. Impacts due to external market situations (from the fall in international oil prices), in addition to the country's natural and social events (El Niño phenomenon and truckers' strike) affected economic growth.

The impact of these circumstances, coupled with an increased inflation, led the Colombian Central Bank to increase its interest rates to 7.75% during the year, which will eventually contribute to a GDP increase below 3% in 2016. However, both Government and market agents expect the GDP to bounce back above 3% in 2017.

According to the Government, this rebound would have an additional push with the tax reform, which will allow the country to capture new sources of income to continue with the infrastructure investment projects needed in the medium-term. In addition, it believes that next year the price of crude oil per barrel will average above 50 dollars, which would reactivate exploration and exploitation of fields that are currently inactive.

Regarding exchange rates, there were no major increases in 2016. Exchange rate expectations were around 3,000 pesos (closing at an average of 3,050 pesos/US dollar), though it is expected to fall in 2017 to an average of about 2,850 pesos.

The Consumer Price Index (CPI) showed a variation of 5.75% in 2016, decreasing by 1.02 percentage points the inflation presented in 2015 (6.77%). In turn, the Producer Price Index (PPI) varied by 2.16% in 2016, 3.32 percentage points lower compared to the variation presented in 2015 (5.48%). Both indicators, which have a negative effect on the price of our purchases in electric power agreements, on the balance sheet, had a positive effect on our 2016 revenues.

The domestic demand for energy in 2016 was 66.32 TWh, 0.2% higher than the previous year. The maximum power demand was presented on December 15, reaching 9,904 MW. This figure decreased by 1.9% over the previous year's peak (10,095 MW).

The supply of electricity in Colombia in 2016 was characterised by very dry conditions in the first 4 months of the year and with greater hydrology in the last quarter of the year (from August 2016 and until December 2016 the conditions registered were specific to a weak intensity La Niña phenomenon). The average stock price of the year was 300 $/kWh, decreased 21% compared to 2015 when it stood at 378 $/kWh.

The first half of 2016, characterised by low hydrological inputs, a product of the El Niño phenomenon in its terminal phase, guided the management to comply with commitments to deliver energy to the market, acquired through the reliability charge, including delivering additional energy (+234 GWh) and covering other deficit agents, a contribution that allowed to meet the demand in a period of shortage suffered in the country. In addition, the availability and logistics of thermal plant fuels (supplier diversification, under a new procedure for the selection of coal proponents) was guaranteed and ensured, as well as the optimum management of the reservoirs of the hydraulic resources, being able to position itself as the largest generator of SIN (supplying 23% of demand), with a total generation of 14.95 TWh.

This is summarised in an optimum portfolio management that contributed to the achievement of a gross margin of $ 2.2 trillion COP (14% higher than in 2015), a record figure in the Company's history.

Emgesa's asset portfolio management in 2016 was characterised by boosting energy sales in long-term contracts (greater than 7 years), providing benefits to the Company and its customers, as it contributes to the efficiency and planning of its operations and favour the development of new sources of supply.

In sales operations in the wholesale market (public or private call for bids), 14.9 TWh (distributed between 2016 and 2028) were reached, and in contracts to customers of the unregulated market 5.2 TWh between 2016 and 2031, in different parts of the country. With a relationship plan and structured customer service (87.6% quality satisfaction index vs. 86.2% the previous year).

In addition, Emgesa entered the energy derivatives market in 2016 with the objective of concluding energy futures contracts with which to mitigate the risk associated with the volatility of energy prices in the spot market. Energy transactions carried out in 2016 amounted to 89 GWh (4 GWh settled in 2016 and 85 GWh settled in 2017).

Total energy sales in 2016 were 18,015 GWh, higher than those presented in 2015 by 6.7%. Of the sales recorded in the year: 13,329 GWh corresponded to sales in contracts, which increased by 6.6% compared to 2015; and distributed in 9,679 GWh in contracts with customers of the Wholesale Market and 3,650 GWh in contracts with customers of the Unregulated Market. On the other hand, 4,686 GWh corresponded to sales in the Spot market (Stock, Reconciliations and AGC Services), which grew by 6.9% in 2016 over the previous year.

During 2016, Emgesa continued to consolidate its presence in the gas market in Colombia, with a sales volume of 87.9 Mm3, representing a 59% increase over 2015 (55.2 Mm3), serving 9 industrial customers (Unregulated) in different cities in the country and 12 customers at wellhead (Secondary Market).

In 2016, preventive management programs of collections and implementation of strategies were carried out to improve the management of customer collections. However, the average consolidated loan loss ratio for the year reached 38.8%, being affected mainly by the portfolio of the agent Electricaribe S.A. ESP, which amounts to $99 billion and is frozen by the inauguration of the Superintendence of Public Utilities on 14 November 2016.

The El Quimbo hydroelectric plant, which entered into commercial operation on 16 November 2015 with a net installed capacity of 396 MW, generated 1,448 GWh in 2016, contributing 10% to the total generation of the Emgesa portfolio for the year. Additionally, it had a strategic role in the first months of the year during the El Niño phenomenon timely providing energy to supply the country's demand.

Two significant milestones in the management of the generating park in 2016 were the entry into commercial operation of the Minor Guavio plant with 9.9 MW and the increase in the declared Net Effective Capacity of the Guavio Power Station from 1,200 MW to 1,250 MW, matching the largest SIN plant. With this new capacity, Emgesa has a net installed capacity of 3,467 MW, 21% of the country's capacity (of 16,595 MW), which ratified it in the second place among generating agents in Colombia measured by installed capacity.

In terms of results, we are pleased to note that operating revenues reached $3.5 trillion, an increase of 7.5% over the same period last year, mainly due to the increase in energy prices, resulting from the hydrological shortage of the first four months of the year and the greater volume of sales in contracts.

Cost of sales amounted to $1.32 trillion, showing a decrease from the previous year of 2.0%, mainly due to the lower spot market purchases and lower fuel consumption due to the increase in thermal generation.

Regarding fixed costs of operation, there was a decrease of 2.4%, amounting to $0.21 trillion, mainly due to the lower tax on wealth applicable for 2016, which is computed as a fixed cost in EBITDA, as a result of the adoption of the International Financial Reporting Standards (IFRS). Consequently, accumulated to December 2016, Emgesa generated an EBITDA of $1.98 trillion, 15.01% higher than 2015.

The Company's net income for the year 2016 was $0.75 trillion, 14.8% less than the previous year, as a result of the non-capitalisation of the financial expenses associated with the El Quimbo Project, and higher rates of income tax and income tax for equality (CREE) introduced after the latest tax reform.

As of 31 December 2016, the Company's total assets amounted to $9.0 trillion, of which available assets and short-term investments amounted to $0.62 trillion. Available assets increased by 107.03% with respect to the balances of the previous year, mainly explained by more cash at the end of 2016, $0.1 trillion in relation to the previous year, product of the billing and collection of part of our revenue from wholesale market contracts in the same month of December.

As for the level of indebtedness, as of 31 December 2016, Emgesa recorded a financial debt of $4.3 trillion, 8.62% higher than the debt recorded as of 2015.

Two bond issues were made during the year for a total value of $0.82 trillion pesos, which were used to replace short-term financial obligations and to finance the Company's investment plan. The issue of the seventh tranche of the Emgesa Bond Issue and Placement Programme was made on 11 February 2016 for a total amount of $0.52 trillion in two series of 3 and 7 years with rates of CPI + 3.49% and CPI + 4.69%, respectively. The issue of the eighth tranche for a total amount of $0.3 trillion was made on 27 September in a single series at 6 years at a fixed rate of 7.59% E.A.

Thus, the financial debt as of 31 December 2016 was divided into bonds issued in the local capital market for $3.2 trillion, bonds indexed to Colombian pesos issued in the international market for $ 0.73 trillion and bank loans valued at $0.41 trillion.

Emgesa maintained at the end of 2016 100% of its debt in pesos. Moreover, 92% of the financial debt was long-term (had a remaining maturity of more than one year). 66% of the debt had interests indexed to the CPI, 7% to IBR, and the remaining 27% to fixed rate.

On 12 October 2016 Emgesa received, for the fourth consecutive year, the Investor Relations award of the Colombian Stock Exchange (BVC), for voluntarily raising its information disclosure and investor relations management models above the requirements of local regulations and for making available to investors on its website quarterly and annual information in English and Spanish.

On 4 May 2016, Fitch Ratings Colombia affirmed at 'AAA (col)' and 'F1 + (col)' the National Long-Term and Short-Term Ratings, respectively, of Emgesa S.A. ESP. It also affirmed at 'AAA (col)' the rating of the $3.715 trillion Emgesa Bond Programme with a stable outlook. Similarly, Emgesa's international rating as a long-term corporate debt issuer in local and foreign currency was ratified at BBB by Standard & Poor's on 22 August 2016 and by Fitch Ratings on 4 May 2016. In the case of S&P the outlook was downgraded to negative, as a consequence only and exclusively of the same negative movement of the rating perspective of the Republic of Colombia carried out by the rating agency during 2016.

To continue with the completion of the El Quimbo Hydroelectric Project, in the period from January to December 2016, $0.25 trillion were invested, corresponding to the execution of the amounts provided by the approved budget balance to capitalise the costs of the plant and the costs of the environmental license commitments during the operation stage.

As of December 2016, our company's personnel ended with 551 employees, with whom we worked hand in hand to continue consolidating ourselves as an attractive employer, competitive in the labour market and always seeking to generate in our collaborators a feeling of belonging and pride.

During 2016 we continued working to maintain our Certification as a Family Responsible Company (FRC), granted by the Más Familia Foundation, in recognition of our work in implementing a new socio-labour and business culture based on flexibility, respect and commitment with our workers, in order to promote the balance between personal, family and work life.

We end this tour of the Company's management, expressing our conviction that the growth prospects of the Colombian economy, the high quality and commitment of our human resource, as well as the support it offers to belong to a multinational with worldwide coverage as the Enel Group, will allow us to face with optimism the challenges and difficulties that arise in our operations on a daily basis, as well as the regulatory changes that are looming in the electric sector as a consequence of the lessons learned from the recent El Niño phenomenon. These changes will play an important role for the future of the sector and, in our opinion, will favour the development of new projects in Colombia.

In 2016, all the country's efforts to end the armed conflict with the FARC guerrillas have materialised, becoming one of the main milestones in Colombia's history, due to its social and economic effects and generally for what it represents for the country's stability. Thus, the medium-term represents great challenges for the economic actors that carry out productive activities in Colombia, due to the transcendental reforms that in political, economic and social matters are required by the implementation of the peace agreements; however, investment opportunities aimed at boosting the country's productivity and competitiveness, as well as ensuring the stability of the agreements.

Additionally, we declare that after the year-end closing there were no relevant events in the Company worth mentioning.

In order to comply with article 47 of Act 222/1995, the transactions carried out with the shareholders and managers were in line with the applicable legal provisions and are duly reflected in the financial statements. Furthermore, Emgesa complies with the rules on intellectual property and copyright and declares that all software available for the Company's management has the corresponding licenses and therefore complies with the rules on intellectual property and copyrights in force in Colombia.

Also pursuant to the provisions in article 87 of Act 1676/2013, the Company has not hindered the free circulation of invoices issued by sellers or suppliers.

That in accordance with the provisions of Act 142 and 143/1994, the company has an internal control system and an external auditor for management and results; additionally, during the reporting period the company as a securities issuer has controlled and disclosed its financial information in accordance with the applicable regulations.

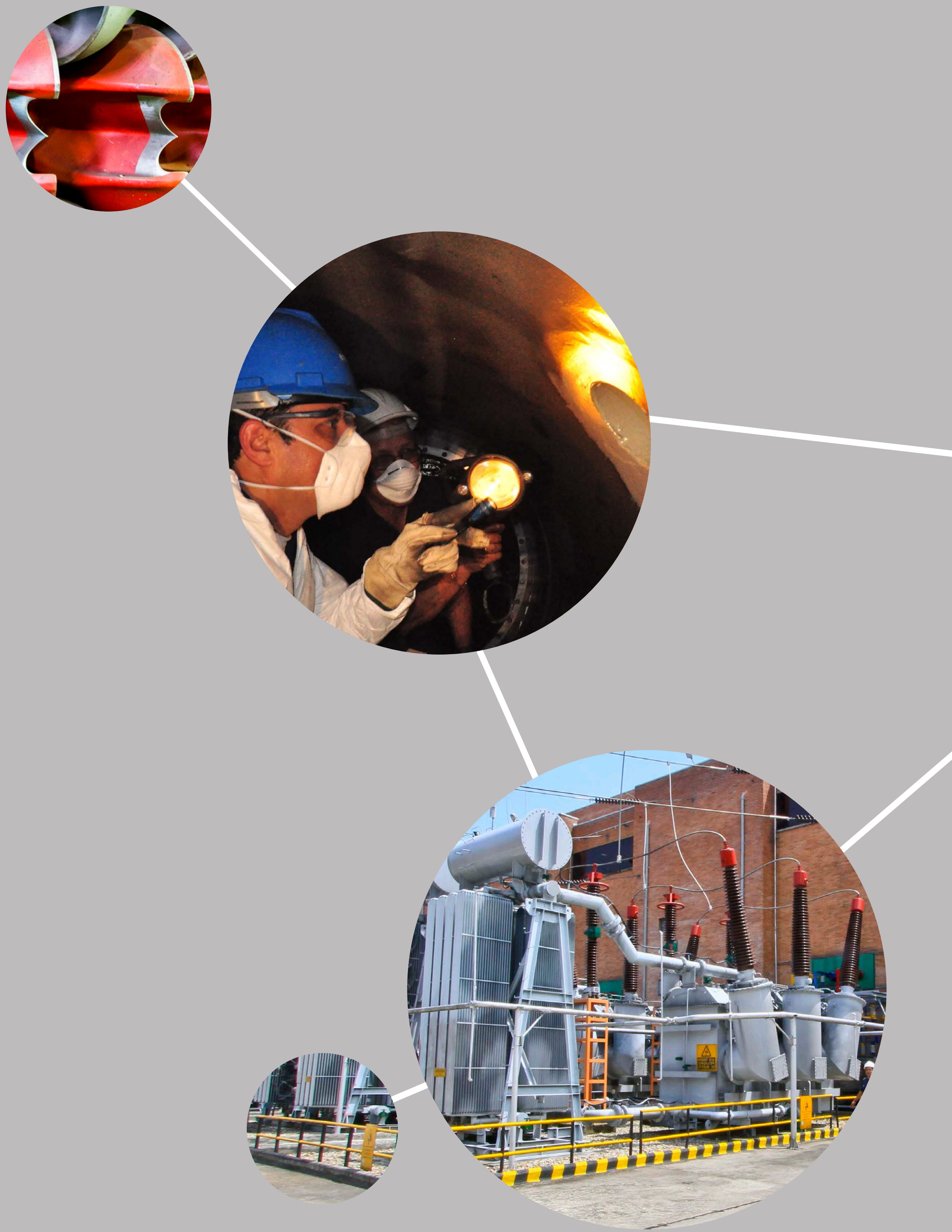
In compliance with the Corporate Bylaws of Emgesa, we hereby present the following reports to the shareholders:

> IManagement Report of the CEO for the period from 1 January to 31 December 2016, accepted by the Board of Directors.
> Report of the firm Ernst & Young Ltda., as Statutory Auditor.
> Report of Article 446 of the Code of Commerce.
> Special Report of the Business Group in compliance with Article 29 of Act 222/1995.

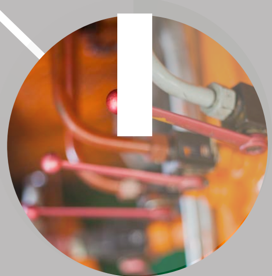
Sincerely,

BRUNO RIGA
CEO

JOSÉ ANTONIO VARGAS LLERAS
Chairman of the Board



1_Energy Generation



The generation activity in 2016 had excellent manageable technical results. The optimum performance of the plants made it possible to achieve the stated availability objectives.

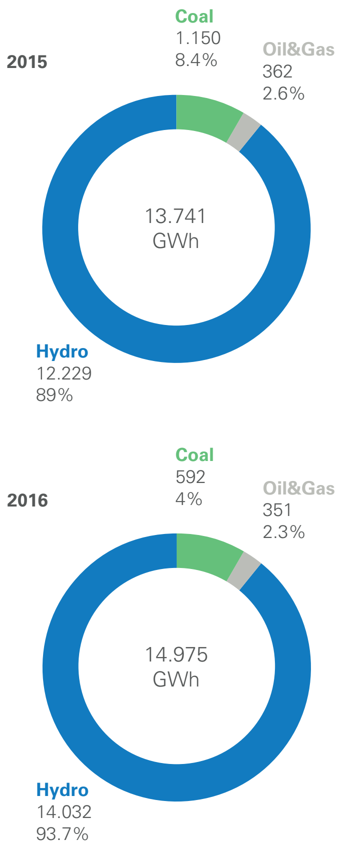
Below are the main actions in operational, technical, and engineering projects, and the main challenges for 2017.

Performance of the Operation

In 2016 Emgesa's net power generation reached 14,975 GWh, a 9% increase over 2015. This increase is mainly due to the operation of the El Quimbo Hydroelectric Power Plant, which entered into service in November 2015, and in 2016 generated 1,448 GWh.

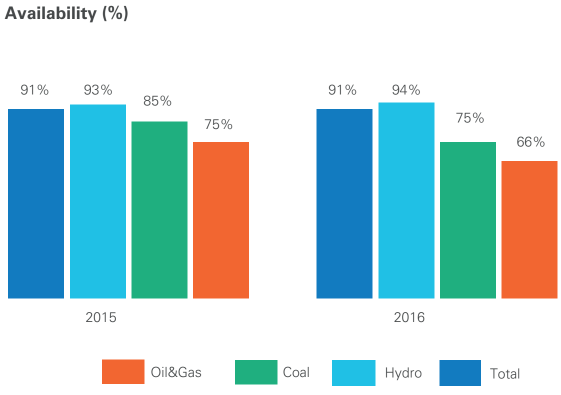
The following graph shows the detail of net generation by technology:

The availability of the Emgesa generating plant in 2016 was 91.3%, an increase of 0.1% compared to 2015. The following graph shows the detail of the availability by technology:



Graph 1: Net Generation by Technology (2015-2016)

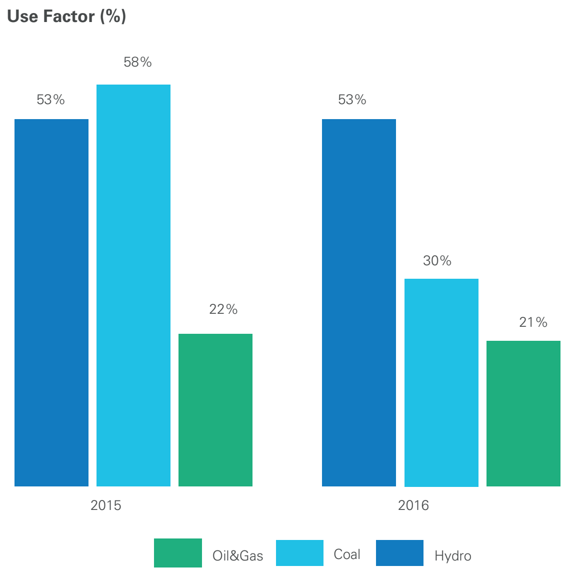
During 2015 and the first half of 2016, the National Interconnected System (SIN, for its Spanish abbreviation) experienced the consequences of the El Niño weather phenomenon, represented by low hydrological inputs to the reservoirs and an increase in the requirement for thermal generation to ensure continuous satisfaction of the demand. Emgesa responded efficiently to this requirement with its thermal plants. It is important to note that during 2016, following the drought season, a high investment was made in modernisation and scheduled maintenance of main equipment in thermal power plants, which is why a lower availability value is observed compared to 2015.



Graph 2: Availability by Technology (2015-2016)

Two significant milestones in the management of the operation of the generating park in 2016 were the entry into commercial operation of the Menor Guavio plant with 9.9 MW and the increase in the declared net effective capacity of the Guavio Power Station from 1,200 MW to 1,250 MW, becoming the plant with the largest installed capacity of the SIN.

A total of 166,892 operating hours of Emgesa's generation units were registered during 2016, 25,374 more hours than in 2015. The use factor closed at 50%, compared to 51% in 2015. The following graph presents the detail by technology of this variable, which shows a lower use of coal technology in 2016, mainly due to scheduled maintenance in all units.



Graph 3: Use Factor by Technology

Hydraulic Technology

In order to obtain the optimal operational results presented above, in the hydroelectric power plants, different investment and intervention actions previously identified were materialised during the year and are described below:

> Hydroelectric Plant El Guavio:

Modernisation of speed controllers in units 3 and 4, modernisation of engine control centres, overhaul switch and switch disconnectors, modernisation of A and B pipeline protections. In addition, further work was carried out to ensure the reliable and efficient operation of the two auxiliary generating units, to declare them as a minor plant, contributing its energy to the Regional Transmission System. Moreover, civil infrastructures such as the Ubalá-presa tunnel and the Chivor tunnel hearth were rehabilitated.

> Central Hidroeléctrica El Quimbo: The process of establishing normal operation continues after the construction phase of the project, carrying out all the maintenance planned for this stage.

> Pagua Chain: In this chain the winding change of the stator performed in unit 3 of Paraíso and Guaca is emphasised. Important work has been developed on turbine, repair of impellers and servomotors of needle, as well as work on generator rotors, 230 kV substations and modernisation of the control centre of motors of the auxiliary systems of the plants.

> Alicachín Pondage: Definition and execution of a new management plan of the pondage that optimises the use of water and improves the operating and environmental conditions of the pond.

> Minor Hydroelectric Plant Salto II : Recovery of the pedestrian bridge over the Bogotá river in the zone of discharge of the turbine water of the plant, replacing components and using urethanes of high performance at ambient temperature that increase the useful life of the structure.

> Minor Hydroelectric Plant Tequendama: CTs and PTs were modernised to continue to comply with regulatory requirements.

> Minor Hydroelectric Plant Charquito: Repair works were carried out on power transformers and turbine bearing.

The previous actions were aimed at maintaining the safety and reliability of the plants' operation, by ensuring the useful life of the equipment.

Thermal Technology

As mentioned above, the performance of thermal power plants (Oil & Gas and coal) was particularly good and allowed the Company to contribute to sustain energy demand in a critical period of drought and to respond to the demands of the SIN. The main actions carried out were:

- > Thermal Plant Termozipa: Two small overhauls were carried out in units 3 and 5 and two large overhauls in units 2 and 4. Additionally, a new turbine rotor was installed in unit 4. Taking advantage of plant shutdowns, the DCS (Distributed Control System) of all units was modernised, a new dry ash system was installed and speed controllers were changed in units 3, 4 and 5. A project to extend the life of the plant was approved, which will allow to increase its operation in approximately 100,000 hours. In parallel, investments will be made to achieve the best environmental standard in atmospheric emissions, which will come into service in 2020.

- > Thermal Plant Cartagena Two boiler retrofits were carried out in units 1 and 2, BMS (Burner Management System) boiler protections were installed and the burner system was updated.

Engineering Projects

- > Termozipa Project: Improvements were made to the cooling system of the plant, including the capacitor system that allowed to reduce plant shutdowns. The management of the ash channel was improved, achieving an optimisation in terms of operation and costs. In addition, maintenance was performed on the three cooling towers, which included improvements in mechanical structures for fan and motor maintenance. The design of the new access road for the access of heavy vehicles was completed to optimise the management system of the coal yard and the ash system which is under development.

- > Guavio Project: Rehabilitation of the Chivor tunnel in its hearth, gables, key and support of exit portal. It was necessary to perform intervention of access roads for the two work fronts in order to optimise times in their repair.

In order to maintain Emgesa as a leading company in the country's energy sector and contribute to the strategic objectives of the Enel Group, some major challenges were defined for 2017, which will ensure a high technical performance of the generating park. These challenges are focused on maintaining plant reliability, by performing maintenance, reactive power testing, modernizing the control centres of the auxiliary systems programmed for power plants, the life extension activities of Termozipa Plant, and the installation of new demineralised water treatment plants in both Termozipa Plant and Cartagena Plant to meet international standards.

We also expected to carry out improvement and investment projects such as the Telecontrol project of the generating units in the Bogota river chain, modernise speed controllers of the generators in some of the plant's units and manage the Rionegro Power Plant (10.2 MW) in the context of the usufruct agreement signed between Emgesa and Codensa.

2_Energy Management

Energy management is aimed at managing assets in the Wholesale Market and marketing energy and gas. It carries out wholesale operations through sales of energy to unregulated customers and block purchases and sales of energy to other agents in the market. In 2016, energy sales were boosted in long-term contracts of more than seven years, which generated benefits for the Company and its customers, contributing to the efficiency and planning of its operations and favouring the development of new sources of supply.

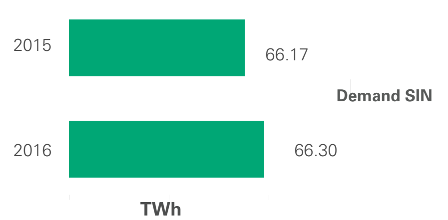
The first half of 2016, characterised by low hydrological inputs, as a result of the El Niño phenomenon in its terminal phase, led the management to comply with commitments to deliver energy to the market, acquired through the reliability charge and the assurance of The availability and logistics of the fuels of the thermal power plants, as well as the optimal management of the hydraulic resources. In addition, we provided advise to current and new customers to establish energy negotiations that would enable them to secure supply at competitive prices and achieve long-term sustainability.

We continued the consolidation and growth in the gas market at the national level, serving large gas consumers and marketing it among wholesale agents.

In 2016 Emgesa also entered the energy derivatives market with the objective of entering into energy futures contracts with which to mitigate the risk associated with energy price volatility in the spot market.

Demand

The national demand for energy in 2016 was 66.32 TWh, 0.2% higher than the previous year. The energy demand had its peak on 15 December, reaching 9,904 MW. This figure decreased by 1.9% compared the previous year's peak (10,095 MW).



Graph 4: SIN Demand (2015-2016)

Wholesale Market

In the wholesale market, energy purchase and sale operations were carried out in large blocks between generators and marketers to execute long-term contracts subject to prices and defined quantities.

During 2016, Emgesa sold energy in the wholesale market through contracts and as a result of public or private bidding processes, as shown in the following table:

Figures in GWh	2015	2016	Variation %	
Wholesale market	9.070	9.679	+609	+7%

Graph 1: Net Generation by Technology (2015-2016)

Emgesa participated in 70% of the public bidding processes in the Colombian market and in other sales processes to serve the regulated market and/or support contracts of other generators, reaching sales of 14,900 GWh, distributed between 2016 and 2028.

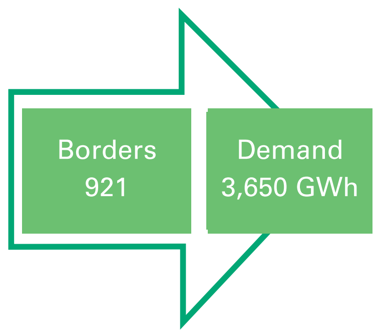
Unregulated Market

The main regions where the growth of energy sales to customers of the Unregulated Market was evident, with respect to 2015, were: the Atlantic Coast (54%), the Valle Zone (32%) and the Tolima-Huila-Caquetá Zone (21%).

In addition, in 2016, 5,200 GWh were sold in contracts to between 2016 and 2031, to customers in the unregulated market.

Figures en GWh	2015	2016
Unregulated market	3.435	3.650

Table 3: Sales Unregulated Market



Customer Service and Relationship Plan

Customer Relationship

In order to communicate effectively with its customers, Emgesa has designed a plan through different channels of communication:

Sales Force

As part of the customer value proposition, we have a team of commercial coordinators, experts in energy market, energy management, quality of supply and regulation of the sector, who provide personalised service and follow-up. Emgesa serves customers nationwide, its sales force is located in the cities of Bogota, Cali and Barranquilla

Call Centre

Customers have at their disposal service lines nationwide, available 24 hours a day, 365 days a year, through which all customer enquiries, requirements and claims for quality of supply are attended by the corresponding network operator.

Website

Emgesa customers can access personalised content at the website http://clientes.emgesa.com.co..

Events and Training

In order to share relevant marketing business information with customers, Emgesa has developed a training plan on:

- Energy market
- Regulations and standards in force
- Efficient use of energy
- Economic perspectives
- Other relevant issues

As of the 2016 year-end, nearly 400 customers attended the events that are part of the relationship plan.

Customer Satisfaction

The Emgesa customer satisfaction survey model was designed to measure market perception of products and services, and seeks to focus efforts and resources on inducers of customer satisfaction and on what adds value to the product.

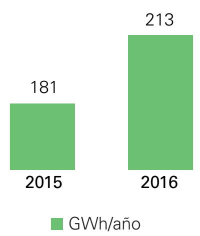
The Quality Satisfaction Index (ISCAL) has remained at excellent levels in recent years, thanks to the development of the relationship plan with customers.

The customer satisfaction model evaluates aspects of the commercial relationship such as service by its commercial coordinator, media, billing and image, among others.

Graph 5: Satisfaction Index-ISCAL

Energy Purchases

In order to support energy sales in contracts, Emgesa buys energy through contracts with other agents in the wholesale market, such as generators. The following graph shows the level of purchases of energy at the end of 2016:



Graph 6: Energy Purchases

Purchases in 2016 increased by 17.7% over the previous year.

Futures Market Transactions (Derivex)

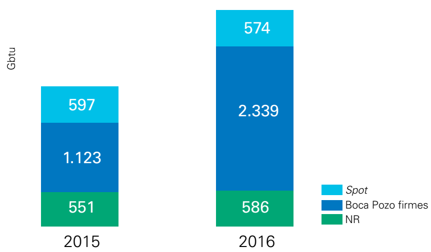
In July 2016, Emgesa entered the energy derivatives market with the objective of executing energy futures contracts with which to mitigate the risk associated with the volatility of energy prices in the spot market. As a result, the Company manages its portfolio of contracts.

The energy transactions carried out in 2016 amounted to 89 GWh, 4 GWh of which were settled in 2016 and 85 GWH during 2017.

Gas Trade

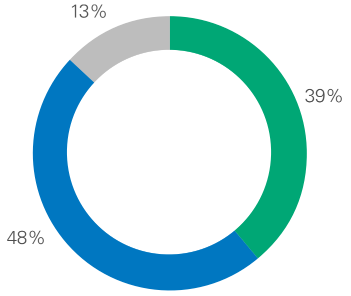
In 2016 sales were made for 87.9 Mm3 representing a 59% increase over 2015 (55.2 Mm3), which means that the Company continues to consolidate in the gas trade market in Colombia, serving nine customers (Unregulated) in different cities in the country and twelve customers at wellhead (Secondary Market).

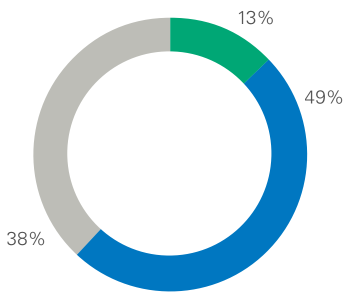
The market with the highest growth was in wellhead customers with a 108% increase compared to 2015, followed by a 6% increase in the unregulated market and a 3.4% drop in the spot market, as observed below:



Gas Sales

The participation during the years 2015 and 2016 for each market by its variable margin contribution was:



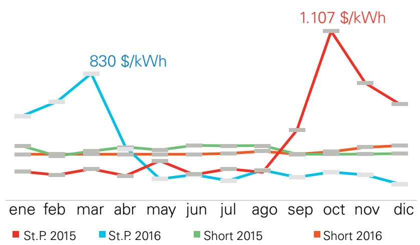


Graph 7: Gas Market Participation (2015-2016)

Spot Market

The spot market or energy exchange is a market where generators and traders of the sector trade their surplus and shortages in real-time, taking into account that energy cannot be stored.

The shortage price represents a ceiling price for the demand, from which the requirement of the Firm Energy Obligations, bond market among generators, materialises for the agents. The stock price surpassed the shortage price from 20 September 2015 to 12 April 2016 on a constant basis.



Graph 8: Stock Price vs. Shortage Price (2015-2016)

The average stock price of the year was 300 $/kWh, which decreased by 21% compared to 2015.

	2016	2015	Dif	
	$/kWh	$/kWh	$/kWh	%
Stock price	300	378	- 78	- 21%
Shortage price	314	330	- 16	- 5%

Table 3: Average Stock Price vs. Average Shortage Price (2015-2016)

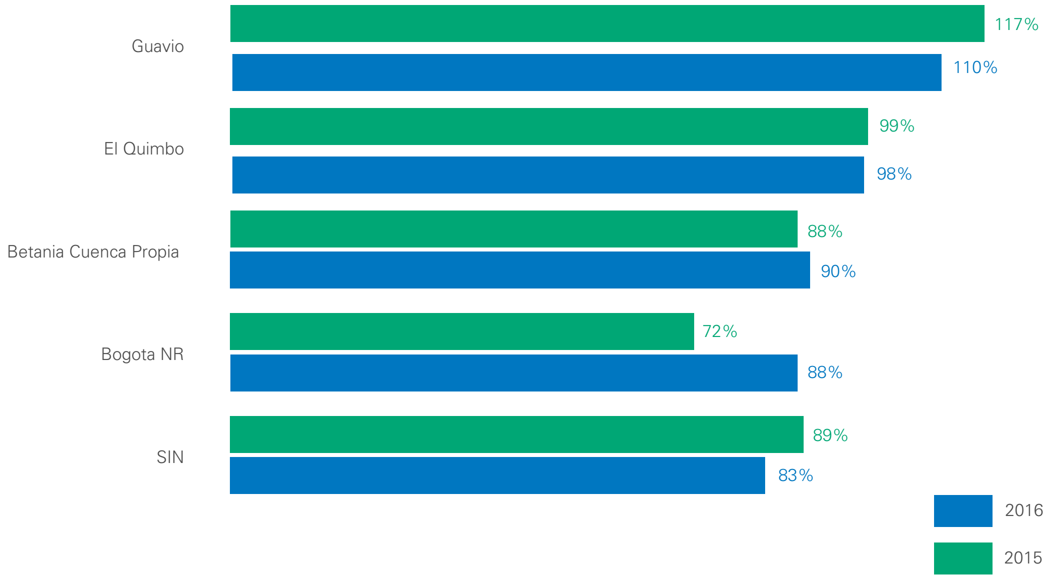
The El Niño phenomenon 15/16 was highlighted as one of the three most intense and long phenomena in history. Among the most notable events in addition to the drought, we can mention: the withdrawal of Guatapé and Termoflores IV, which left almost 10% of energy equivalent to the daily demand of the country trapped, the unavailability of gas and gas transportation infrastructure, which led to the use of liquid fuel plants, the closure of the Venezuelan border, which affected the import of fuel oil, the abrupt decoupling between the shortage price and the stock price, which triggered the financial instability of some thermal plants and, finally, intervention by the Superintendence of Household Public Utilities (Termocandelaria).

Emgesa delivered in the aggregate of days that the price of shortage was activated with the provision of its Firm Energy Obligations to the system, even delivering additional energy (234 GWh), and also covering other deficit agents, a contribution that helped to cover the demand in a period of shortage throughout the country.

All of the above is summarised in optimal portfolio management, which contributed to the achievement of a gross margin of $ 2,191 billion, 14% higher than 2015.

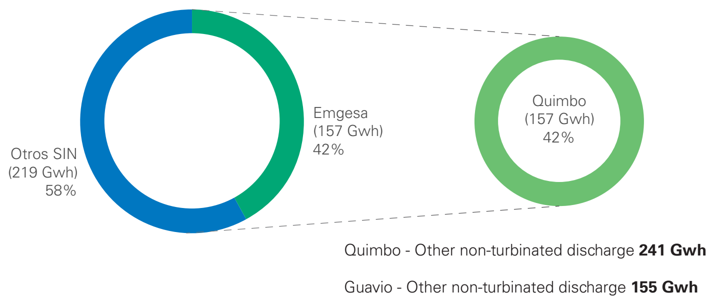
During the first half of 2016, contributions at the national level were deficient due to the El Niño phenomenon. From August 2016 until December 2016, there were conditions typical of a La Niña event of weak intensity that produced above average rainfall nationwide.

The hydrological contributions of the basins towards Bogota and Betania remained low. Contributions to the El Quimbo basin were normal. On the contrary, and for the second consecutive year, the Guavio tributary basin received higher than average contributions.



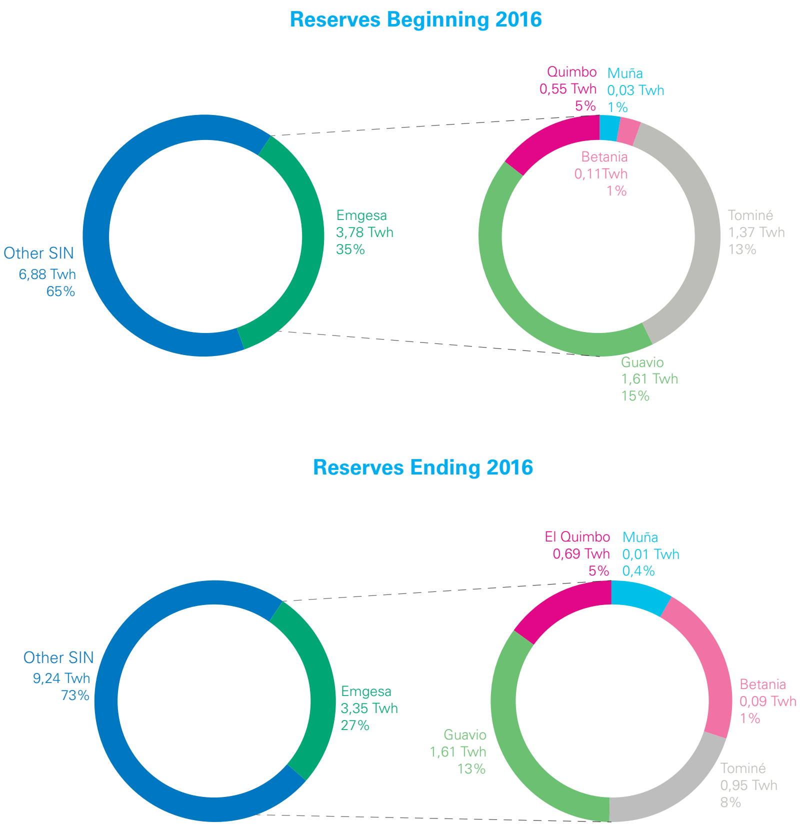
Graph 9: Hydrological Contributions Expressed as a Percentage of the Historical Average (2016-2016)

Below is the wastewater discharge presented by Emgesa (42%) regarding the behaviour of the entire system:



Graph 10: Wastewater Discharge in 2016

Emgesa's reserves started with 3.68 TWh and ended with 3.35 TWh, maintaining an average of 31% of SIN reserves during the year:



Graph 11: Initial and Final Reserves in the Reservoirs of Emgesa (2016)

Reliability Charge Management and Secondary Market

From December 2015 - November 2016 period of the Reliability Charge (CxC), El Quimbo Plant began its term of the Firm Energy Obligations (OEF), with 852 GWh for the National Interconnected System.

In this period of the Reliability Charge, Emgesa assumed Firm Energy Obligations for 14,187 GWh, complying with 97.5%, above the average of all generating agents, and taking into account the impact of the shortage price period (Dec 2015 - April 2016) and the restrictions imposed on the El Quimbo plant.

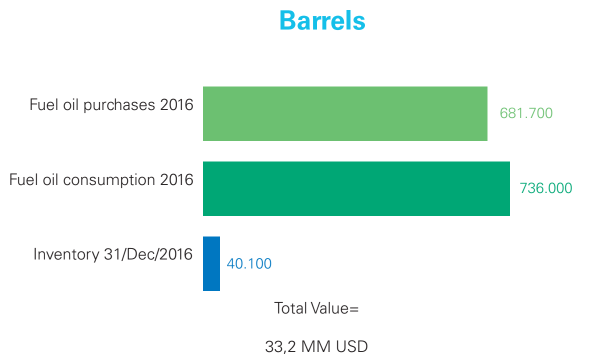
The management of the safety rings defined in the CREG regulations, Secondary Market and Voluntary Disconnectable Demand (VDD), contributed with 6.3% in compliance with the Emgesa's OEF.

	TOTAL GWh	TOTAL MMUSD
Assigned remuneration	14.187	231
Received by availability plants	12.877	210
Received by safety rings management	889	14,4

Table 4: Reliability Remuneration and Secondary Market (2016)

Fuel Management

Special Fuel Oil



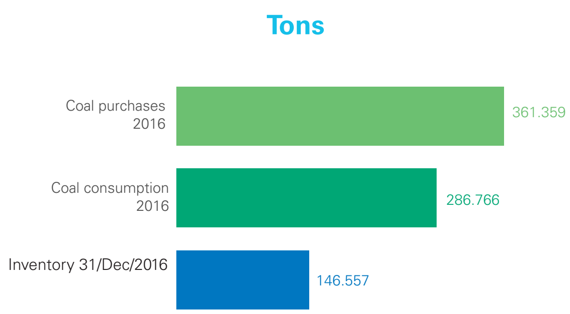
Graph 12: Purchases and consumption of special fuel oil (2016)

The consumption of special fuel oil in 2016 showed a slight decrease of 3% compared to 2015, due to the evolution of the El Niño phenomenon, the highest level of consumption was recorded in 2015.

The volume of special fuel oil purchases in 2016 fell by 13% compared to 2015; however, the value of purchases (in Colombian pesos) decreased by 24% in 2016 compared to the previous year, due to the net effect of the reduction in the international oil prices.

The volume of inventory as of 31 December 2016 was 57% lower than in 2015, due to the fact that at the end of 2016 only two generation units were available (but not dispatched), unlike 2015, when the three units were generating and simulating fuel oil operations.

Coal



Graph 13: Coal Purchases and Consumption (2016)

Para For the operation of the Termozipa Plant during 2016, purchases were made in a volume lower by 28% compared to those made in 2015. The value of purchases decreased by 23% compared to 2015 due to price readjustments made in the contracts for the year 2016.

There was a decrease in coal consumption by 48% because, due to the evolution of the El Niño phenomenon, the highest level of coal consumption was recorded in 2015.

Furthermore, there was a 106% increase in the inventory level of coal at the end of the year compared to the level of the final inventory of the previous year, due to the low consumption of coal during the second half of 2016, and also because in 2015, due to the high generation situation given the El Niño phenomenon, the inventory closed at a very low level with respect to normal operating conditions.

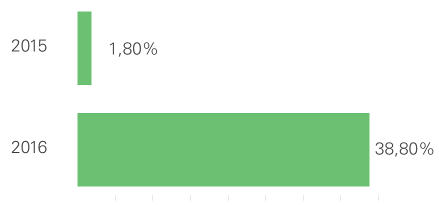
The year 2016 closed with 22 suppliers with long-term contracts effective until May 31, 2017, which support the Firm Energy Obligations (OEF) of the Reliability Charge (CxC).

During 2016 the implementation of a new procedure for the selection of coal proponents was implemented, from which 24 suppliers were selected with which contracts were signed for the period from June 2017 to November 2019, which will support the Firm Energy Obligations (OEF) of the Reliability Charge (CxC).

Portfolio

In 2016, preventive management programs of collection and strategy application were developed to improve the management of customer collection, with the opening of new payment channels, obtaining a portfolio index in the MNR at year-end of 1.3%.

No Notwithstanding the foregoing, the average consolidated loan loss ratio for the year reached 38.8%, being affected mainly by the portfolio of the agent Electricaribe S.A. ESP, which amounts to $99 billion and is frozen by the takeover of the Superintendence of Public Utilities on 14 November 2016. Another significant item in the portfolio during 2016 was the agent Termocandelaria Generator, with a current debt of $ 4.36 billion, which is part of a payment agreement between the agent and its creditors.



Graph 15: Consolidated Index of Annual Portfolio (2016)

Portfolio Breakdown

Total: 38,8%
Wholesale Market 36.98%
Act 1116 1,02%
Unregulated Market 0,51%
Stock 0,29 %
Others 0,02%

Table 5: Portfolio Breakdown (2016)

Meters

During 2016, Emgesa managed diagnostic visits to 100% of the borders of the Unregulated Market, seeking to standardise the measurement systems of our customers, in order to comply with CREG Resolution 038/2014, corresponding to the Metering Code, which aims to define the technical characteristics that must be met by the metering systems, so that the recording of the energy flows is carried out under conditions that allow to properly determine the transactions between the agents that participate in the Wholesale Energy Market and between these and the end users.

Also, in addition to the diagnosis made at each of the borders of the Unregulated Market, we also managed to present, at least, a technical standardisation proposal, so that customers, at their own free will opt to standardise their borders with Emgesa.

Energy Management in Figures

The following table summarises the results of the main processes:

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ENERGY (GWh)																	
SIN Energy Demand	41,479	43,150	44,841	45,816	47,011	48,829	50,815	52,853	53,871	54,679	56,148	56,739	59,370	60,890	63,571	66,175	66,315
Generación del SIN	41,278	43,048	44,735	46,734	48,562	50,430	52,340	53,626	54,395	55,966	56,888	58,620	59,989	62,197	64,328	66,548	65,939
Energy Exports	-	24	81	1,129	1,681	1,758	1,609	877	599	1,358	798	1,955	714	1,377	849	460	45
Imports of Energy	77	40	8	69	48	37	28	40	26	21	10	8	7	29	47	45	378
Energy Available SIN	41,201	43,032	44,809	47,795	50,194	52,151	53,921	54,463	54,968	57,303	57,676	60,567	60,697	63,545	65,130	66,963	65,605
Unmet Demand	124	86	180	142	82	120	55	64	49	51	48	65	89	43	46	41	43
Hydro Generation	31,074	32,439	34,670	37,197	39,849	40,979	42,558	44,242	46,161	40,837	40,557	48,432	47,582	44,363	44,742	44,682	46,790
Thermal Generation	10,204	10,609	10,065	9,538	8,662	9,401	9,719	9,334	8,180	15,071	16,292	10,147	12,352	17,776	19,516	21,798	19,098
Diesel Fuel Generation							1	1	0	276	478	5	144	145	180	1,043	1,348
Coal Generation	1,880	2,032	1,983	2,632	1,634	2,086	2,591	2,904	2,487	3,697	3,578	1,636	2,865	5,527	5,659	6,256	5,409
Fuel oil	408	73	8	7	13	8	15	18	14	92	98	105	147	127	113	491	530
Gas	7,811	8,404	7,971	6,793	6,900	7,198	7,025	6,341	5,631	10,894	11,928	8,090	8,849	11,625	13,009	13,451	11,006
Imported Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33
Others (Mezla Gas-JetA1, JetA1, Kerosene)	105	99	103	105	116	109	88	69	48	111	210	311	347	352	555	559	772
Wind Generation					51	50	63	50	54	58	39	41	55	58	70	68	51
Generation (GBTU)																	
Generation (GBTU)	-	-	-	-	-	26,951	68,400	56,854	48,899	86,822	102,053	71,262	75,766	98,225	110,297	108,554	90,753
Thermal Gas EMGESA	-	-	-	-	-	60	159	418	242	2,653	2,144	1,524	1,002	7	-	171	200
POWER SIN (MW)	**12,734**	**13,160**	**13,425**	**13,229**	**13,427**	**13,355**	**13,280**	**13,414**	**13,479**	**13,509**	**13,303**	**14,427**	**14,362**	**14,559**	**15,481**	**16,420**	**16,575**
Hydraulics	8,265	8,682	9,042	8,862	8,926	8,948	8,947	8,991	8,997	8,997	9,044	9,718	9,777	9,875	10,900	11,501	11,591
Thermal	4,455	4,464	4,369	4,348	4,459	4,377	4,289	4,379	4,439	4,458	4,185	4,634	4,509	4,598	4,485	4,814	4,865
Other (Co-generator, wind)	14	14	14	20	43	31	44	44	43	53	73	75	76	85	96	105	118
SIN Maximum Power Demand	7,617	7,783	8,018	8,050	8,332	8,639	8,762	9,093	9,079	9,290	9,100	9,295	9,504	9,383	9,551	10,095	9,904
POWER EMGESA (MW)	2,496	2,496	2,199	2,055	2,075	2,104	2,214	2,804	2,861	2,861	2,880	2,881	2,881	2,896	3,030	3,420	3,466
Hydraulic	2,274	2,274	1,978	1,832	1,852	1,879	1,860	2,450	2,450	2,450	2,469	2,469	2,469	2,484	2,618	3,008	3,055
Thermal	222	222	221	223	223	225	354	354	411	411	411	412	412	412	412	412	411
Generation EMGESA Portfolio (GWh)	**10,116**	**10,252**	**10,705**	**10,801**	**11,881**	**11,875**	**12,562**	**11,929**	**12,917**	**12,659**	**11,306**	**12,100**	**13,037**	**12,755**	**13,630**	**13,711**	**14,952**
Guavio	4,509	5,775	5,868	5,403	6,138	5,723	6,111	5,340	5,409	5,529	4,306	4,522	6,241	5,405	5,603	6,603	5,949
Betania	2,375	1,788	1,829	1,589	1,853	2,100	2,205	2,013	2,360	2,038	1,726	2,603	2,197	1,938	2,286	1,550	1,907
Pagua	1,963	2,253	2,384	3,466	3,324	3,313	3,307	3,565	4,089	3,786	3,724	3,783	3,674	4,222	4,339	3,476	3,963
El Quimbo	-	-	-	-	-	-	-	-	-	-	-	-				159	1,448
Cartagena	408	73	8	7	13	8	10	36	31	224	241	206	203	91	74	332	329
Termozipa	8	62	243	180	68	228	321	478	472	747	791	264	394	934	914	1,150	592
Filo de Agua	-	-	-	-	-	-	-	-	-	-	-	-	-	46	322	327	554
Minor	853	302	373	156	484	502	608	496	556	335	517	721	328	118	92	115	211
Traded Energy EMGESA (GWh)	**6,384**	**7,860**	**7,158**	**8,638**	**8,501**	**8,358**	**11,189**	**10,519**	**10,917**	**11,460**	**10,946**	**10,544**	**11,711**	**11,553**	**10,976**	**12,489**	**13,328**
Wholesale Market	6,384	6,233	4,770	6,145	5,576	5,284	8,170	8,310	8,734	8,979	8,335	7,639	8,388	8,080	7,263	8,497	8,696
Unregulated Market	-	1,627	2,388	2,493	2,925	3,074	3,019	2,209	2,183	2,481	2,611	2,905	3,323	3,473	3,713	3,991	4,632
FIRM ENERGY OBLIGATIONS (GWh)																	
OEF System	-	-	-	-	-	-	4,324	52,780	55,326	54,732	56,535	64,914	68,224	69,866	64,264	67,753	72,188
Hydraulic	-	-	-	-	-	-	2,096	25,529	26,158	25,887	26,566	29,493	32,722	33,939	31,048	33,909	36,274
Thermal	-	-	-	-	-	-	2,222	27,178	29,116	28,739	29,746	35,104	35,156	35,575	32,744	33,320	35,356
Co-generator	-	-	-	-	-	-	6	73	52	106	223	317	347	352	472	525	559
OEF Emgesa	-	-	-	-	-	-	-	3,814	11,209	11,187	11,835	13,301	13,311	13,529	12,095	12,377	14,093
Hydraulic	-	-	-	-	-	-	-	3,103	9,068	8,835	9,063	10,143	10,150	10,316	9,252	9,791	11,122
Thermal	-	-	-	-	-	-	-	711	2,141	2,351	2,772	3,159	3,161	3,213	2,843	2,586	2,971
TRANSACTIONS - SIN (Billions $)																	
CxC Remuneration	965	1,055	1,233	1,438	1,324	1,198	1,260	1,412	1,453	1,619	1,451	1,607	1,559	1,640	1,906	2,751	3,403
Cost of Restrictions	-	-	-	176	200	155	260	120	347	277	499	705	622	296	282	433	998
Stock Transactions	711	935	813	1,138	1,104	1,320	1,275	1,392	1,478	2,547	2,445	1,407	1,870	2,670	3,447	3,909	4,109
AGC Service	56	203	157	243	222	273	268	183	367	526	504	294	444	709	882	1,628	1,198
TRANSACTIONS - EMGESA (Billions $)																	
CxC Remuneration	173	211	250	290	271	230	247	283	350	377	291	333	347	357	424	593	807
Sales in National Stock Exchange	129	94	185	202	234	234	243	198	244	344	268	226	317	385	658	615	534
Purchases in National Stock Exchange	16	110	16	53	27	30	26	62	69	161	206	50	109	197	170	153	192
AGC Service	16	51	26	15	35	61	43	45	90	154	135	91	121	268	189	554	440
HYDROLOGY - RESERVOIR																	
Contributions SIN with respect to M.H. (%)	106	84	88	88	101	94	108	105	119	89	107	135	104	91	91	79	83
Contributions Energy - SIN (GWh)	41,013	34,652	40,684	41,909	48,662	44,934	51,124	49,147	57,389	43,139	52,305	73,699	56,447	49,619	50,242	48,005	53,202
Useful Volume - SIN (%)	71	83	75	79	81	78	84	79	82	65	78	89	73	69	75	61	74
Useful Volume - SIN (GWh)	11,131	12,620	11,154	12,178	12,395	11,837	12,612	12,090	12,500	10,000	11,957	13,968	11,181	10,495	12,132	10,563	12,585
Discharge - SIN (GWh)	9,465	1,991	2,526	309	3,245	928	3,030	1,488	4,173	441	3,457	5,911	2,434	151	776	883	376
Discharge Emgesa (GWh)	1,926	293	1,745	111	1,812	813	2,527	242	1,538	296	2,177	1,131	897	5	680	504	157
RICES AND INDICATORS																	
National Stock Price ($ / kWh)	45	52	49	67	64	74	74	84	88	139	129	75	116	177	225	378	300
CERE Rate Year Average ($ / kWh)	24	25	28	32	28	25	25	28	28	30	27	29	30	33	31	44	55
MC ($/kWh)	45	56	65	76	79	76	76	82	93	114	121	132	134	140	144	156	167
PPI	59	63	69	73	76	78	82	83	90	88	92	97	95	94	100	110	111
CPI	61	66	70	75	79	83	87	91	98	102	104	108	111	113	117	122	132
Year Average Exchange Rate ($/USD)	2,105	2,302	2,534	2,875	2,615	2,319	2,364	2,077	1,979	2,180	1,902	1,854	1,799	1,880	2,018	2,772	3,051


361

3_Business Development Management

During 2016, the actions aimed at generating growth in the generation business focused mainly on a medium- and long-term strategic plan for the performance of new sustainable projects in the social and environmental field. In this process, the following initiatives are highlighted.

El Paso (120_MW)

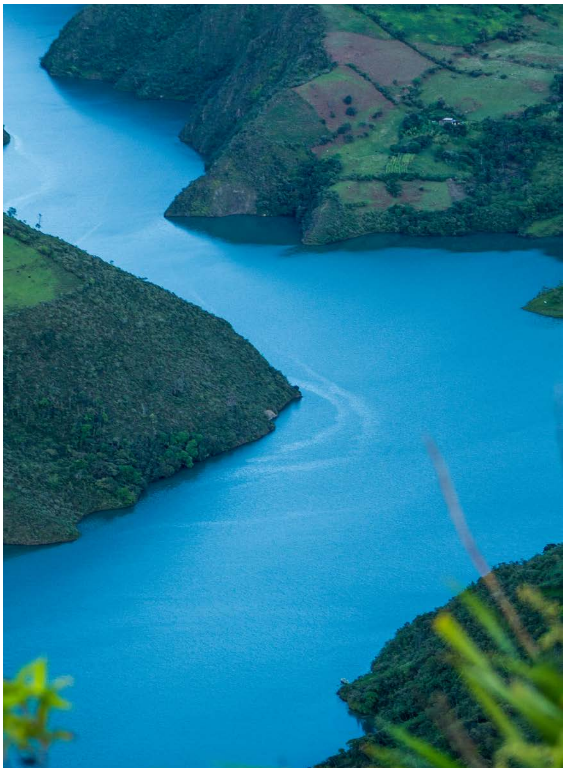
Environmental, social, technical and economic aspects were reviewed and we decided to eliminate Chain 2 of the project due to social difficulties in Cabrera's area of influence. Work began on updating the Environmental Impact Study (EIS) for the elimination of Chain 2 and the complementation of information required by ANLA. In November and December meetings were held with the municipalities of Venecia and Pandi on the deadlines for processing the project, as well as to update the CSV plan of the project. We expect to file the EIS in March 2018.

Termozipa (224 MW)

Investments were approved in the Termozipa coal generation power plant for €113 million, to extend the useful life to 100,000 hours (approx. 15 years), with the improvement of efficiency and reliability with extensive interventions on: mills, boilers, turbines, generators, demineralised water plant, water collection system, low and medium voltage equipment, electrostatic precipitators and auxiliary systems for a total of €31 million, and for the improvement of environmental emissions (SOx, NOx, particulate material), taking the plant to the level of best performer in Latin America for a total of €82 million.

Cartagena (187 MW)

The Cartagena generation plant has an important role in ensuring the coverage of demand in periods of low hydrology and for the safety of the electrical system, having a Reliability Charge assignment until November 2019. The market analyses measures to reduce the allocation of the Reliability Charge after this date for plants, such as the Cartagena plant, that support this assignment with liquid fuels. In this context, solutions are being analysed for the substitution of liquid fuel with local gas or liquefied natural gas and the construction of new units or cycle closure of at least one of the existing units.

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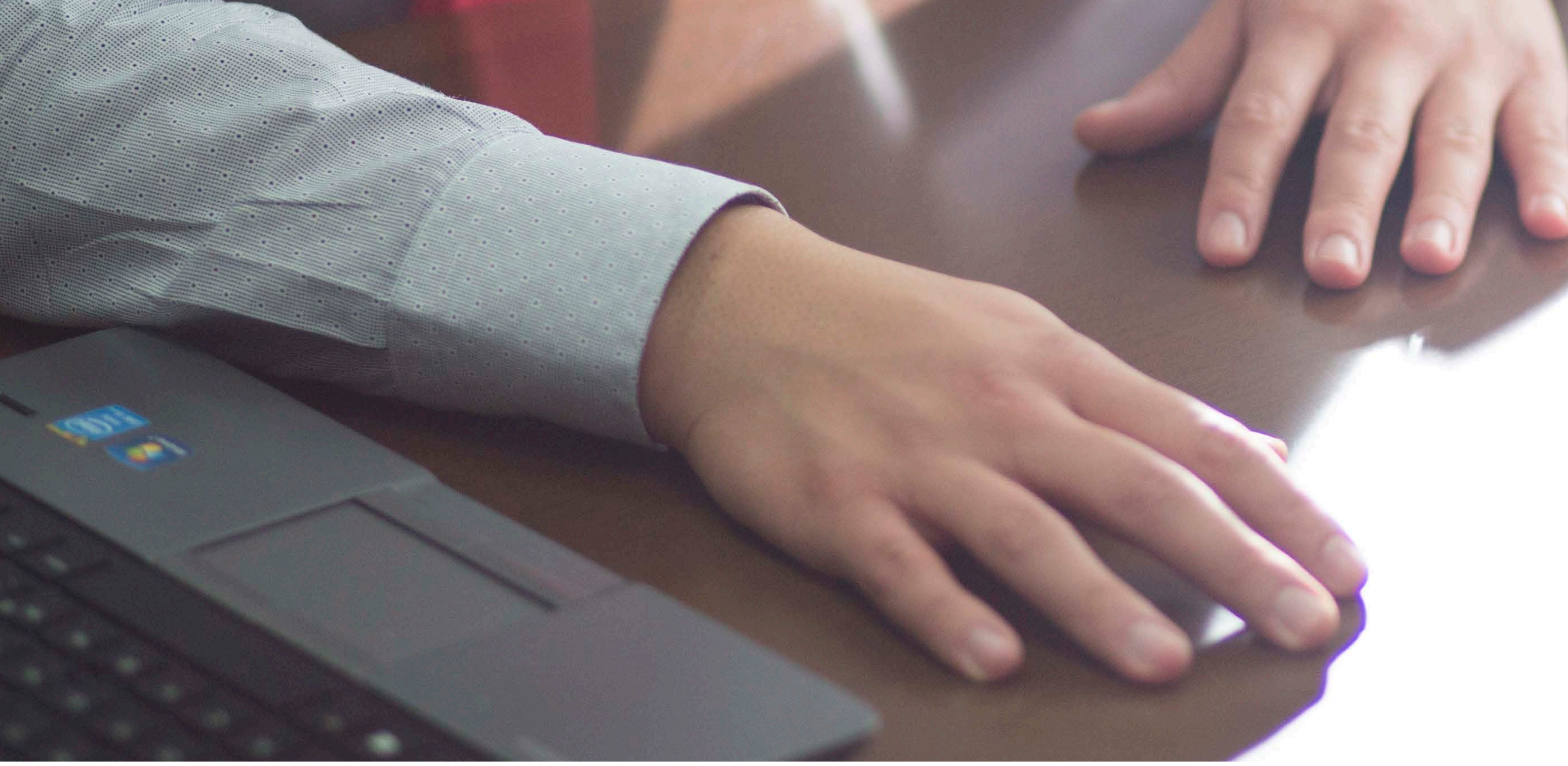
4_Procurement and Provisioning Management

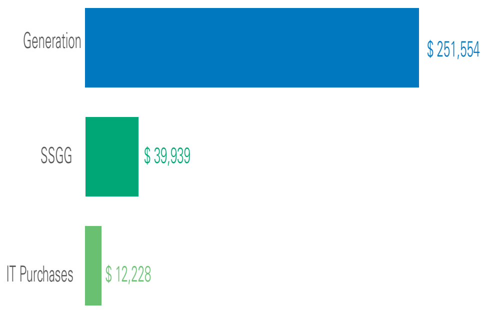


The procurement function falls within the scope of the supply chain of goods and services, and aims to secure the external resources that the Company requires to meet its objectives.

It includes activities that start when the Company has a need for a material, work and/or service, until the legal relationship is formalised by signing a contract, or signing a purchase order upon acceptance of a commercial offer.

Key Indicators

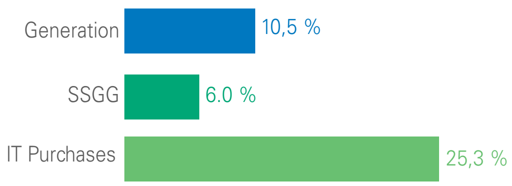
During the year 2016, awards were made in the amount of $303,721 million, 83% of which correspond directly to the energy generation business.



Graph 16: Volume Awarded by Area

En In these purchases a saving of 10.7% was achieved. This result was obtained from (win-win) negotiations with suppliers, achieving better market prices.

The savings obtained are distributed by portfolios as follows:



Graph 17: Savings Management in Purchases

Key Achievements in 2016

- > During 2016, we continued with the process of consolidating the generation business needs, with the objective of improving the efficiency of the purchasing process and increasing the negotiation capacity through the consolidation of volumes. This process generated a 29% reduction in the number of managed contracts compared to 2015.
- > As of the second quarter of 2016, a new evaluation model was implemented with the Vendor Rating methodology, a questionnaire for the generation business in thermal plants. The questionnaire included 295 questions: safety (94), environment (42), quality (76), punctuality (68), legal/labour compliance (15) for 156 groups of goods. Each quarter contracts are selected that have been in execution for at least one year and/or are pending completion and contracts exceeding €300,000, whether for maintenance, works, services, or supplies of material. The business unit can add contracts to the rule and/or frequency according to its criticality.
- > Implementation of the new procurement portal 2ONE, which allows the standardisation of all existing procurement procedures in all organisational and geographical areas in a single common process.
- > The common processes and forms of work are supported by a unique system, generating synergies, transparency and a better control of the processes. 2ONE encompasses the best practices and functionalities of the current processes, among the organisations and countries where the Enel Group operates. The SAP SRM - Ariba solution offers the best in market trends and business coverage needs.

- > During 2016, the implementation of the Portal One corporate portal was continued, allowing greater autonomy and simplicity in the availability of suppliers for the Enel Group's purchasing processes. The main objective is to have the largest number of suppliers to participate in processes for contracting goods and services for the Company.
- > In 2016, 38 import processes were carried out, valued at $ 38,170 million, 82% higher than in 2015. These imports ensured the supply of materials and spare parts, including the rotor, for maintenance in the Termozipa Thermal Power Plant, and the purchase of impellers for the La Guaca Hydroelectric Plant. By 2017 we expect to maintain imports to supply the supply of spare parts and equipment, plans for modernisation and maintenance of hydraulic and thermal plants, especially the extension of the service life of the Termozipa Thermal Power Plant.

Purchasing Management

Purchase of Materials and Procurement of Works and Services

Some relevant processes during 2016:

> Bidding for the follow-up service to the social management plan of El Quimbo, for a total value of $14,117 million and a period of two years.
> Bidding for the adaptation and maintenance service of the reservoir vessel and round of the El Quimbo plant, for a value of $9,411 million and a period of one year.
> Bidding for the electromechanical maintenance service of the hydroelectric generation plants (Guavio, Betania, Quimbo, Alto, Medio and Bajo Río Bogotá) for a total value of USD 9,669 million distributed between two suppliers and a period of three years.

Procurement of General Services

Relevant procurement in 2016 includes the transportation of personnel in plants, valued at $12,235 million for a three-year period and the operating renting service valued at $3,764 million for a period of four years.

Purchase of Systems and Information Technology

Relevant procurements in 2016 include:

The E4E Generation project, valued at $3,515 million and a saving of 28.90%. This objective of the project is the implementation and roll out of the global system for Colombia.

Los Telecommunications services associated with the corporate network (Relat Project). The benefits of the procurement include: optimisation of the costs of the services associated with our telecommunications network and ensure high quality levels of service, having elements to control the compliance, optimisation and homogenisation of the service processes associated to our network, to the interconnection and to the use of third-party networks. The value of the contract was $1,973 million pesos with a saving of 33.8%.

Supplier Management

In terms of suppliers, the Company has continued the objective of having qualified suppliers with experience and great performance, which is why in 2016 it developed the following activities associated with the qualification of suppliers:

> Consolidation of the business qualification model in services, such as environmental monitoring, mechanical maintenance and civil works in plants. The model aims to evaluate legal, economic and financial aspects of potential service providers prior to a bidding process. During 2016, 143 suppliers were qualified to attend strategic services for the Group companies.

> During 2016, the qualification model of strategic family suppliers was continued. This model allows prior verification of a bidding process, if suppliers fully comply with business, safety and occupational health and technical aspects. Currently there are 30 families of qualified services.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5_Sustainability management

For Enel Group companies in Colombia, integrating sustainability into corporate strategy and operational business decisions, guides the shift to a new energy age, in which the world is connected and has the opportunity to participate and to face the greatest challenges. That is why environmental, social and economic sustainability is at the centre of corporate culture, which permanently generates and promotes value creation inside and outside the Company.

The Enel Group puts energy at the service of people to improve their lives. By integrating sustainability as a factor of strategic development in the value chain, it generates business growth and social development in the country.

For this reason, we are committed to supporting the Global Sustainable Development Goals (SDG), with special attention in four of them: access to electricity, climate change, socioeconomic development and education. To do this, we offer new energy products and services that foster the social and economic development of communities and create shared value in the medium and long term for all our stakeholders. The group sets the following goals at the global level:

- > **Access to electricity:** Access to electricity: 3 million beneficiaries in Africa, Asia and Latam in 2020.
- > **Education:** 400,000 beneficiaries in 2020.
- > **Economic and social development:** 1,500,000 beneficiaries in 2020 – this goal was modified in 2016 as we reached this year more than 500,000 beneficiaries worldwide.
- > **Climate change:** Carbon neutrality en el 2050.

Though the Group has a public commitment to these four objectives, with the strategic pillars of the 2017-2021 Sustainability Plan, its social programmes and the integration of sustainability in all its operations, it contributes to the fulfilment of all the others.

The Group's Sustainability Plan guides the company's steps in aspects such as occupational health and safety, good governance, environmental and supply chain sustainability, and the creation of economic and financial value, and maintains as transversal issues the digitalisation and focus on the customer, in order to encourage the exchange and implementation of projects, based on the creation of shared value in the business and operations.

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Sustainability Initiatives

The Company focused on programmes that improved the quality of life of stakeholders and the implementation of initiatives that had a positive impact on the environment and innovation. Among the most relevant projects were:

Renace Forest

(Codensa-Emgesa Natural Reserve)

The Forest was born as a sustainability initiative for the conservation and protection of 690 hectares of high Andean forest. It is located in the Municipality of Soacha and contributes to the recovery and connectivity of the ecosystems located in the middle and lower basins of the Bogota River. Since 2012, about 30,000 trees have been planted in compensation for the activities of the Companies.

Sustainable Mobility

For the fourth year in a row, the Enel Group was linked to Carpool Week, an initiative led by the Chevrolet Foundation, the University of Los Andes and the National Association of Colombian Entrepreneurs (ANDI). Since 2013 it has had the participation of 250 employees of the companies, who had the opportunity to share more than 150 trips.

Sustainable Strategy with our Stakeholders

The sustainability management for new generation projects focused on the implementation of strategies for relationships with the various actors located in the areas of influence, where opportunities for creating shared value were identified.

In the case of projects in operation, and in response to community needs, Emgesa focused its initiatives and sustainability projects on supporting local communities, social and economic development of communities, and access to electricity. The most relevant results are presented below.

Local Communities Support Line

Good Energy for Your School

In the Departments of Bolívar, Cundinamarca and Huila, more than 1,049 children and youngsters had access to a better educational infrastructure through the adaptation of public educational institutions. In 2016 four educational institutions in the departments of Cundinamarca, Bolívar and Huila were beneficiaries.

Scholarship Bank for Teenage Mums

A total of 12 teenage mothers in conditions of vulnerability of the city of Cartagena will improve their and their children's living conditions, since they received training in different areas of work, as well as integrated healthcare in 2016.

Educating by Dancing

In the city of Cartagena, 60 boys and girls received dance workshops complementary to their basic education, allowing good use of their free time, mitigating psychosocial risks and promoting values..

Social and Economic Development of Communities Line

Together for the Committees

It benefited 97 Community Action Committees from the municipalities of Ubalá, Gachalá, Gama, San Antonio and El Colegio, Cundinamarca, which participated in the process of training in the preparing projects, participation mechanisms and sustainable comprehensive development, in order to strengthen their community action plans.

Coffee Supply Chain

Social and business strengthening processes were carried out for 201 coffee growers belonging to two associations in Cundinamarca through the installation of mini-centres of benefit with which to make their production and marketing of the product more efficient

Cocoa Supply Chain

Strengthening processes were carried out for five producers' associations, in which 50 direct and 250 indirect producers benefited, which improved the optimisation of the production processes.

Volunteering

Adopt a Little Angel

This campaign is carried out through the will of employees of the two companies and awakens a spirit of solidarity towards the most vulnerable during the Christmas season. 645 gifts were collected and delivered to children and elderly adults in 13 foundations of Bogotá, Tocancipá, Cogua, Soacha, Neiva, Ubaté, San Antonio del Tequendama and Yaguará. About 65 employees delivered their gifts in the different company offices.

Good Energy for your School

The employees were part of two sessions of volunteer work to benefit two educational institutions in improving their infrastructure..

Generation of conventional waste in administrative and commercial headquarters

Thanks to the cooperation of the company employees, 12,334 kilograms of recyclable material were collected, such as filing paper, cardboard and newspaper, in addition to the plastic covers. This material was delivered to the Sanar Foundation, which, with the resources obtained, worked with children with cancer and their families in the diagnosis, healthcare and their fight against the disease.

Sustainability Report 2015

The Company's Sustainability Report No. 12 was published, thus completing more than a decade of transparent and accountable stakeholder exercises. The report was prepared under the parameters of GRI Guideline 4: Comprehensive Option of the Global Reporting Initiative (GRI) and the sector specific supplement for the electricity sector. The document was verified by the audit firm Ernst & Young Audit S.A.S.

The report achieved the status of GC Advanced in the Communication on Global Compact Progress, in compliance with the ten principles to which the Company adhered since 2004.

6_Regulatory management, Institutional relationship And environment

La The regulatory management activity was aimed at monitoring the regulations of the electricity market and the development of the natural gas trade market. In particular, the impacts and lessons learned of the El Niño phenomenon, which the country experienced in the last quarter of 2015 and the first quarter of 2016, and the Transition Plan for Natural Gas Supply were monitored.

Given the critical nature of the recent El Niño phenomenon, coupled with the occurrence of unexpected events such as the damage to the Guatapé Power Station, the electrical sector faced major operational challenges that involved the issue of numerous temporary regulations by the Commission for the Regulation of Energy and Gas (CREG). This legislation sought, among other things, to make the connection conditions of smaller plants more flexible, to facilitate demand response mechanisms, and to make financial facilities available to thermal power stations with liquid fuels, which, given market conditions, could not recover operating costs.

Once the critical period was over, the CREG, the National Planning Department and industry associations began to prepare studies that sought to identify aspects of improvement in the wholesale market to ensure the reliability of the system and promote its competitiveness and sustainable development. The results of the studies were presented at the workshop organised by the CREG in October, which discussed issues such as shortage price, CREG Resolution 109/2015 on substitution auctions, additional mechanisms for expansion of Non-Conventional Renewable Energy Sources (FNCER), the binding office and intraday markets, the Organised Market of Contracts and the Reliability Charge for smaller plants.

Based on the results of the studies and comments received from international experts who provided consultancies for the CREG on the topics of the workshop, the Commission agreed to issue at the end of 2016 (officially published in 2017) and for industry comments the following Documents: i) alternatives for the incorporation of non-conventional sources of energy to the generation matrix, ii) regulatory proposal for the definition of the price of scarcity, and iii) regulatory proposal for the price-taking plants in the scheme of the Reliability Charge. These issues as well as others of general interest will be addressed in 2017 as planned in the indicative regulatory agenda.

Regarding matters related to the natural gas regulatory framework, the negotiations were aimed at contributing to: i) the application of current regulations on the natural gas wholesale market and analysis of market transaction indicators; ii) the signals associated with the reliability and supply of natural gas, in particular the regulation on the development of the Pacific Regasification Plant, and the mechanisms for project allocation provided for in the Natural Gas Supply Plan; (iii) production and preparation of the 2016 natural gas balance sheet, (iv) the definition of direct negotiations as a gas marketing mechanism and timetable for their development in 2016; and (v) follow-up on sector issues such as the proposal for the gas transportation rate methodology, the proposal of methodology to remunerate the trading activity and the issue of the general definitive distribution methodology.

Finally, a permanent accompaniment was carried out to the work team that coordinated El Quimbo's entry into commercial operation, in response to the requirements of the regulatory and institutional framework, which undoubtedly marked a milestone for the particularities associated.

Institutional Engagement

In the course of 2016, work continued on consolidating the Institutional Engagement division and defining the management model, achieving the publication of the Institutional Relationship Policy in the Organisation's regulatory system.

In 2016 we focused on the institutional contribution to both regulatory and legislative issues, as well as the attention to corporate needs, mainly in the issues related to the preparation for the public hearing of the El Quimbo Hydroelectric Power Plant.

Finally, the development of the information system, whose entry into production is scheduled for the first quarter of 2017, continued. The implementation of this technological tool will contribute to the construction and management of the Company's institutional affairs agenda, with the objective of contributing to the creation of the conditions of the institutional environment for the achievement of corporate objectives. In addition, it will ensure compliance with the ethical and legal requirements regarding transparency and Corporate Governance within the framework of the institutional relationship dynamics that have been defined.

Environmental Regulations

With regard to environmental regulation, the Ministry of Environment and Sustainable Development (MADS) issued Decree 2099/2016, which amended the provisions regarding the forced investment for the use of water taken directly from natural sources. In addition, Resolution 0376/2016 established the cases in which it is not necessary to advance the amendment procedure of the environmental license or its equivalent, for works or activities considered minor changes or of normal adjustments in the ordinary course of energy projects, dams, dykes, transfers and reservoirs.

Regarding Renewable Energy from Non-Conventional Sources, the MADS, through resolution 1283/2016, adopted the terms of reference for preparing the Environmental Impact Study (EIS) for continental wind energy projects.

During the year 2106, we continued monitoring and follow-up on the regulatory projects and the implementation of the new environmental regulations, in matters of landfills, environmental flow, waste management, compensation for use, among others.

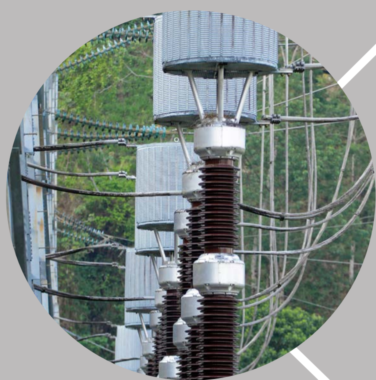
Environmental Management

Environmental management focused on the execution of the activities defined in the environmental management plans approved by the National Environmental Licensing Authority (ANLA) and the procedures with the regional environmental authorities for the renewal of permits.

The Environmental Obligations Management arising out of the decision of the Council of State and the collective action of the Bogotá River was carried out, where the participation in inter-institutional tables and the maintenance activities of the Muña Reservoir are highlighted, focusing on the manual and mechanical removal of aquatic weeds, reservoir dredging and monitoring. These activities are included in temporary environmental management measures approved by the Autonomous Regional Corporation of Cundinamarca (CAR).

Furthermore, in 2016 began the implementation of the activities included in the environmental management plan related to the operation stage of the El Quimbo Plant.

By 2017 we expect to advance the cleaning and extraction of sludge in Alicachín, to develop studies to continue improving the environmental conditions of the plants of the Bogota River, to implement the obligations of the operation stage of the environmental license of the El Quimbo Hydroelectric Power Plant, to obtain the certification of the integrated management system of health, safety, environment and quality, and to continue optimizing the operation of the dry ash management system in the Termozipa Plant.



7_Communication Management

With the aim of publicizing its vision and management among the various stakeholders, Emgesa develops comprehensive communication strategies through which it contributes to strengthen its reputation, as well as the relationship with each of the groups on which the Company has an impact.

In 2016, the Company set itself the objective of focusing its communication strategies on publicizing its new developments in innovation, its sustainable management and those new initiatives that makes it one of the most solid companies in the sector.

Institutional Presence

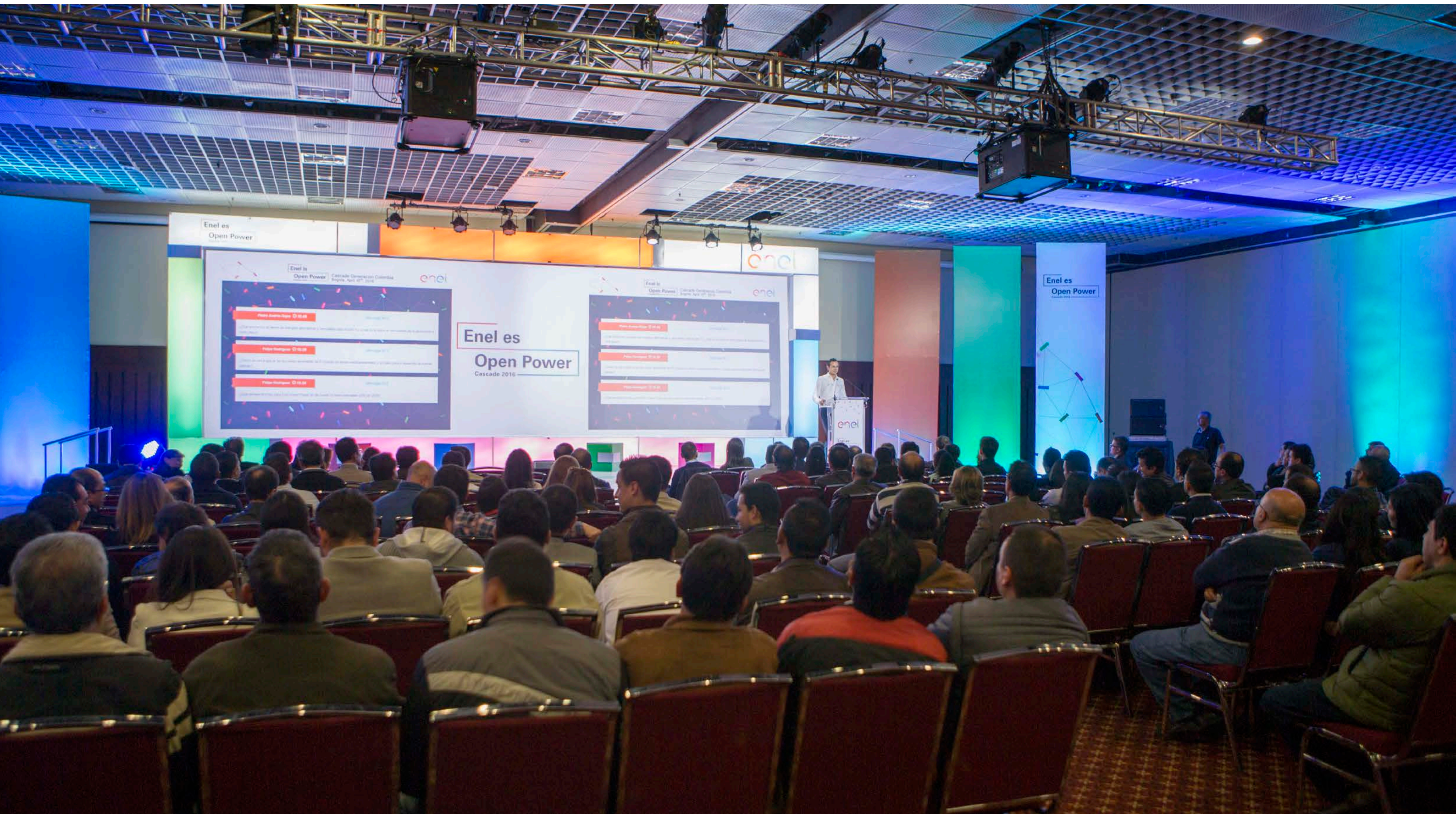
This year, the Company participated in about 30 scenarios of visibility and public impact, sharing good practices, experiences and achievements of projects that ratify it as a leader in issues such as gender equality, electric mobility, sustainability and innovation. Among these, the following stand out:

- Fourth Ethics Forum of the Electric Sector
- World Summit of Local and Regional Leaders
- *World Business Forum*
- 18th International Congress of Public Services, ICT and TV – Andesco
- Global Pact Colombia Congress
- *2016 Women's Empowerment Principles (WEPs) Event*
- *United States Energy Association (USEA)*
- Third Global Forum for Gender Equality: Promoting the Sustainable Development Goals
- *XVI International Conference on Occupational Risk Prevention –ORP*

Internal Communication

Internal communication management during 2016 focused on supporting the Open Power culture by promoting the company's strategic vision and corporate values. Through five channels of communication information was provided to workers on local and global projects, highlighting their scope and relevance in the development of communities and the country. In Direct, for example (virtual meeting of the CEO with employees), is a communication channel that allowed eight meetings during the year to present the most relevant events of the company and more than forty awards to employees and projects.

Support was given to the implementation process of the campaign Let's Take Care of Ourselves as a Friend is Cared for, with own employees and contractors to promote a cultural change: transformation in behaviours, attitudes and perceptions with the new the safety culture. In addition, the Gxcellence programme was implemented, a tool for thermal and hydraulic power plants to share their innovative ideas and proposals for continuous improvement.



Digital Communication

2016 was a very relevant year in terms of digital communication. The dissemination of projects and initiatives was strengthened and the Company's participation in the most important events of the sector was promoted through social networks, especially Facebook.

Although in past years this channel had been explored as a connection space with stakeholders only this year a content plan was successfully consolidated that positively impacted the reach of the publications made, reaching a greater diffusion of the key messages.

At the beginning of 2016 Emgesa's Facebook page had a community of 800 fans. During the year, an organic growth of 535% was achieved, reaching 5,175 fans of the brand.

Media Management

During the year, we worked to strengthen Emgesa's reputation and media positioning by highlighting its management as a company that operates its generation plants responsibly and that works to generate the necessary energy for the country, complying with its Firm Energy Obligations. The entry into operation of El Quimbo Hydroelectric Power Station, the socio-environmental compliance and the Public Hearing of environmental compliance were some of the most outstanding issues worked with national and regional media.

The most relevant issues that were shared with the media are the Derivex derivatives market entry and long-term contracting management, as a new trend of energy commercialisation in the country.

With regard to financial matters, the Company was informed of the Company's most significant results during the year, the investments made to modernise its thermal plants and the bond issues in the Colombian capital market.

During the year, the media were receptive to information shared by the Company, highlighting its operational, social and corporate management through different publications.

As a special event, and at the initiative of the Enel Group, in November 2016 three financial journalists were invited to the presentation of the Group Business Plan developed in London.

By 2017, the comprehensive communication strategy will be aimed at continuing to position Emgesa as a company that creates future energy solutions, always thinking of being an agent of change and development for communities, companies, cities and countries, With the objective of facing the most important challenges that the environment demands. Therefore, the communication tactics and actions will focus on showing an innovative, technological, human and open to people image.

8_Personnel Management

El The Enel Group focuses on promoting the integral development of workers through excellent working conditions, opportunities for participation and growth, the balance between personal and work life, a capable and humane managerial style and optimal conditions of occupational health and safety.

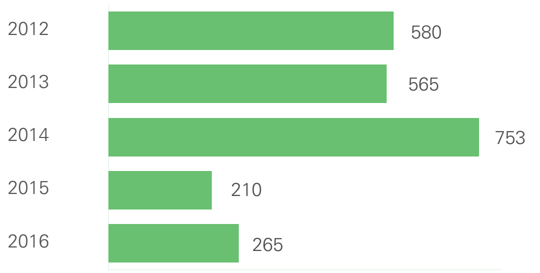
In 2016, special emphasis was given to promoting the Open Power philosophy as the engine of behaviour and decisions at work.

Below are the main results in the management of human talent:

Selection process

An average of 100% was achieved in selection processes by December 2016, which means that the indicator for 2015 is increased.

The following graph shows the number of selection processes in the year 2016, compared to previous years:



Graph 17: Selection Process Emgesa (2012-2016)

Emgesa	Types of Contract		
	Direct	Students/ Apprentices	Temporary
2012	151	211	218
2013	150	148	267
2014	173	225	355
2015	34	73	103
2016	90	90	85

Table 6: Types of Employment Contracts (2012-2016)

Internal Job Postings

The priority of internal job postings is to provide opportunities for growth and development to the Group's employees. In 2016 39% of the vacancies were internally covered.

Emgesa	Vacancies Filled	
	Internally	Externally
2012	4	51
2013	26	78
2014	21	50
2015	14	20
2016	35	55

Table 7: Internal Job Postings (2012-2016)

In order to promote Company personnel, 23 people were directly promoted to positions of greater responsibility and 35 staff promotions were carried out through internal competitions. The process of personalised feedback to 100% of internal candidates was continued in order to present the strengths and aspects to be improved by each of the candidates, allowing to strengthen the transparency of the competition.

Employer Brand

In 2016 the Companies focused on implementing actions for the positioning of the employer brand, including the implementation of the new selection model for students in internship and junior professionals, seeking to create an innovative experience within the evaluative process and establish contact with candidates using digital media. The results of the new model implementation have positioned and created recall in the candidates, valuing the optimisation of time and innovation of the process. An evaluation of 22 junior professionals and students was carried out.

A new communication format was developed in social networks and recruitment portals to attract candidates and position the employer brand.

We visited universities of business interest: the National University of Colombia, the Julio Garavito Colombian School of Engineering, University of Los Andes and EAN University to disseminate the new brand, the new Open Power vision and the new selection model. Employability workshops were held where approximately 500 last semester students of Industrial Engineering, Electrical Engineering, Civil Engineering, Electronic Engineering, Systems Engineering, Environmental Engineering, Business Administration, Psychology, Accounting and Law took part, achieving the goal of positioning the company as an employer brand, loyalty to universities and long-term assurance of recruitment of students in subsequent semesters.

We received recognition for being one of the Dream Companies of the Youth, according to the survey led by Cia de Talentos together with Consultores Organizacionales and empleo.com. For the first time, the Company ranked in the top 20 of the companies where the Colombia youth between the ages of 17 and 26 dreams of working.

Development and Training Process

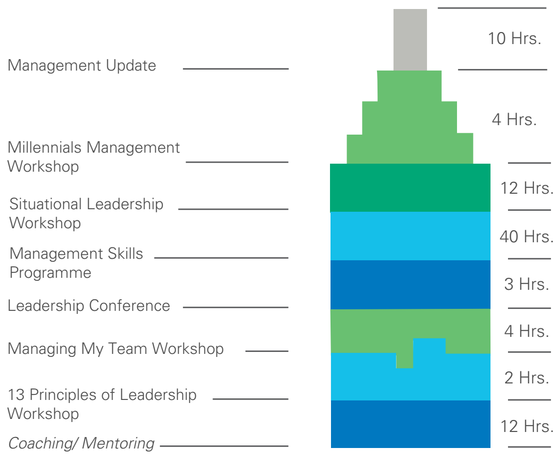
Development

During 2016, different formations, events and programmes were carried out to manage the talent of the workers, as well as providing the necessary tools and knowledge to develop the qualities of a leader.

This way, the company seeks to strengthen the work environment and manage the talent of workers, focusing mainly on methodologies and workshops on development, talent management and recognition.

Below is the detail of each activity developed in the area:

Leadership School: With a view to providing knowledge and tools in line with the latest trends, an exclusive school has been created for Enel leaders, where specialised programmes were selected and designed to strengthen team management skills.



Managing My Team Workshop: Seeks to raise essential human resources issues by understanding not only collective needs but also individual needs, thus achieving group cohesion.

Millennials Management Workshop: Seeks to provide tools for managers to properly manage a generation that has different demands in today's world, so that leaders adapt their management to new times and talents, identifying their tastes, interests and motivations, to focus the skills of millennials and obtain greater interest from them.

Situational Leadership: Seeks to teach to identify the needs of its employees, to apply leadership styles consistent with each specific situation, based on Blanchard's theory of situational leadership.

13 Principles of Leadership Workshop: Intended for leaders to internalise the 13 principles of leadership through a LEGO methodology in which the bosses will be able to identify different situations where the principles can be applied, and develop them in their work teams.

Skills Development Program: Focuses on Millennial generation workers, who stand out for their high performance and potential. Its objective is to develop and strengthen competencies, and management skills and abilities to respond to the challenges of a competitive and globalised environment. Six workers participated in Codensa.

Performance Appraisal Workshop: Aimed at all employees, the programme seeks to disseminate the new behaviour evaluation model of the Enel Group: Performance Appraisal, which is the process through which the actions performed and the results achieved by an individual in the course of a year are measured, taking into account the ten Enel behaviours, in which the four Open Power values are highlighted.

Surveys and Evaluations

13 Principles of Leadership Evaluation: A survey that seeks to know the level of applicability of the 13 principles of Enel leaders regarding the leader's self-assessment, the evaluation of the leader's supervisor and the evaluation of three or four employees who are part of the leader's team.

The survey obtained a participation of 84.13% of the population. It should be noted that the principles with the best ratings were: daily greeting, support and disseminate the company decisions and fulfil the commitments. Similarly, the principles with the lowest ratings were: build together with the team an annual work environment plan, build and follow up the individual development plan of each worker and promote the use of virtual tools.

Environment and Safety Survey: 95.7% of the population participated, the results were generally positive for Colombia, ranked among the three best qualified countries at the group level, and obtained 85% of the sustainable commitment. It highlights the results obtained in the category of boss questions, work relationships and diversity and sustainable commitments.

Development Methodologies

Coaching: Intended for people to establish the best goals, objectively value the resources they have and take action using their strengths. In 2016 20 Coaching processes were started with Emgesa employees, which is equivalent to 240 hours of development processes.

Mentoring: Seeks to strengthen and develop the emotional and/or management skills required for an adequate integral performance. In Emgesa, two processes started in 2015 and four processes were completed throughout 2016. In total, 94 hours of mentoring were carried out.

Internal Tutors: The internal tutor programme was renewed, with a view to focusing on the Open Power vision and its 10 behaviours. In the analysis carried out for the programme, two key behaviours were evidenced related to proposing new solutions, overcoming obstacles and failures, and making decisions in the work activity and assuming them responsibly. In addition, seven possible internal tutors and pupils were identified, so in 2017 the programme will be resumed.

Events

GetAbstract

Upon discovering the need for the Company's leaders to be updated on issues of business, leadership and team management, and being aware of their time constraints, the GetAbstract tool was implemented, through which leaders can find summaries of maximum five pages of the best books on business, leadership and news. With this platform, the Company seeks to provide virtual tools to promote learning.

Talent Management

Performance appraisal

During 2016 a new evaluation model was implemented, with development as its objective, and which evaluates the ten behaviours defined by Enel. In addition there is a new scale and evaluation matrix::

Performance management

Performance Management is the process through which the objectives that will be held during a year in the Company are agreed upon. For this process, the ORACLE tools, at the global level, and performance management, at the local level, were used. 93.80% of Emgesa workers agreed on the objectives.

Feedback

The ORACLE tool was implemented for feedback. 62.8% of employees included their comments, perception and opinion of the information provided by the boss in the feedback. 73.8% of the leaders included feedback versus the feedback provided to each employee during the process.

Training

The training plan included activities aimed at strengthening technical skills, soft skills, occupational health and safety prevention, languages, special projects, management systems, organisational culture and innovation as a factor of competitiveness and business knowledge, among others.

The investment in training for 2016 corresponds to 505 million, down 6% from 2015. The total number of hours was 30,114, 35% higher than 2015 and a total of 6,664 participants.

In addition, the average number of training hours per person was 54, representing an increase of 19% and the average cost per person was $900,984, 17% higher than last year.

Reorient **1 to 1.99**	**Support** **2 to 2,99**	**Develop** **3 to 3,99**	**Value** **4 to 5**

De According to the results obtained in the perception evaluations carried out by the participants, the training was rated at 4.5 out of 5.0, which indicates a 2% quality increase in terms of facilitators, content and logistics.

During 2016, ten workers were in the professionalisation programme, which leads to a professional degree in industrial engineering.

Quality of Life Process

During 2016, Emgesa as a Family Responsible Company, was able to positively impact the quality of life of its workers, promoting balance between personal, family and work life, with the development of programmes and initiatives aimed at strengthening labour equality, flexibility measures, economic support for employees, recreation spaces for employees and their families and cultural activities, among others.

Flexibility Measures

According to the programmes carried out in 2016, the use of flexibility measures in Emgesa was 617. The most valued and recorded flexibility measure is assessment day.

Flexibility Measures	Emgesa
Assessment Day	353
Birthday	92
Flexible Hours	60
Halloween with children	37
Flexible Remote Work	29
First Day of School	20
Sick Family Member Assistance	16
Short Day on Christmas	7
Postnatal Gradual Return Mothers	3
Volunteer and Assessment Day	0
Total	**617**

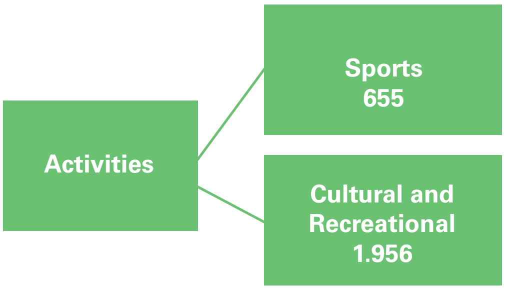
Table 8: Workplace Flexibility Measures

Participation in Sports, Recreational and Cultural Activities

In the course of 2016 sports and cultural activities were carried out for integration and recreation among co-workers and families.

The sports activities carried out during the year were: swimming, athletics, mixed volleyball, mixed basketball, football, table tennis, bowling, field tennis, squash, karting, adventure activities and ecological walks, among others. The number of participants by Codensa in this type of activities was of 655 people.

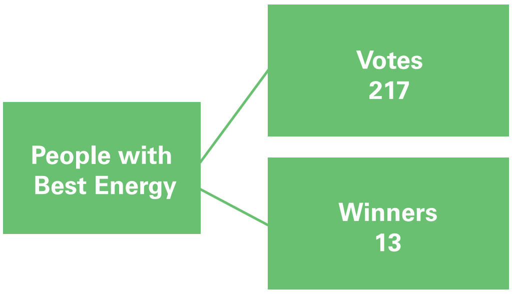
The cultural and recreational activities carried out during 2016 were: Children Party, New Year's Eve Party, Christmas Advent Prayers, Only for Me, Traditional Evenings at Central, Cultural Breakfasts and Ash Wednesday, among others.



People with the Best Energy

During 2016, the People with the Best Energy Recognition Programme was renewed with new categories aligned with the Open Power philosophy.

The programme aims to provide employees with the opportunity to see in others values and characteristics worthy of praise. The two new categories and their characteristics are: People who renew and People who leave a mark.



Labour Equality Seal - Equipares

Currently the companies Codensa and Emgesa are certified with the Silver Seal of the Labour Equality Certificate - EQUIPARES. In 2016 the action plans established in the eight dimensions were continued in order to participate in the Gold Seal Certificate. According to the ranking of the fairest companies in Colombia, organised by AEQUALES and CESA, Emgesa ranked tenth.

During 2016, we participated in different international events to share the experience of being a fairer company for men and women every day, among them: UN Women Forum, where the most important companies worldwide that have worked in initiatives towards women participated, regional workshop on gender diversity management and best practices customer service in Germany, and the third global forum for gender equality in Panama.

Workplace Relationships Process

Collective Bargaining Agreement ASIEB 2016 – 2019

Emgesa, together with the Trade Union of Engineers in the Service of Engineering (ASIEB) during the month of May 2016, carried out the collective bargaining of the first Collective Labour Agreement signed with this trade union organisation for the period 2016 - 2019, which Will govern the relations with the workers engineers affiliated to this union, the above in compliance with the international and internal norms and the respect for the collective rights.

The main points of agreement were salary increases, union permits and other benefits related to the economic support to the union organisation and the special indemnification for unilateral termination of the contract without just cause.

Work Coexistence Committee

Voting sessions were held to elect the representatives of the workers that will be part of the Work Coexistence Committees for the period 2017-2018. These elections had an important participation of employees, with 289 votes among the candidates registered in previous weeks.

The purpose of this Committee is to establish spaces for participation, prevention, conciliation, presentation of initiatives, action plans and mediation in the event of potential harassment conflicts that may arise in the normal course of operations.

Ethical Awareness

The Company, through corporate induction, continued its ethics and prevention training programme, which was addressed to all personnel entered in 2016, through the HACER programme, whose objective is to consolidate an ethical culture to prevent the employees' misconduct.

The development of the HACER programme was based on the following postulates:

> Make and promote the adequate fulfilment of the duties and competencies of the positions.
> Act by integrating work excellence with ethical behaviour and treating people properly.
> Know the organisation and procedures that are applicable to the work.
> Examine situations with abnormal functions, stopping them and analysing how to act.
> Report to the Company or supervisors the existence of uncertainties or gaps in the rules.

Conflict of Interest Policy

In 2016, Policy 53, concerning conflicts of interest, was issued and disclosed, which included the concept and the reasons for the report, as well as the procedure to be carried out once the report is received. Also a format was issued that unified the procedure to denounce this type of situations.

In the course of 2016, training sessions were held for 100% of the workers, with a total of 38 sessions of face-to-face training and five videoconferences.

As a result of these awareness events, a total of 922 reports were received, which have been sent to the leaders of the areas, according to the policy in question, and 80% were processed and closed in their entirety.

RHO Management Process

Payroll

In the period from January to December 2016, Emgesa closed the quality and opportunity indicator of the payroll process at 115%, thus ensuring efficiency and effectiveness in the processes of payroll settlement and compliance with legal and conventional, tax and social security obligations for 907 people, between active and retired employees.

Loans

During 2016, the Company provided financial resources for loans totalling $7,892,795,466, which were granted to 253 Emgesa workers in the following lines of credit.

Line of Credit	EMGESA S.A ESP	
	Value	No. Loans
1st home unionised	2.287.799.679	19
1st home integral	1.199.497.850	8
2nd home unionised	939.639.327	10
2nd home integral	1.047.512.811	6
Training loan	75.003.000	8
Vehicle loan	981.699.331	29
Higher education loan	458.363.468	68
Free investment loan	440.784.000	89
Dental loan	5.380.000	2
Calamity loan	19.000.000	3
Guaranteed university loan	30.000.000	1
Total overall	**7.892.795.466**	**253**

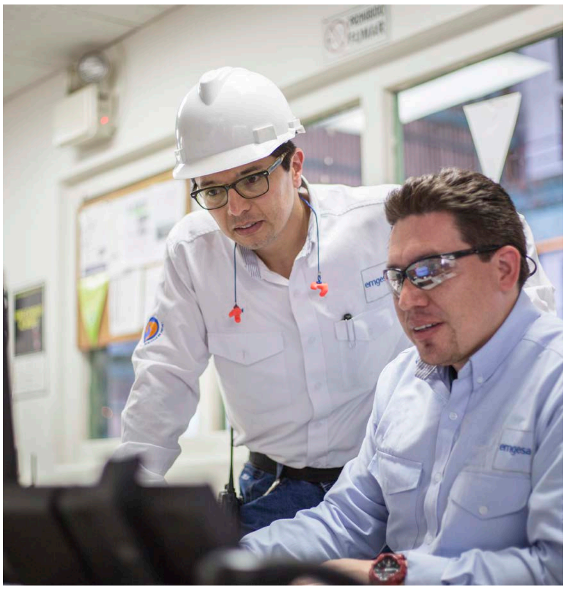
Table 9: Loans to Employees

Employee Portfolio Management

The loan portfolio of the Company's active and retired personnel and the balance as of 31 December 2016 amounts to $ 20,920 million.

Total loans disbursed during 2016 amount to 253, for a total value of $ 7,892 million pesos.

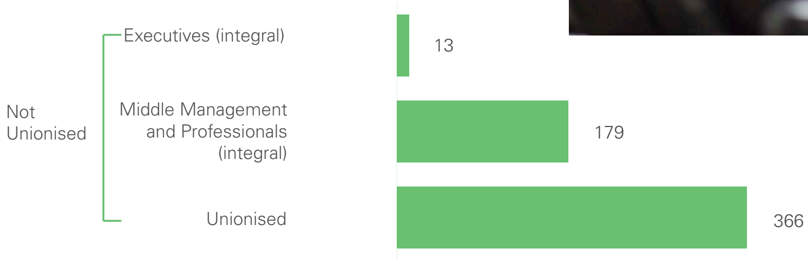
Planning, Organisation and Compensation Process



Personnel management

Emgesa's total direct workforce as of the 2016 year-end closing was 558, higher by 9.4% compared to the immediately preceding year. 97.5% of the workers had an contract of indefinite duration and their classification was specified as follows:

Classification of Employees



Graph 19: Classification of Employees by Type of Affiliation

In addition, Emgesa had a total of 34 apprentices (regulated by the SENA) and 17 university interns (agreements with universities) by the end of 2016.

Compensation

In accordance with the Company's compensation policy and seeking to improve salary competitiveness, internal equality and employee retention, 75 salary levels were made for direct personnel, 38 for unionised personnel and 37 for not unionised employees (integral regime), middle managers and professionals.

Organisational Structure

For the period from January to December 2016, the new organisational model of the Enel Group called Matrix was continued in the different holding areas (staff), global service lines and global business lines.

The main changes in the different organisational levels nationwide, which were supported by the respective organisational directives, were the following:

Generation Business Line

In this line of business, Generation changed its name and became known as Thermal Generation and the Renewable Energies Unit was created, due to the new organisational deployment of each Unit.

Staff and Services Areas

Three units were created that will report to the Sustainability Management: Sustainability Projects and Communities, El Quimbo Hydroelectric Social Plan and New Projects for Sustainability and External Financing.

In the Human Resources and Organisation Management, the Business Partner HR Renewable Energies unit was created to manage the operation activities in this line of business. The former Business Partner HR Generation was renamed Business Partner HR Thermal Generation.

Within the Communications Management, given the relevance in its structure of digital communications, the Digital Communications Unit was formally created.

In the Audit Management, three units of the following organisational level were created: Audit Staff and Compliance, Audit Procurement and Market and Audit Infrastructures and Networks.

Health, Safety, Environment and Quality

In Emgesa, occupational health and safety management for 2016 was based on the promotion of a culture of self-care and mutual care, ensuring that workers look out for their own safety and health in the Company.

With the support of specialised consultants, actions and strategies were designed, implemented and disseminated for the recognition of good practices, as well as for the promotion of safe behaviours. Other initiatives that have been developed include:

> Invisible plays through which awareness was brought to the front of work in an unexpected and fun way.

> Selecting the safest individuals in each workplace, to form a large network of safety inspirers to promote initiatives.

> Working sessions where leaders will approach their own work fronts and contractors to get to know people and know a little more about their difficulties or the conditions of their day to day.

During 2016 there were no fatal or serious accidents for own personnel or contractors, for an approximate total of 5,514,364 man-hours worked. Constant evaluation of staff was promoted to identify specific needs in technical and safety training so that the training plan would focus on mitigating exposure risks. The man-hours trained in occupational safety and health by 2016 was 6,479.

With the support and best practices shared by the Group, including the Safety Moving Parts initiative, which seeks to analyse equipment/machinery with a probability of failure in controls and guards that could generate mechanical and entrapment hazards, we made progress in the improvements of working conditions in the plants.

9_Internal Audit Management

During 2016 the internal audit management was mainly aimed at strengthening and updating practices and methodologies of corporate governance, compliance and risk assurance in the Company. Thus, it was possible to strengthen the internal control system in the Company, with the aim of improving quality, transparency, service, competition and leadership in the sector and in the country.

Among the main actions that were developed in 2016, we highlight:

Corporate Conduct

In December 2016, the Board approved the new compliance model: Enel Global Compliance Programme, designed as a tool to strengthen the Group's ethical and professional commitment to prevent illicit commission of offenses that may bring criminal liability and associated reputational risks.

During 2016 the publication of the Prevention Model of Criminal Risks was published, which aims to provide the Company with a control system that prevents the commission of crimes and unethical situations in all processes, complying regulatory and legal provisions applicable to Colombia and the countries of the Enel Group.

The Matrix of controls for the prevention and mitigation of crime risks in the Company was also updated, through the execution of more than 40 working groups that included dissemination, training and updating in conjunction with all areas of the Company. As a result of this activity, 74% of the controls are new or have been totally redesigned according to the new Company's organisation and current processes.

The Emgesa Internal Compliance Committee, which is responsible for monitoring the implementation and adequacy of compliance programmes in tools, protocols and control systems, is actively operating to ensure transparent, honest, fair and ethical performance in Emgesa's activities.

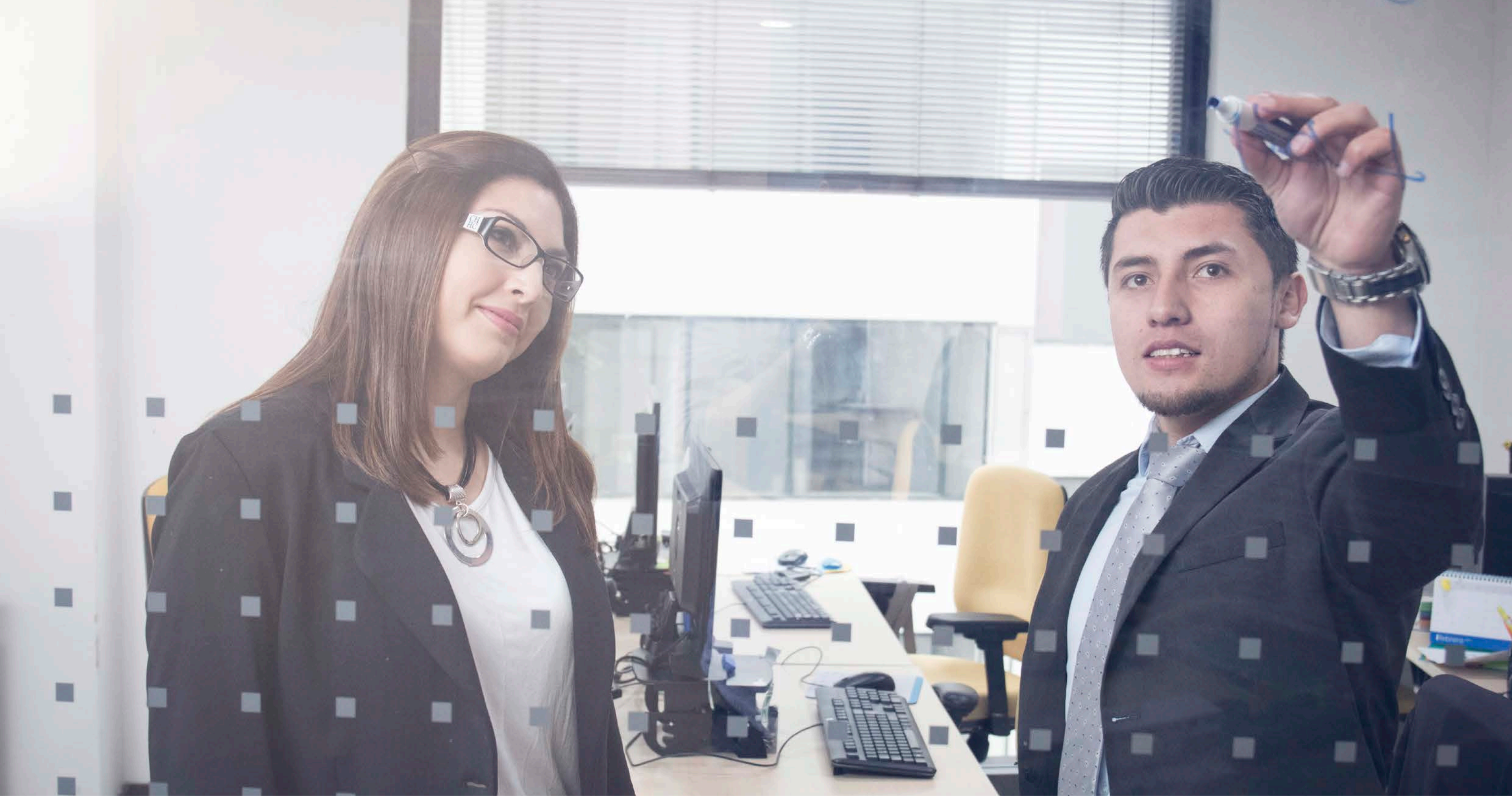
During the year, a cycle of on-site training was held in the fields of anti-corruption, ethics and compliance, aimed at employees and contractors, in order to reinforce the values that are part of Emgesa's corporate profile, and to encourage transparency in all actions of those related to the Company (employees, contractors, suppliers, customers, government).

In total, 20 training sessions on ethics, anti-corruption and compliance were carried out, adding more than 30 hours of face-to-face training in both administrative offices and substations, with 300 employees and more than 80 contractors.

As part of this training cycle, a module of ethics and compliance was included in the Strengthening Allies programme, an initiative that was developed in agreement with the Bogota Chamber of Commerce and aimed at supporting the collaborating companies through comprehensive advice on administrative, financial, marketing and sales, ethics and compliance, innovation and other issues related to business management, in order to improve productivity and competitiveness.

In addition, the internal communication campaign #YoLoHagoBien was carried out, through which different interactions were promoted in internal media such as interactive mails, space intervention, personal deliverables and symbolic actions of commitment with the objective of generating awareness to do things well in the work done by employees.

Among Emgesa's programmes and protocols for which various updating, awareness-raising and training activities were carried out in 2016, the following stand out: Ethics Code; Plan Zero Tolerance for Corruption; Prevention Model of Criminal Risks; Offering and Accepting Gifts and Favours Protocol; Protocol of Actions in Dealing with Public Officials, Control Entities and Authorities; Conflict of Interest Policy; Policies for Contracting Consultancies; and Analysis of Counterparties Policy.



Moreover, the different communication channels that have been established as complaint mechanisms (ethics channel, mails, calls, among others) were monitored and managed, with the objective of protecting the complainants from retaliation or discriminatory behaviour, ensuring confidentiality of their identity and carrying out an adequate analysis and closure of the denounced events.

In 2016 Emgesa continued its active participation in the commitment of collective action for the ethics and transparency of the electricity sector, which seeks to promote healthy competition, trust and sustainability of companies and the sector, considering best practices and global guidelines in terms of transparency, anti-corruption and regulatory compliance.

In this collective action, efforts were made to raise awareness and close the gaps in the sector and the company against the principles of international transparency, in the context of competition risks of the electricity sector and the Company, among other activities that have been fulfilled by the Company and the 28 members of the collective action.

Challenges for the future include continuing to update and implement best practices, and be benchmarks in the country in terms of corporate governance, compliance, ethics, transparency, and anti-corruption.

Audit and Risk Assurance Operation

Throughout 2016, work continued on aligning the guidelines of the operation with respect to best practices, including a new information system that supports the management of the audit and compliance operation.

Ten audits were carried out, which reviewed the control architecture, compliance with internal procedures and external legislation, as well as risk management in processes such as environmental management in thermal plants, management of coal contracts, management of trading negotiations, system of powers, reliability of suppliers and management of the procedural system, among others.

In addition, we also monitored the progress and compliance of the action plans product of previous audits, with the objective of solving weaknesses and improving the Company's internal processes.

10_Legal Management

The mission of legal management is to provide support and constant advice to all areas of Emgesa in order to leverage the results obtained by the early detection of risks and legal opportunities for risk prevention and proper management and advice suitable for decision-making within the Organisation.

The main milestones of legal management in 2016 are presented below:

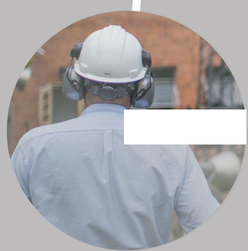
> We worked actively in structuring new businesses for the trading of electricity and natural gas, as well as analysing the regulatory proposals of the Commission for the Regulation of Energy and Gas (CREG) and following-up on legislative initiatives that have an impact on the activities of the Company. Also, we issued a response to the requirements of various monitoring and control entities.

> A new registry code called "transfer of title for compensation" was obtained with the Superintendence of Notary Publics and Registers, through Resolution 10302 of 15 September 2015, which allows to overcome the ownership difficulties of the lands to be delivered by Emgesa to the beneficiaries of collective resettlements, in the absence of a figure that would encompass the mutual transfers originated in the compensation obligation provided in the environmental license of the El Quimbo hydroelectric project in exchange for the delivery of the required properties declared of public use.

> The action of public interest lodged by the Fishermen of Betania (and contributed by the Government of Huila) was managed in order to prevent the decree for the closing of the Quimbo Hydroelectric Power Plant, despite the five requests filed throughout the year by the aforementioned actors and contributor to stop the generation of energy. In addition, 108 writs for the protection of fundamental rights were filed against the Quimbo Hydroelectric Power Plant, with a favourable success rate of 96%.

> The entry into the derivatives market with underlying energy was supported in the Derivex platform, and the structuring of sufficient guarantees was supported to safely confront sector conjunctures such as the intervention of Electricaribe.

> The environmental investigations and sanctioning processes that have arisen for the construction of the El Quimbo-PHEQ Hydroelectric Project were attended, with a total of 28 processes, 20 of which are active and 8 were filed.



11_Systems and Telecommunications Management

The Company recognises digital transformation as a primary growth, innovation and leadership factor. For this reason we undertook a plan of action to converge over the next three years towards a digital model that will allow Emgesa to take advantage of and enhance the benefits that are now being provided by information and telecommunications technologies to businesses.

During 2016 we started this digital transformation plan, focusing our efforts on the following pillars of action:

Our Assets

We seek the efficient management of the assets installed in our networks through the use of digital technology for connection and remote management, thus automating business processes and improving operational performance.

In this strategic pillar we developed the following projects:

> *E4E – Evolution for Energy:*

This project seeks to converge technologically towards a global model for the management of the processes and assets of the group's companies, incorporates the best global practices and integrates the whole life cycle of Emgesa's assets. The main benefits of this implementation are related to the structuring of asset investment plans to ensure the sustainability of the operation, with the optimisation of the asset management according to international standards, with the technical management of contracts that optimises the operation and the response to customers and with the improvement in the management of inventories.

> Metering Management Centre

The Metering Management Centre was implemented, which allows the inspection of the customers' meters, with a modern and robust infrastructure in the cloud, meeting the legal requirements provided for this operation.

> PWAY System

The implementation of this system made it possible to automate the inspection, monitoring and analysis

> of technical equipment in the plants, including all HSEQ processes, as well as operations and maintenance control, which is materialised in savings in the preventive and corrective maintenance of the equipment of the plants and an increased efficiency in processes, as well as in a greater coverage for these processes.

> Technological Security Project

Today, security is an essential condition for innovation and development. For this reason, the Company implemented a platform and a unitary structure and new technologies capable of facing new challenges in the digital age, not only in data protection but also moving on to an information management logic. In this sense, the Intrusion Prevention System (IPS) platform was upgraded and updated, in order to support new features and keep all service zones alert for intrusions or possible cyber attacks.

Internal Processes

Through digital transformation, the Company wants to industrialise the internal processes, adopt a work oriented logic of services, making the workflows automatic, in order to improve quality, transparency and control with a consequent increase in productivity.

In this pillar the following projects were developed:

Archibus – Real State Project

This project focused on the management of the purchase and sale of properties, leases and tax administration through the implementation of the Archibus system, a solution in the cloud that incorporated the best practices of the market, which allows the optimisation of decisions on acquisition and management of said goods.

> You are Digital Project

We evaluated the level of digital competencies that the employees have in order to structure the digital community that will be responsible for mobilizing the entire Organisation in the adoption of the required digital profiles.

> New Intranet

The new corporate intranet was implemented, a project developed under a new ecosystem of digital tools and services focused on the needs of Emgesa's people, aimed at increasing productivity in favour of cooperation and information sharing.

> CRM Institutional Engagement

The objective of this project was to provide a technological tool to carry out all the traceability of face-to-face, telephone and other contacts established between Emgesa and the different sector entities in the country, allowing timely and consolidated information on the commitments and/or agreements to be made with these stakeholders.

> *GP_2One*

A strategic programme that aimed to unify processes and best practices of acquisition and procurement for all countries and all companies belonging to the Enel Group. It was implemented in July 2016 and incorporated a single platform leveraged in 5 systems.

> *One Click Project*

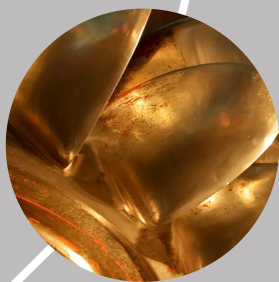
The new microinformatics service was started for all Codensa employees, which incorporated new service channels and the use of the Service Now tool with a service model that promises to simplify working life from a traditional device-centric model to a model that focuses on "the person and their user experience". In the new model the services have been designed from the perspective of who uses them.

> Transformation Data Centre Services to the Cloud

In accordance with the global strategy of modernisation and adoption of the new technological trends, the Data Centre services were migrated to a service model in the Cloud.

> BIP (Budget Industrial Plan)

In order to mitigate possible risks of manual processes, the process of generating the budget of market models was automated, improving its execution and assuring the quality of the information.



12_Administrative and Security Services Management

The achievement of the indicator of zero occupational accidents of own employees and contractors is highlighted, which reaffirmed their commitment to the strategic guidelines related to people and the quality of services.

At the same time, in order to meet the standards of safety, quality, environmental management and cost efficiency, we led projects such as "Zero Paper" and "Rationing Energy Consumption – Switching Off Pays Off", which had a very positive response from employees, and whose initiatives will continue to be implemented during 2017.

The operation of the Administrative Services Attention Centre (CASA) was consolidated through the service of 22,276 requests throughout the year, with a service level of 91.61%. In addition, technical specifications were defined to make the transition to new corporate tools such as Service Now and Archibus, which aim to improve efficiency in the internal customer service processes.

The following achievements stand out:

Security

In order to ensure the protection and safety of people, assets and technical and commercial operations, during the year 35,011 security inspections were carried out.

With regard to risk management and fraud prevention, the activities of this process were oriented towards the fulfilment of three fundamental pillars:

- **Management of Corruption and Crimes Incidents:** During the year 21 incidents were reported through the different channels of the Company. As of 31 December, 11 cases were closed, including all including all incidents received during the year 2015.

  For one of these complaints, legal proceedings were filed with the competent authorities.

- **Counterparty Risk Management:** In order to identify and reduce reputational and legal risks that may arise from the Company's commercial or contractual relations, 75 counterparty analyses were conducted during the year. The Counterparty process was strengthened by defining the market groups most at risk of exposure to ML/FT (Money Laundering and Financing of Terrorism) in Colombia, as well as the implementation of an interdisciplinary committee that supports all business units in the decision-making process.

- **Crisis and Incident Management System:** As established in the policy, a crisis simulation exercise was carried out in order to achieve the articulation of the actions and teams of the areas in charge of coordinating, communicating and making decisions during the response to events that may lead to emergencies and crises.

Information Security

The axis point of the activity was to comply with Act 1581/2012 "General Protection Regime of Personal Databases" regarding the identification and registration of the personal databases in the SIC. During 2015, five key databases for the Operation of the Company were registered and, in turn, the appointment of the personal data protection officer of the Company was made official.

We participated in the second phase of the Compac project, which seeks to eliminate conflicts of feature segregation in the relevant computer applications, avoiding serious inconveniences in the operation.

Real Estate Management

Río Bogotá Plants: The cadastral analysis of the territory and the social characterisation of the informal occupations located in the priority areas for the operation of the power stations were carried out.

Guavio Plant: In response to mining claims in the areas surrounding the Plant, the cartography related to the mining titles was organised in order to anticipate the impacts on the operation and the care of the surrounding environment.

All cartographic information was migrated to a geographic information system in official coordinate systems.

Betania Plant: From the monitoring and strategy of surveillance and control of occupations plan, the elimination of 21% of the occupations installed on the reservoir properties was achieved, additionally the appearance of new occupations was reduced by 90%.

The problem of informal occupations on the area surrounding the reservoir was reported and the risk was declared to organisations such as the Magdalena Regional Autonomous Corporation (CAM), Environmental and Agrarian Attorney, National Environmental Licensing Authority and The Municipal Administrations, raising awareness about the importance of reservoir management.

All cartographic information was migrated to a geographic information system in official coordinate systems.

El Quimbo Plant: With the start-up of the El Quimbo plant, a total of 1,214 properties were received, with a total area of 21,389 hectares, from which in 2016 it was possible to execute the ownership deeds of 47 properties and four possessions in favour of Emgesa, equivalent to 136 hectares (81.9 hectares required for the reservoir, 45.2 hectares for round and restoration and 9.6 for other effects). 18 ownership transfer deeds were executed as compensation for the collective resettlements Santiago y Palacio and Llanos de La Virgen.

Contractor Control

To mitigate the legal labour risks arising from the contracting of services, to ensure the fulfilment of the contractual obligations and in turn to strengthen the relations with the contracting companies, the following actions were taken:

Labour Control

> 32 labour inspections were carried out to different contracts to validate compliance with legal issues.

> Seven comprehensive audits were carried out in order to verify compliance with the contracted service in matters of legal labour obligations, HSEQ, billing and contractual requirements.

> Participation in 16 materialisations, validating labour compliances of the new contract.

> The Vendor Rating performance evaluation was performed quarterly for more than 80 contracts in relation to compliance with legal labour obligations, seeking for these companies to have a continuous improvement in the provision of their services.

Training and Development Programme

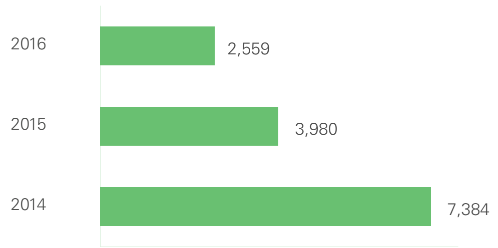
In the second half of 2016, the suppliers strengthening programme Strengthening Allies was initiated in agreement with the Chamber of Commerce, with the participation of eight contractors. The programme aims to improve productivity and competitiveness in the market of these companies, through training and comprehensive advice on issues related to business management such as marketing and sales, finance, ethics and compliance, and innovation, among others.

Information Management - Statistics

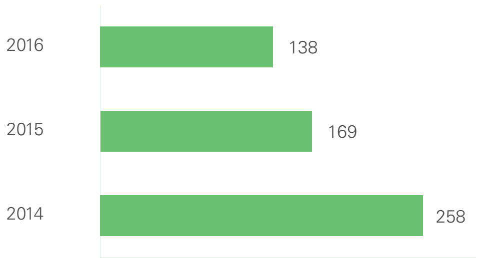
The statistical information presented shows a decrease in the number of companies, contracted services, workers and man-hours, mainly due to the completion of the El Quimbo Hydroelectric Project.

Information as of December 2016

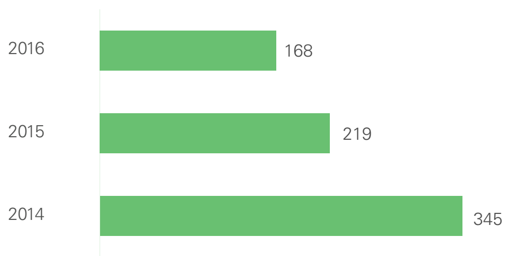
Evolution of Employees



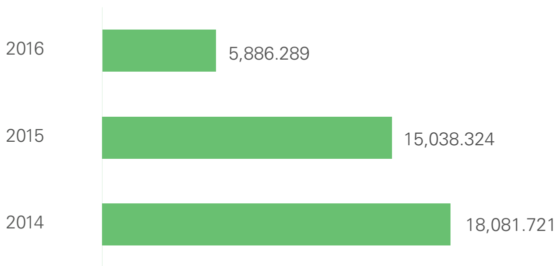
Evolution of Contractor Companies



Service Agreements



Man-Hours



13_Financial Management

Below are the most relevant figures and indicators of 2016 regarding Emgesa's management:

	2015	2016	Variation
Operating revenues	3.268.277	3.514.106	7,52%
Operating costs and expenses	1.349.939	1.322.898	-2,00%
Contribution margin	1.918.338	2.191.209	14,22%
Administration Expenses	192.909	206.728	7,16%
Ebitda	1.725.429	1.984.481	15,01%
Earnings before taxes	1.393.048	1.236.155	-11,26%
Provision income tax	507.593	482.430	-4,96%
Net income	885.455	753.725	-14,88%

Cifras NIIF en millones de pesos

Table 10: Main Figues and Financial Indicators (2015-2016)

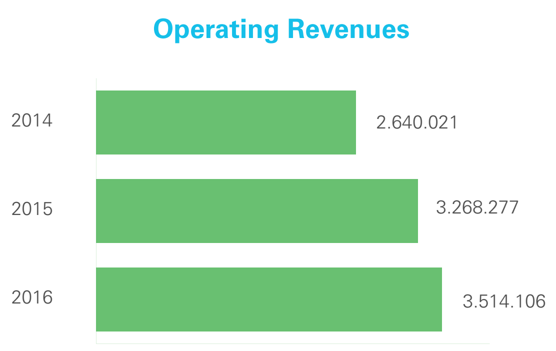
Emgesa's operating revenues in 2016 reached $3,514,106 million, 7.52% higher than in 2015. This increase is mainly due to higher volume of energy sales through contracts (wholesale market +6.8% per annum and unregulated market +4.0% compared to the previous year) and better prices, derived from the favourable effect of the Producer Price Index (PPI), to which most of the market contracts are indexed, as well as the higher sales revenue in the spot market, due to a higher sales volume (+7% compared to the previous year) and higher prices, due to the El Niño phenomenon in the first months of the year. For the second half-year the country's hydrology increased, reflected in the stabilisation of the price of energy in the stock market.

Cost of sales reached $1,322,898 million, 2% lower than the previous year, mainly explained by lower fuel consumption due to lower thermal generation than in 2015, and lower purchases of energy in the stock market especially during the second half of 2016.

Administrative expenses, amounting to $206,728 million, showed an increase of 7.16% over the previous year, mainly due to a higher CPI level than in 2015, which affected the cost of contracts whose readjustment is indexed to the CPI.

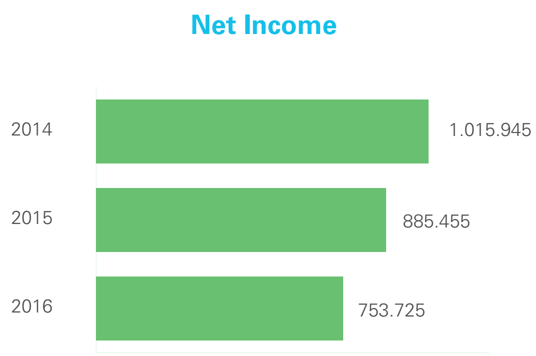
As a result, EBITDA was consolidated at $1,984,481 million, an increase of 15.01% compared to the result for 2015, and an EBITDA margin of 56.47% on operating revenues.

Finally, the Company's net income for 2016 was $753,725 million, representing a reduction of 14.88% from the previous year, mainly explained by a 164.86% increase in net financial expenses over the previous year, from $ 167,332 million in 2015 to $443,191 million in 2016. The significant increase in financial expenses was due to the start-up of the El Quimbo Hydroelectric Plant in November 2015, after which the capitalisation of the financial expense of the debt taken to finance this project was suspended; to the higher Consumer Price Index (CPI) during 2016 compared to the previous year, to which 66% of the outstanding debt as of 31 December 2016 was indexed; and to the increase in the average balance of debt during 2016 to finance the Company's CAPEX.



IFRS figures in millions of pesos

Graph 21: Operating Revenues (2014-2016)



IFRS figures in millions of pesos

Graph 22: Net Income (2014-2016)

As of 31 December 2016, the Company's total assets amounted to $9,037,237 million, in which property, plant and equipment accounted for 87.7% of the value at $7,922,553 million pesos, and cash and temporary investments totalled $635,372 million pesos, equivalent to 7% of total assets. Compared to 31 December 2015, total assets increased by 2.2%, mainly due to a higher cash balance and to the investment in the El Quimbo Hydroelectric Plant during the year.

Assets	2015	2016	Variation
Current assets	773.390	872.491	12,81%
Non-current assets	8.066.486	8.164.745	1,22%
Total assets	**8.839.876**	**9.037.237**	**2,23%**

IFRS figures in millions of pesos

Table 11: Assets (2015-2016)

Emgesa's total liabilities at the 2016 year-end were $5,541,275 million, an increase of 4.9% compared to the 2015 year-end.

Liabilities and Equity	2015	2016	Variation
Current liabilities	1.574.222	1.281.730	-18,58%
Non-current liabilities	3.707.542	4.259.544	14,89%
Total liabilities	5.281.764	5.541.275	4,91%
Total equity	3.558.112	3.495.962	-1,75%
Total liabilities and equity	**8.839.876**	**9.037.237**	**2,23%**

IFRS figures in millions of pesos

Table 12: Liabilities and Equity (2015-2016

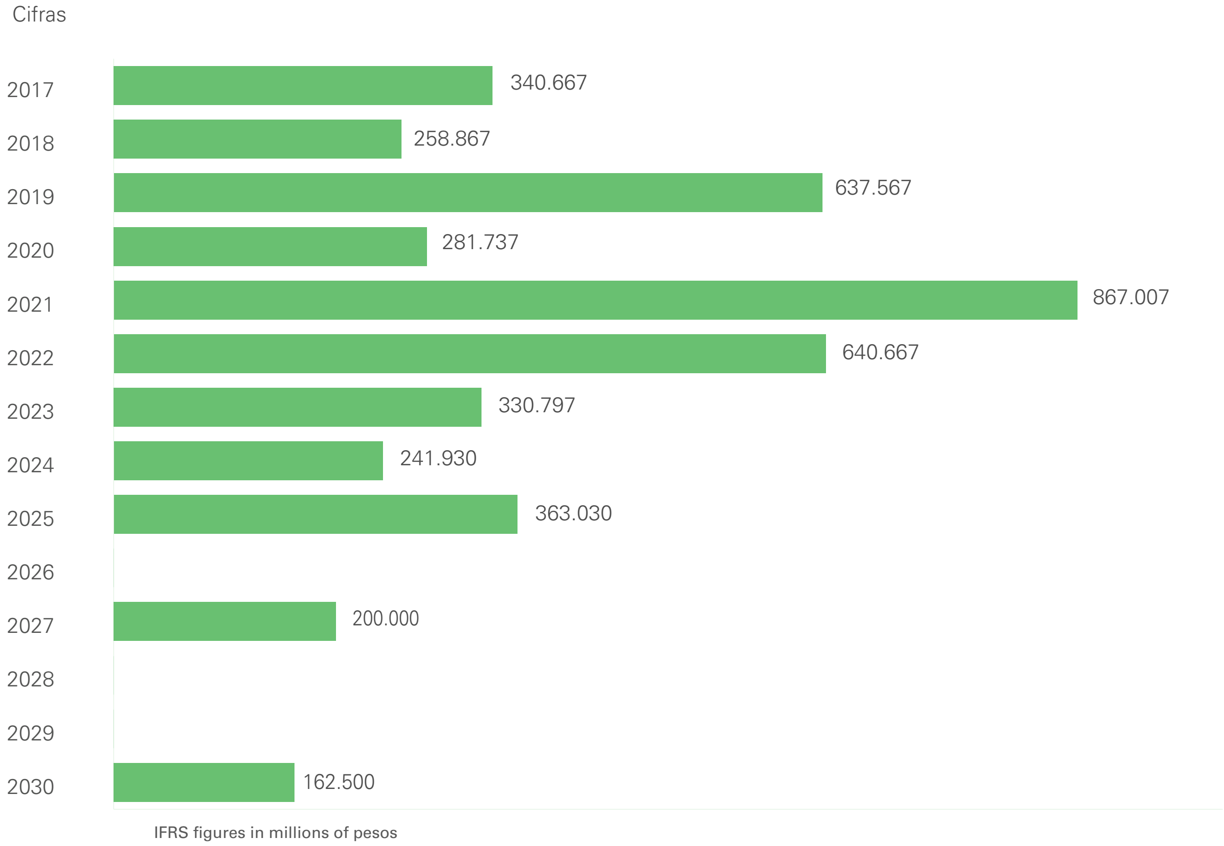
As for the level of indebtedness, as of 31 December 2016, Emgesa recorded a financial debt of $4,324,767 million, 8.62% higher than the debt recorded as of 2015.

There were bond issues during the year for a total value of $825 billion, which were used to replace short-term financial obligations and to finance the Company's investment plan. The issue of the seventh tranche of the Emgesa Bond Issue and Placement Programme was carried out on 11 February 2016 for a total amount of $525 billion in two series of three and seven years, with CPI + 3.49% and CPI + 4.69%, respectively. The issue of the eighth tranche for a total amount of $300 billion was made on September 27 in a single series of six years at a fixed rate at 7.59% E.A.

Thus, financial debt as of 31 December 2016 was divided into bonds issued in the local capital market for $3,173,340 million, bonds indexed to Colombian pesos issued in the international market for $736,760 million and bank loans valued at $414,667 million.

Emgesa maintained at the end of 2016 100% of its debt in pesos, and 92% of the long-term financial debt. 66% of the debt had interests indexed to the CPI, 7% to IBR, and the remaining 27% to fixed rate.

The table below shows the scheduled maturity profile as of 31 December 2016:



Graph 23: Debt Maturity Profile (2017-2030)

The Company's equity amounted to $3,495,962 million as of 2016, which presented a negative variation of 1.75%, mainly explained by a higher profit allocation that is offset by the increase in the reserve for accelerated depreciation.

Dividends

On 29 March 2016, the General Meeting Shareholders approved the distribution of profits for the January to December 2015 period, net of the Accelerated Depreciation Reserve (Article 130 of the Tax Code), for a total amount of $807,284 million.

In 2016, Emgesa paid a total of $795,157 million pesos in dividends to its shareholders for the period September-December 2014 and the first two instalments of dividends on net income for 2015, equivalent to 75% of the total dividend declared through said income.

Current Ratings

On 4 May 2016, Fitch Ratings Colombia affirmed in 'AAA (col)' and 'F1 + (col)' the National Long-Term and Short-Term Ratings, respectively, of Emgesa S.A. ESP. It also affirmed in 'AAA (col)' the rating of the $3.715 billion Emgesa Bond Programme with a stable outlook.

Emgesa's international rating as a long-term corporate debt issuer in local and foreign currency was affirmed by Standard & Poor's at BBB on 22 August 2016 and by Fitch Ratings on 4 May 2016. In the case of S&P, the outlook was downgraded to negative as a result of the same negative movement of the country's rating outlook.

In the case of Fitch Ratings, the rating was based on the solid business profile, supported by the diversification of its generation assets and strong competitive position. The firm indicated that the Company maintains a strong generation of operating cash flow, which suggests that moderate leverage will remain in the medium term. It also stressed that the ratings incorporate the positive effect on cash generation, as well as the strategic importance of Emgesa for its shareholders.

In turn, Standard & Poor's stated that Emgesa continues to benefit from healthy credit metrics, growing energy demand, low generation costs, and favourable energy prices in Colombia.

Investor Relations Award

Emgesa received, for the fourth consecutive year, the Investor Relations award of the Colombian Stock Exchange (BVC), for voluntarily raising its information disclosure and investor relations management models above the requirements of local regulations and for making available to investors on its website quarterly and annual information in English and Spanish.

Quality Certification of Processes of the Treasury Deputy Management

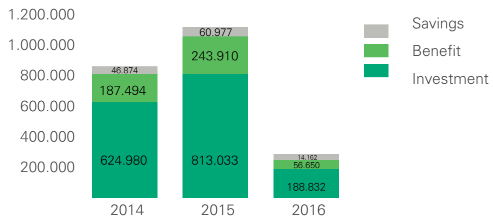
The Company's payment management and liquidity surpluses processes, from 2010 and 2011 respectively, have obtained the ISO 9001 Quality Certification granted by the international certification agency Bureau Veritas.

Tax Management

Management in 2016 focused on an active participation in the Company's operations as described below:

- We obtained an unqualified opinion from the external auditor on the fulfilment of the obligations of the legal stability contract, which allowed to maintain the special deduction benefit on the real fixed income producing assets for the El Quimbo Hydroelectric Project.
- The Company agreed with the Ministries of Mines and Energy and Industry and Trade on adjusting the amount of the premium on the legal stability contract and the corresponding payment was made, complying with the obligations contracted by the Company.
- In the last 3 years the investment in El Quimbo resulted in the special deduction on real fixed income producing assets and generated savings in the income tax, as follows:

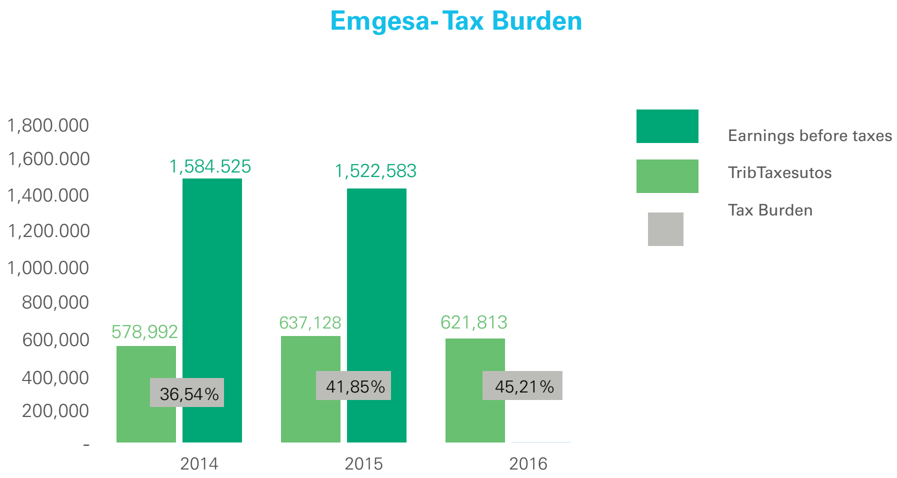
Tax Benefit EL Quimbo



Figures in millions of Colombian pesos

Graph 24: Tax Benefit El Quimbo (2014-2016)

The following is the tax burden of the Company in the last three years:



Graph 25: Tax Burden (2014-2016)

Management

Internal Control

In 2016, we initiated the new model of internal control of financial information, through which processes, risks and controls were redefined, going from 51 to 21 key business processes. The most significant changes in the new model correspond to the definition of the transversal scope of the processes, achieving greater coverage and optimisation of key risks and controls.

The control and administrative personnel of the Company carried out the half-year evaluation and certification process of the internal control model, in compliance with Italian Act 262 and Sarbanes Oxley (SOX), taking into account its responsibility to establish, maintain and evaluate the effectiveness of the Internal Control System.

Additionally, taking into account the responsibility for monitoring the internal control model, the firm Deloitte&Touche executed this process without identifying significant issues, thus concluding that the internal control model on financial reporting operates effectively.

The external auditor Ernst & Young reviewed the Company's relevant processes through design and operational tests on the controls, and the results of these revisions produced improvement issues for which action plans were generated. As of the date of this no significant issues were identified by the external auditor referring to the internal control model on financial reporting.

Access Policy

During 2016, a new user management system was implemented that enhances access management to the relevant systems under the internal control model of financial reporting and provides effective compliance with the Company's internal control policies.


361

Financial Statements Consolidated
Emgesa S.A. E.S.P. and Subsidiaries

Fort he years ended 31 December 2016 and 2015, and Statutory Auditor’s Report

SEPARATE FINANCIAL STATEMENTS

Emgesa S.A. E.S.P.

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

Statutory Auditor's Report

Emgesa S.A. E.S.P.

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

Report on the Financial Statements

I have audited the accompanying separate financial statements of Emgesa S.A. ESP, which comprise the statement of financial position as of December 31, 2016, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Financial Reporting Standards accepted in Colombia (CFRS); for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; for selecting and implementing the appropriate accounting policies; and for establishing accounting estimates reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Colombia. Those standards require me to comply with ethical principles, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above, taken from books of accounts, present fairly, in all material respects, the financial position of the Company as of December 31, 2016, the results of its operations and cash flows for the year then ended in accordance with the Financial Reporting Standards accepted in Colombia.

Other Matters

The separate financial statements under accounting and financial reporting standards accepted in Colombia of Emgesa S.A. ESP as of December 31, 2015, which are part of the comparative information of the accompanying separate financial statements, were audited by me, in accordance with auditing standards generally accepted in Colombia, on which I expressed my unqualified opinion on 26 February 2016.

Other Legal and Regulatory Requirements

Based on the scope of my audit, I am not aware of any circumstance indicating failure to comply with the following Company obligations: 1) keeping Minutes, Shareholders and accounting books, according to legal norms and the accounting technique; 2) performing its activities according to the bylaws and decisions of the Shareholders' Meeting and the Board of Directors, as well as the norms relative to integral social security; 3) keeping correspondence and account vouchers; and 4) take internal control, conservation, and safekeeping measures with respect to the Company's assets or third party assets that the Company may have in its possession. Additionally, there is consistency between the financial statements hereto and the accounting information included in the management report prepared by the Company's Management, which includes the Management's certification regarding the free circulation of endorsed invoices issued by vendors or suppliers.

My recommendations on internal control and other matters have been informed to Management in a separate report.

Norma Constanza Camacho Cadena
Statutory Auditor
Professional Card 135842–T
Appointed by Ernst & Young Audit S.A.S. TR-530

Bogota, Colombia
16 February 2017

Emgesa S.A. E.S.P.
Statement of Financial Position – Separate
(In thousands of pesos)

	Note	As of 31 December 2016	As of 31 December 2015
Assets			
Current Assets:			
Cash and cash equivalents	4	$ 620,077,944	$ 299,178,512
Other current financial assets	5	15,293,732	13,385,123
Other current non-financial assets	6	22,182,777	65,346,385
Current commercial accounts receivable and other receivables, net	7	169,494,993	327,623,902
Current accounts receivable from related entities	9	1,449,427	33,292,945
Inventories	10	43,992,321	34,562,875
Total current assets		**872,491,194**	**773,389,742**
Non-current assets:			
Other non-current financial assets	5	5,698,661	2,740,235
Other non-current non-financial assets	6	6,397,436	4,864,712
Non-current commercial accounts receivable and other receivables, net	7	31,280,609	8,686,009
Non-current Accounts receivable from related entities	9	1,071,150	1,005,483
Investments in subsidiaries, joint ventures and associates	8	563,065	52,079
Intangible assets other than goodwill, net	11	100,032,188	89,619,113
Property, plant and equipment, net	12	7,922,553,413	7,878,232,087
Deferred tax assets, net	13	97,148,803	81,286,227
Total non-current assets		**8,164,745,325**	**8,066,485,945**
Total assets		**$ 9,037,236,519**	**$ 8,839,875,687**
Liabilities and equity			
Current liabilities:			
Other current financial liabilities	14	464,271,277	$ 606,511,273
Current commercial accounts payable and other payables	15	337,506,635	283,625,592
Current accounts payable to related entities	9	218,853,888	200,534,242
Other current provisions	16	84,023,026	323,186,623
Current tax liabilities	18	144,491,393	127,741,635
Current provisions for employee benefits	17	28,769,379	28,797,528
Other current non-financial liabilities	19	3,814,849	3,824,724
Total current liabilities		**1,281,730,447**	**1,574,221,617**
Non-current liabilities:			
Other non-current financial liabilities	14	3,983,273,676	3,495,312,860
Other non-current provisions	16	195,955,262	146,118,742
Non-current provisions for employee benefits	17	80,315,258	66,110,357
Total non-current liabilities		**4,259,544,196**	**3,707,541,959**
Total liabilities		**$ 5,541,274,643**	**$ 5,281,763,576**

Emgesa S.A. E.S.P.
Statement of Financial Position – Separate (Continued)
(In thousands of pesos)

Equity	Note	As of 31 December 2016	As of 31 December 2015
Issued capital	20	$ 655,222,313	$ 655,222,313
Issue premiums		113,255,816	113,255,816
Other reserves	20	504,263,280	426,091,925
Other comprehensive income (OCI)		(13,592,147)	(5,001,313)
Net income		753,724,640	885,455,396
Retained earnings		10,409,214	10,409,214
Earnings from the effect of conversion to IFRS		1,472,678,760	1,472,678,760
Retained earnings		2,236,812,614	2,368,543,370
Total equity		**3,495,961,876**	**3,558,112,111**
Total liabilities and equity		**$ 9,037,236,519**	**$ 8,839,875,687**

See accompanying notes.

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

Bruno Riga
Legal Representative

Alba Lúcia Salcedo Rueda
Public Accountant
Professional Card 40562–T

Norma Constanza Camacho Cadena
Statutory Auditor
Professional Card 135842–T
Appointed by Ernst & Young Audit S.A.S. TR−530
(See my report dated 16 February 2017)

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

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Income from ordinary activities	21	$ 3,485,206,750	$ 3,229,679,875
Other operating income	21	28,899,697	38,597,227
Total income from ordinary activities and other operating income		**3,514,106,447**	**3,268,277,102**
Provisioning and services	22	(1,322,897,576)	(1,349,939,012)
Contribution margin		**$ 2,191,208,871**	**$ 1,918,338,090**
Works for fixed assets		3,485,460	22,430,427
Personnel expenses	23	(72,015,890)	(87,474,568)
Other fixed operating expenses	24	(138,197,902)	(127,864,488)
Gross operating profit		**1,984,480,539**	**1,725,429,461**
Depreciations and amortisations	25	(191,851,456)	(164,128,497)
Impairment losses (Reversal)	25	(102,320,470)	(457,493)
Operating profit		**1,690,308,613**	**1,560,843,471**
Financial revenues	26	46,596,004	13,938,751
Financial expenses	26	(497,074,198)	(353,990,870)
Capitalised financial expenses	26	5,062,047	168,974,389
Exchange difference	26	2,225,296	3,745,330
Financial earnings		**(443,190,851)**	**(167,332,400)**
Earnings from other investments			
Earnings from other investments		403,797	-
Earnings from sale and disposal of assets		(11,366,645)	(463,031)
Earnings before taxes		**1,236,154,914**	**1,393,048,040**
Income tax expense	27	(482,430,274)	(507,592,644)
Net income		**$ 753,724,640**	**$ 885,455,396**

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

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Basic earnings per share			
Basic and diluted earnings per share in on-going operations	28	5,015	5,897
Weighted average number of outstanding common shares		**148,914,162**	**148,914,162**

See accompanying notes.

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

Bruno Riga
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(See my report dated 16 February 2017)

Emgesa S.A. E.S.P.
Statement of Comprehensive Income – Separate
(In thousands of pesos)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Net income		**$ 753,724,640**	**$ 885,455,396**
Components of other comprehensive income not reclassified to earnings before taxes			
Gains (losses) in new measurements of financial instruments measured at fair value through OCI	29	2,966,983	(1,853,059)
Gain (losses) on new measurements of defined benefit plans	29	(14,803,751)	2,567,882
Gains (losses) on cash flow hedges	29	(2,822,410)	(697,458)
Other comprehensive income not reclassified to earnings before taxes		**(14,659,178)**	**17,365**
Income tax relative to components of other comprehensive income not reclassified to net income			
Gains (losses) on new measurements of defined benefit plans	29	4,869,522	(1,024,152)
Income tax relative to cash flow hedges of other comprehensive income	29	1,198,822	(78,276)
Income tax relative to components of other comprehensive income not reclassified to net income		6,068,344	(1,102,428)
Other comprehensive income		**(8,590,834)**	**(1,085,063)**
Total comprehensive income		**$ 745,133,806**	**$ 884,370,333**

See accompanying notes.

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

Bruno Riga
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(See my report dated 16 February 2017)

Emgesa S.A. E.S.P.
Statement of Changes in Equity – Separate
(In thousands of pesos)

	Note	Issued capital	Issue premium	Other reserves: Legal reserve	Other reserves: Statutory Reserve	Other reserves: Occasional reserve	Other comprehensive income: Gains and losses on new measurements of financial instruments measured at fair value	Other comprehensive income: Gains and losses due to defined benefit plans	Retained earnings	Total equity
Initial equity as of 31 December 2014		**$ 655,222,313**	**$113,255,816**	**$327,611,157**	**$ 178,127**	**$ -**	**$ 6,128,544**	**$ (10,044,794)**	**$ 1,769,310,289**	**$ 2,861,661,452**
Changes in equity										
Comprehensive income										
Net income		-	-	-	-	-	-	-	885,455,396	**885,455,396**
Other comprehensive income	29	-	-	-	-	-	(2,628,792)	1,543,729	-	**(1,085,063)**
Comprehensive income		-	-	-	-	-	(2,628,792)	1,543,729	885,455,396	**884,370,333**
Declared dividends		-	-	-	-	-	-	-	(187,919,674)	**(187,919,674)**
Increases (decreases) due to other changes, equity		-	-	-	-	98,302,641	-	-	(98,302,641)	**-**
Total increase (decrease) in equity		**-**	**-**	**-**	**-**	**98,302,641**	**(2,628,792)**	**1,543,729**	**599,233,081**	**696,450,659**
Final and initial equity as of 31 December 2015		**$ 655,222,313**	**$113,255,816**	**$327,611,157**	**$ 178,127**	**$98,302,641**	**$ 3,499,752**	**$ (8,501,065)**	**$ 2,368,543,370**	**$3,558,112,111**
Changes in equity										
Comprehensive income										
Net income		-	-	-	-	-	-	-	753,724,640	753,724,640
Other comprehensive income		-	-	-	-	-	1,343,395	(9,934,229)	-	(8,590,834)
Comprehensive income		-	-	-	-	-	1,343,395	(9,934,229)	753,724,640	745,133,806
Declared dividends		-	-	-	-	-	-	-	(807,284,041)	(807,284,041)
Increases (decreases) due to other changes in equity		-	-	-	-	78,171,355	-	-	(78,171,355)	**-**
Total increase (decrease) in equity		**-**	**-**	**-**	**-**	**78,171,355**	**1,343,395**	**(9,934,229)**	**(131,730,756)**	**(62,150,235)**
Final equity as of 31 December 2016		**$ 655,222,313**	**$ 113,255,816**	**$ 327,611,157**	**$ 178,127**	**$ 176,473,996**	**$ 4,843,147**	**$ (18,435,294)**	**$ 2,236,812,614**	**$ 3,495,961,876**

See accompanying notes.

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

Bruno Riga
Legal Representative

Alba Lucia Salcedo Rueda
Public Accountant
Professional Card 40562–T

Norma Constanza Camacho Cadena
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Appointed by Ernst & Young Audit S.A.S. TR−530
(See my report dated 16 February 2017)

Emgesa S.A. E.S.P.
Statement of Cash Flows, Direct Method - Separate
(In thousands of pesos)

	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from (used in) operating activities:		
Types of collections by operating activity		
Collections from sales of goods and services	$ 3,715,501,350	$ 3,084,972,462
Collections from royalties, fees, commissions and other revenues from ordinary activities	23,282,542	16,222,603
Collections from bonuses and compensations, annuities and other benefits of subscribed policies	31,392,385	7,438,563
Types of cash payments from operating activities		
Payments to vendors for supply of goods and services	(1,480,266,628)	(1,285,961,168)
Payments to and on behalf of employees	(79,662,951)	(67,250,047)
Payments of bonuses and compensations, annuities and other benefits of subscribed policies	(26,001,460)	(18,354,007)
Other payments for operating activities	(67,763,716)	(61,698,910)
Net cash flows from operating activities	**2,116,481,522**	**1,675,369,496**
Paid income taxes	(464,394,713)	(483,353,006)
Other cash outflows	(71,178,897)	(77,436,521)
Net cash flows from operating activities	**1,580,907,912**	**1,114,579,969**
Cash flows from (used in) investment activities:		
Cash flows used in the capitalisation of subsidiaries and other businesses	(98,633)	-
Other collections for the sale of equity or debt instruments of other entities	-	77,464,998
Loans to related entities	(55,000,000)	-
Purchase of property, plant and equipment	(312,210,168)	(704,928,953)
Cash advance and loans to third parties	(69,313,598)	(69,682,020)
Payments from futures, forwards, option and swap contracts	-	7,597,498
Collections from related entities	55,000,000	-
Collections from futures, forwards, option and swap contracts	224,323	-
Interests received	40,756,656	21,267,716
Net cash flows used in investment activities	**(340,641,420)**	**(668,280,761)**
F Cash flows from (used in) financing activities:		
Amounts from loans	825,000,000	1,185,148,413
Loan reimbursements	(487,852,747)	(837,628,999)
Dividends paid	(795,166,218)	(1,045,671,911)
Interests paid	(450,133,821)	(319,088,632)
Payments of finance lease liabilities	(719,865)	(114,520)
Other cash outflows	(10,494,409)	(10,494,409)
Net cash flows used in financing activities	**(919,367,060)**	**(1,027,850,058)**

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

	Year ended 31 December 2016	Year ended 31 December 2015
Net cash increase (decrease) and cash equivalents, before the effect of changes to the exchange rate	**320,899,432**	**(581,550,850)**
Net cash increase (decrease) and cash equivalents	**320,899,432**	**(581,550,850)**
Cash and cash equivalents initial balance	299,178,512	880,729,362
Cash and cash equivalents final balance	**$ 620,077,944**	**$ 299,178,512**

See accompanying notes.

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

Bruno Riga
Legal Representative

Alba Lucia Salcedo Rueda
Public Accountant
Professional Card 40562–T

Norma Constanza Camacho Cadena
Statutory Auditor
Professional Card 135842–T
Appointed by Ernst & Young Audit S.A.S. TR−530
(See my report dated 16 February 2017)

(In thousands of pesos)

1. Overview

Economic Entity

Emgesa S.A. E.S.P. (hereinafter the "Company") is a commercial stock company organised according to the Colombian laws as a public utility, regulated by Act 142/1994.

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

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

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

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

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

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

Gas trading

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

Legal and Regulatory Framework

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

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

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

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

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

2. Bases for Presentation

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

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

2.1 Accounting Principles

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

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

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

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

The Company belongs to Group 1 for adoption according to the definitions of Decrees 2784 of 28 December 2012 and 3024 of 27 December 2013, according to which the Company issued the first comparative financial statements under CFRS as of 31 December 2015.

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

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

2.2 Accrual Basis of Accounting

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

(In thousands of pesos)

2.3 Colombian Financial Reporting Standards Issued but not yet in Force

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

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

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

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

IFRS Annual Improvements Cycle 2012-2014

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

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

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

Amendment to IAS 27: Equity Method in Separate Financial Statements

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

Amendment to IAS 1: Disclosure Initiatives

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

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

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

IFRS 9 "Financial Instruments"

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

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 16 Leases

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

IFRIC 22: Foreign Currency Transactions and Advance Consideration

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

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

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

Amendment to IAS 7: Disclosure Initiative

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

IFRS Annual Improvements Cycle 2012-2014

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

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

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

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

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

2.4 Relevant Estimates and Accounting Criteria

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

The estimates basically refer to:

- Hypotheses used in actuarial calculation of liabilities and obligations with the employees, such as discount rates, mortality rates, salary increases, etc.
- The useful life of property, plant and equipment and intangibles. (See Notes 3.7 and 3.6).
- The hypotheses used for the calculation of the fair value of the financial instruments. (See Note 3.1.3).
- Revenues and expenses arising from generation activities, which mainly come from energy sales through bilateral contracts to the regulated and unregulated market, the energy market, the Automatic Generation Control (AGC) service and the reliability rate, as well as the purchases of energy necessary to deal with such contracts.
- Probability of occurrence and amount or uncertain or contingent liabilities. (See Note 3.10).
- 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).
- Tax results, which will be declared to the respective tax authorities in the future, which have served as basis for recording the various balances related to income taxes in the current Financial Statements. (See Notes 3.11).

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

3. Accounting Policies

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

3.1 Financial Instruments

3.1.1 Cash and Cash Equivalents

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

3.1.2 Financial Assets

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

3.1.2.1 Debt Instrument

(a) Financial Assets at Amortised Cost

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

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

(b) Financial Assets at Fair Value

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

3.1.2.2 Equity Instrument

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

3.1.2.3 Derivative Financial Instruments and Hedging Activities

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

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

The Company designates certain derivatives as:

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

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

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

(a) Fair value hedging

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

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

(b) Cash flow hedges

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

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

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

(c) Net investment hedges abroad

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

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

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

3.1.3 Debts (Financial Obligations)

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

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

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

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

3.1.4 Financial Assets and Financial Liabilities with Related Parties

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

3.1.5 Commercial Accounts Payable

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

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

3.1.6 Recognition and Measurement

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

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

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

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

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

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

3.1.7 Offsetting of Financial Instruments

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

3.1.8 Fair Values of Investments

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

3.2 Inventories

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

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

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

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

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

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

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

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

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

3.3 Non-current Assets Held for Sale and Discontinued Activities

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

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

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

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

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

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

3.4 Investments in Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when there is enough power to direct the relevant activities of the subsidiary, which are generally operating and financing activities, for the purpose of obtaining benefits from its activities, and is exposed, or has the right, to the variable yields of the subsidiary.

Investments in subsidiaries are initially recorded at cost and thereafter the equity method is applied in the separate financial statements of the Company, as established in Decree 2420/2015, as complemented by Decree 2496/2015.

Dividends received from these companies are recorded by reducing the value of the investment and the results obtained by them, which correspond to the Company according to their interest, under the item "Gain (loss) of associates accounted for using the equity method." The measurement of the equity method is assessed according to the materiality of the figures and taking into account the interest in each subsidiary.

3.5 Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence on financial and operating policy decisions, without having control or joint control.

Joint arrangements are those entities in which the Company exercises control through the arrangement and jointly with third parties, i.e., when decisions on their relevant activities require the unanimous consent of the parties that share control. Joint arrangements are classified into:

A joint venture is an entity that the Company controls jointly with other participants, where they maintain a contractual agreement that establishes joint control over the relevant activities of the entity. The parties have rights to the net assets of the entity. As of the date of acquisition, the excess of the acquisition cost over the net fair value of identifiable assets, liabilities and contingent liabilities assumed by the associate or joint venture is recognised as goodwill. Goodwill is included in the book value of the investment, is not amortised and is individually tested for impairment.

Joint operation: arrangement whereby the parties exercising joint control are entitled to the assets and liabilities with respect to the liabilities related to the arrangement.

Joint control: the distribution of the contractually determined control of an agreement, which exists only when decisions on the relevant activities require the unanimous consent of the parties sharing control.

The Company currently has joint arrangements represented in trusts. A joint operator will recognise in relation to its interest in a joint operation: (a) its assets, including its interest in jointly held assets; (b) its liabilities, including its share of the liabilities incurred jointly; (c) its ordinary revenues from the sale of its interest in the proceeds of the joint operation; (d) its share of revenues from ordinary activities arising from the sale of the product of the joint operation; and (e) its expenses, including its share of expenses incurred jointly.

As of the issue date of the financial statements, the Company has not registered any goodwill generated on investments in associates and joint ventures or joint arrangements.

Investments in associates or joint ventures are measured in the separate financial statements at cost. Joint arrangements of the type of joint operations represented in trusts are measured at fair value.

3.6 Intangible Assets

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

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

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

(a) Research and Development Expenses

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

(b) Other Intangible Assets

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

Useful life for amortisation:

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

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

3.7 Property, Plant and Equipment

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

- The costs of general and specific interests directly attributable to the acquisition, construction or production of suitable assets, which are those necessarily requiring a given substantial time before they are ready for the expected use or sale, are added to the cost of said assets until the time the assets are substantially ready for their intended use or sale. The Company defines substantial period as a term exceeding twelve months. The interest rate used corresponds to the specific financing or, if unavailable, the average financing rate of the company making the investment.
- Personnel expenses related directly to constructions underway.
- Future disbursements that the Company will have to make with respect to the closing of its facilities

(In thousands of pesos)

are incorporated into the asset value for the updated value, recognising from an accounting standpoint the respective provision for dismantling or restoration. The Company annually reviews its estimates on the aforementioned future disbursements, increasing or decreasing the asset value based on the results of said estimation.

- Components of property, plant and equipment are the spare parts that meet the recognition characteristics; these spare parts are not part of that material inventory.

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

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

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

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

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

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

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

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

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

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

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

3.8 Asset Impairment

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

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

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

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

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

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

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

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

(2) Financial Assets

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

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

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

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

Energy and Gas Portfolio

% Impairment	Type of Portfolio and Age
100%	Portfolio over 360 days in default
Percentage determined according to analysis	An individual monthly assessment of the energy and gas portfolio that is individually significant and showing impairment indicators will be carried out. In the case of the portfolio that is not individually significant, the impairment will be assessed collectively based on historical behaviour. **<u>Individual Portfolio Analysis from 0 to 30 Days:</u>** The individual analysis will be based on objective evidence of impairment, which is generated as a consequence of one or more events that occurred after the initial recognition of the asset including the following observable information: 1. Amount at risk May at $100 Million. 2. Analysis of the financial impairment of the following aspects: • Credit Risk Factor (crf) under 5 in the last two years: this index seeks to reflect the capacity of a customer to respond with their payment obligations. This assessment measures the credit risk that corresponds to the possibility of default or inability to pay a counterparty. It is determined by a financial, accounting and performance evaluation of the counterparty. • Portfolio rating classified as D during the last 6 months. • Reports on early alerts in the last 6 months. 3. Observable customer criteria such as the following: • Guarantees held by the company. • Admission to processes such as concordat, restructuring agreement, reorganisation, grounds for dissolution from losses or private, compulsory or judicial liquidation. • Legal processes, lawsuits, legal opinions, etc. • Resolutions or administrative acts of regulatory bodies, which resolve and compel the Company to freeze collections.

29

	The percentage to be provisioned will be determined based on the analysis above. **Individual Portfolio Analysis Greater than 30 and Less than 360 Days:** An individual monthly assessment process will be carried out on the energy and gas portfolio greater than 30 days and less than 360 days, based on the objective evidence that takes into account observable information from our customers, such as: • Annual credit risk factor (CRF) assessment: The credit risk assessment is mainly based on quantitative aspects from the customers' balance sheets and financial statements. These balances and statements will allow the calculation of financial ratios, which are weighted to obtain a unique value that measures a customer's ability to respond to their payment commitments. Credit risk factor (crf): equals the weighted sum of several indices (acid-test ratio, interest coverage, indebtedness, ROI, business seniority, payment behaviour, judicial history), each of which measures financial, accounting or performance attributes of a company. The crf varies in a range of -2 to 10, and according to its value implies the requirement of guarantees to the customer company. • Guarantees held by the company. • Admission to processes such as concordat, restructuring agreement, reorganisation, grounds for dissolution from losses or private, compulsory or judicial liquidation. • Legal processes, lawsuits, legal opinions, etc. • Resolutions or administrative acts of regulatory bodies, which resolve and compel the Emgesa to freeze collections. The registration of the corresponding provision will be determined based on the analysis above. A portfolio of over 360 days is provisioned.

Other debtors

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

Provision	Age
100%	Portfolio greater than 360 days

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

3.9 Leases

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

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

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

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

3.10 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

3.11 Taxes

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

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

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

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

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

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

(a) is not a business combination, and;

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

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

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

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

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

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

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

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

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

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

3.11.2 Wealth Tax

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

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

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

3.11.3 Sales Tax

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

3.12 Employee Benefits

a. Pensions

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

b. Other Obligations Subsequent to the Workplace Relationship

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

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

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

c. Long-term Benefits

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

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

d. Benefits of Employee Loans

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

3.13 Fair Value Estimate

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

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

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

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

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

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

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

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

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

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

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

3.14 Foreign Currency Conversion

1. Functional Currency and Presentation Currency

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

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

2. Transactions and Balances in Foreign Currency

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

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

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

3.15 Classification of Balance as Current and Non-current

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

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

3.16 Recognition of Revenues

Revenues are booked according to the accrual criterion.

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

The following criteria are followed for recognition of ordinary revenues:

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

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

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

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

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

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

3.17 Recognition of Costs and Expenses

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

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

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

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

3.18 Capital Stock

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

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

3.19 Reserves

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

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

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

3.20 Earnings per Share

The basic earning per share is calculated as the quotient between the net gain of the period attributable to Company shareholders and the average weighted number of ordinary outstanding shares in said period, after making the appropriation for preferred dividends corresponding to 20,952,601 shares as of 31

(In thousands of pesos)

December 2016 and 2015 of Empresa de Energía de Bogotá S.A. E.S.P. Preferred dividends have a value of US $0.1107 per share.

3.21 Distribution of Dividends

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

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

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

3.22 Operating Segments

An operating segment is a component of an entity:

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

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

(c) over which there is differentiated financial information.

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

4. Cash and Cash Equivalents

	As of 31 December 2016	As of 31 December 2015
Bank balance	$ 456,308,124	$ 180,481,092
Short-term deposits (1)	101,100,000	60,000,000
Other cash and cash equivalents (2)	62,620,564	58,684,245
Cash	49,256	13,175
	$ 620,077,944	**$ 299,178,512**

(In thousands of pesos)

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

Currency	As of 31 December 2016	As of 31 December 2015
Colombian Pesos	$ 618,365,887	$ 298,685,853
U.S. Dollars	1,706,072	491,149
Euros	5,985	1,510
	$ 620,077,944	**$ 299,178,512**

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

Bank	Amount	Rate	Days	Start	Maturity
Corpbanca	101,100,000	8.35%	90	27-Oct-2016	27-01-2017

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

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

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

Financial entity	As of 31 December 2016	As of 31 December 2015
Collective portfolio QB (*)	$ 47,182,957	$ 47,645,756
Corredores Asociados	14,472,428	10,888,352
Corredores Asociados Derivex	548,190	101,570
Collective Portfolio Bancolombia	286,400	-
Fiduciaria Bogotá	58,236	3,426
Fondo de Inversión Fonval	50,633	3,368
BBVA Fiduciaria	15,048	32,103
Fondo Abierto Alianz	4,336	7,465
Fiduciaria Corficolombiana	2,336	2,205
	$ 62,620,564	**$ 58,684,245**

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

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

As of 31 December 2016, the Company has restricted cash (see Note 34 - Energy Derivatives Market)

(In thousands of pesos)

5. Other Financial Assets

	As of 31 December 2015		As of 31 December 2016	
	Current	Non-current	Current	Non-current
Trusts (1)	$ 11,502,292	$ -	$ 12,102,749	$ -
Guarantees energy derivatives markets	2,298,018	-	-	-
Other assets	1,466,899	-	101,572	-
Hedging and non-hedging derivative instruments (2)	26,523	-	1,180,802	-
Financial investments available for sale – companies not listed or with low liquidity (3)	-	5,698,661	-	2,740,235
	$ 15,293,732	**$ 5,698,661**	**$ 13,385,123**	**$ 2,740,235**

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

Trusts	As of 31 December 2016	As of 31 December 2015
Trusts Tominé Reservoir	$ 7,478,016	$ 7,199,474
Trusts Proyecto Quimbo	2,384,752	3,860,454
Trusts Muña Reservoir	1,639,524	1,042,821
	$ 11,502,292	**$ 12,102,749**

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

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

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

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

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

(In thousands of pesos)

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

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

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

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

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

6. Other Non-Financial Assets

	As of 31 December 2016		As of 31 December 2015	
	Current	Non-current	Current	Non-current
Other debtors (1)	$ 14,885,824	-	$ 18,233,710	-
Prepayments for the purchase of goods (2)	6,921,428	-	10,602,627	-
Employee benefits for loans (3)	349,722	6,397,436	364,046	4,864,712
Accounts receivable insurers (4)	25,803	-	15,773,152	-
Prepaid expenses (5)	-	-	20,372,850	-
	$ 22,182,777	**$ 6,397,436**	**$ 65,346,385**	**$ 4,864,712**

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

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

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

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

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

(In thousands of pesos)

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

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

	As of 31 December 2016	As of 31 December 2015
Collateral deposits XM	$ 3,999,358	$ 4,938,396
Vansolix S A In restructuring	612,283	676,830
P Van Der Wegen Gears	382,126	427,301
Mechanical Dynamics & Analysis, Ltd	301,814	-
Empresa de Energía del bajo Putumayo S.A.	269,515	-
Agencia de Aduanas Suppla S.A.S.I	227,000	61,504
Electrificadora del Meta S.A. E.S.P	183,899	-
Centrales Eléctricas del Norte	174,917	-
Electrificadora de Santander S.A. E.S.P.	174,330	-
Empresa de Energía de Casanare S.A.	147,981	-
Empresa de Energía de Pereira S.A.	122,308	-
Central Hidroelectrica de Caldas S.A.	102,583	-
Companía Energética del Tolima	99,065	-
Patrimonios Autónomos Fiduciaria	67,847	-
Others	59,288	59,158
Electrificadora del Huila S.A. E.S.P	39,005	-
Exchange difference not realised	(55,652)	4,122,670
Pegasus Bleng International	13,761	148,101
Almaviva S.A.	-	147,654
Siemens S.A.	-	21,013
	$ 6,921,428	**$ 10,602,627**

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

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

(5) Expenses paid in advance correspond to:

	As of 31 December 2016	As of 31 December 2015
All risk policy	$ -	$ 19,256,421
Civil liability policy	-	1,106,382
	-	**20,362,803**
Others (prepaid healthcare)	-	10,047
	$ -	**$ 20,372,850**

The Company has no balance in the expenses paid in advance for 2016 due to the fact that the coverage of the insurance policy was in force until October, and in November and December there was an estimated provision for expenses, these policies are negotiated globally by the group.

(In thousands of pesos)

7. Commercial Accounts Receivable and Other Receivables, Net

	As of 31 December 2016		As of 31 December 2015	
	Current	Non-current	Current	Non-current
Commercial accounts, gross * (1)	$ 196,007,845	$ -	$ 277,989,579	$ -
Commercial financed portfolio, gross (2)	56,681,996	3,425,525	32,392,377	-
Portfolio Thermal Compensation, gross (3)	17,343,748	21,066,435	17,335,372	-
Other accounts receivable, gross	3,641,772	10,214,174	4,789,096	8,686,009
Employees financed portfolio, gross	318,287	-	775,396	-
Total commercial accounts and other accounts receivable, gross	**273,993,648**	**34,706,134**	**333,281,820**	**8,686,009**
Provision for impairment of financed portfolio	(56,681,996)	(3,425,525)	-	-
Provision for impairment of commercial accounts	(45,767,346)	-	(3,546,893)	-
Provision for impairment of other accounts receivable	(2,049,313)	-	(2,111,024)	-
Total provision for impairment	**(104,498,655)**	**(3,425,525)**	**(5,657,917)**	**-**
Commercial accounts, net	150,240,499	-	274,442,686	-
Financed portfolio, net	-	-	32,392,377	-
Other accounts receivable, net	17,343,748	21,066,435	17,335,372	-
Employees financed portfolio, net	1,592,459	10,214,174	2,678,071	8,686,009
Portfolio Thermal Compensation, net	318,287	-	775,396	-
Total commercial accounts and other accounts receivable, net	**$ 169,494,993**	**$ 31,280,609**	**$ 327,623,902**	**$ 8,686,009**

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

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

Generation and transmission portfolio at Dec. 31/16	Current portfolio	Past due portfolio 1-180 days	Past due portfolio >360 days	Total current portfolio
Commercial accounts, gross	**$ 155,501,199**	**$ 38,042,568**	**$ 2,464,078**	**$ 196,007,845**
- Large customers	145,516,459	38,032,567	2,464,078	186,013,104
- Institutional customers	9,984,740	-	-	9,984,740
- Others	-	10,001	-	10,001
- Provision for impairment	(8,620,111)	(34,683,157)	(2,464,078)	(45,767,346)
Commercial accounts and financed portfolio, net	**$ 146,881,088**	**$ 3,359,411**	**$ -**	**$ 150,240,499**

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

Generation and transmission portfolio at Dec. 31/15	Current portfolio	Past due portfolio 1-180 days	Past due portfolio >360 days	Total current portfolio
Commercial accounts, gross	**$ 270,152,266**	**$ 5,336,665**	**$ 2,500,648**	**$ 277,989,579**
- Large customers	261,917,229	5,336,665	2,500,648	269,754,542
- Institutional customers	8,235,037	-	-	8,235,037
- Provision for impairment	-	(1,046,245)	(2,500,648)	(3,546,893)
Commercial accounts and financed portfolio, net	**$ 270,152,266**	**$ 4,290,420**	**$ -**	**$ 274,442,686**

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

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

(In thousands of pesos)

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

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

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

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

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

Portfolio Impairment

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

Debtors from expired and unpaid sales, with impairment	Current	Non-current
Balance as of 31 December 2015	**$ (5,657,917)**	**$ -**
Period increases (decreases)	(98,894,945)	(3,425,525)
Written–off amounts	54,207	-
Balance as of 31 December 2016	**$ (104,498,655)**	**$ (3,425,525)**

(In thousands of pesos)

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

Debtors from expired and unpaid sales, with impairment as of 31 December 2015	
Balance as of 1 January 2014	**$ 3,029,914**
Period increases (decreases)	2,760,070
Written–off amounts	(574,596)
Balance as of 31 December 2014	**$ 5,215,388**
Period increases (decreases)	457,493
Written–off amounts	(14,964)
Balance as of 31 December 2015	**$ 5,657,917**

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

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

Customer	Provisioned balance
Electrificadora del Caribe S.A. E.S.P.	**$ 99,263,875**
- Financed Portfolio	56,035,823
- Wholesale Market	42,499,344
- Energy Spot	728,708
Termocandelaria S.C.A. E.S.P.	**$ 4,399,972**
- Financed Portfolio	4,399,972

Guarantees granted by Debtors:

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

8. Investments in Subsidiaries, Joint Ventures and Associates

The Company's holdings in other associates and subsidiaries are initially recorded at cost and thereafter the equity method is applied in the Company's separate financial statements as established in Decree 2420/2015, as amended by Decree 2496/2015 (See note 3.4).

The detail of the recognised investments are as follows:

Share Certificates	Economic activity	Relationship	Common shares	Interest %	Value 31/12/16	Value 31/12/15
Sociedad Portuaria Central Cartagena S.A.(1)	Port services	Subsidiary	55,071	94,95	$ 491,772	$ 5,507
Emgesa Panamá (2)	Energy	Subsidiary		100,00	71,293	46,572
					$ 563,065	**$ 52,079**

(1) The Company recorded a valuation in Sociedad Portuaria Central Cartagena for $ 486,265 and a devaluation in Emgesa Panama ($73,911).

(In thousands of pesos)

(2) In April 2016 the Company capitalised Emgesa Panama for USD $32,160, equivalent to $98,633 to increase working capital.

9. Balances and Transactions with Related parties

Accounts receivable from Related Entities

Name of related company	Relationship	Country of origin	Type of transaction	As of 31 December 2016 Current	As of 31 December 2016 Non-current	As of 31 December 2015 Current	As of 31 December 2015 Non-current
Sociedad Portuaria Central Cartagena S.A. (1)	Subsidiary	Colombia	Loans payable/receivable	$ -	1,071,150	$ -	$ 1,005,483
Sociedad Portuaria Central Cartagena S.A.(2)	Subsidiary	Colombia	Prepayment	1,018,221	-	-	-
Sociedad Portuaria Central Cartagena S.A.	Subsidiary	Colombia	Other services	107,256	-	120,547	-
Codensa	Associate	Colombia	Other services	202,479	-	184,624	-
Codensa (3)	Associate	Colombia	Sale of energy	-	-	26,663,641	-
Enel Green Power Colombia (4)	Associate	Colombia	Other services	80,865	-	4,375,000	-
Enel Chile S.A. (5)	Associate	Chile	Other services	24,176	-	24,176	-
Energía Nueva Energía Limpia México (5)	Associate	Mexico	Other services	14,226	-	-	-
Endesa Energía SAU (5)	Associate	Spain	Other services	2,204	-	2,204	-
EEC (now Codensa) (3)	Associate	Colombia	Sale of energy	-	-	1,397,221	-
EEB	(*)	Colombia	Other services	-	-	525,532	-
			Total	**$ 1,449,427**	**$1,071,150**	**$ 33,292,945**	**$1,005,483**

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

(1) Corresponds to long-term intercompany loans, which are agreed upon for 7 years; These credits were made to cover obligations with the National Institute of Concessions - INCO today National Agency of Infrastructure - ANI and suppliers.
(2) Corresponds to a prepayment for maintenance of a barge of Sociedad Portuaria Central Cartagena.
(3) Corresponds to the estimated portfolio of energy sales, the decrease as of 31 December 2016 is presented because the December energy sale was invoiced and collected in the same month.
(4) Corresponds to the sale of assets associated with the wind power generation project.
(5) Corresponds to the provision for expatriate personnel costs in Spain, Chile and Mexico. As of December 2015, there was the receivable with Enersis for $ 24,176, currently Enel Chile S.A.

Accounts Payable to Related Entities

Name of related company	Country of origin	Relationship	Type of transaction	As of 31 December 2016 Current	As of 31 December 2015 Current
Enel Américas S.A. (1)	Chile	Associate	Dividends	$ 96,986,181	$ 90,159,368
Codensa (2)	Colombia	Associate	Purchase of energy	10,801,224	9,133,840
Codensa	Colombia	Associate	Other services	-	93,249
Enel Italia Service (3)	Italy	Associate	Studies and projects	3,547,333	-
Enel Produzione Spa (4)	Italy	Associate	Other services	1,779,948	824,621
Enel SPA (4)	Italy	Associate	Other services	663,644	-
Enel SPA	Italy	Associate	Studies and projects	318,750	-
Enel Trade (4)	Italy	Associate	Other services	457,254	-
Enel Latinoamérica (4)	Spain	Associate	Other services	415,969	183,018
Enel Iberoamérica (5)	Spain	Associate	Other services	383,130	211,901
Enel Ingegnieria e Ricerca (4)	Italy	Associate	Other services	166,088	-
Enel Ingegnieria e Ricerca	Italy	Associate	Studies and projects	-	862,848
Enel Generación Chile S.A. (4)	Chile	Associate	Other services	134,334	314,723
Enel Chile S.A. (4)	Chile	Associate	Other services	59,698	132,471
Sociedad Portuaria Central Cartagena S.A	Colombia	Subsidiary	Other services	38,616	195,413
EEC (now Codensa) (6)	Colombia	Associate	Purchase of energy	-	624,273
EEB	Colombia	(*)	Dividends	103,051,317	97,751,172
EEB	Colombia	(*)	Other services	50,402	47,345
			Total	**$ 218,853,888**	**$ 200,534,242**

(In thousands of pesos)

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

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

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

Company	Purpose of transaction	As of 31 December 2016	As of 31 December 2015
Revenues			
Codensa	Sale of energy	642,784,272	291,633,327
Codensa	Other services	435,272	408,517
Codensa	Sale of fixed assets	202,479	99,573
Codensa	Financial revenues	195,109	-
EEC (now Codensa)	Sale of energy	27,691,953	17,793,092
EEB	Operation services	730,196	448,681
Sociedad Portuaria Central Cartagena SA	Operation and interests	181,564	174,336
Enel Ingeneria E Ricerca S.P.A	Exchange difference	41,069	127,212
Enel Generación Chile S.A	Exchange difference	28,287	228,234
Energía Nueva Energía Limpia México	Other services	14,226	-
Enel Chile S.A (1)	Exchange difference	11,504	4,259
Enel Chile S.A (1)	Other services	-	24,176
Enel Latinoamérica	Exchange difference	10,924	3,108
Emgesa Panamá	Exchange difference	6,940	-
Enel Iberoamérica	Exchange difference	1,720	4,817
Enel Green Power Colombia	Sale of fixed assets	-	4,375,000
Endesa Energía SAU	Other services	-	2,204
Endesa Energía SAU	Exchange difference	-	475
		$ 672,335,515	$ 315,327,011
Costs and expenses			
Codensa	Energy transport	119,339,729	106,745,607
Codensa	Energy and lighting	468,369	590,134
Codensa	Other services	319,985	8,338
Codensa	Financial expenses	-	54,335
EEC (now Codensa)	Energy transport	3,819,886	4,517,464
EEC (now Codensa)	Other services	456	572
EEB	Other services	-	985,025
Enel Produzione SPA	Other services	989,546	824,621
Sociedad Portuaria Central Cartagena S.A.	Management and operation	803,417	571,557
Enel SPA	Other services	629,425	-
Enel SPA	Studies and projects	318,750	-
Enel Italia Service	Studies and projects	589,096	-
Enel Trade	Other services	457,254	-
Enel Iberoamérica	Computer services	388,328	247,511
Enel Iberoamérica	Exchange difference	8,493	1,610

(In thousands of pesos)

Enel Latinoamérica	Other services	388,152	373,825
Board of Directors	Fees	327,546	260,782
Enel Ingeneria E Ricerca S.P.A.	Other services	166,088	-
Enel Ingeneria E Ricerca S.P.A.	Studies and projects	41,435	862,848
Enel Ingeneria E Ricerca S.P.A.	Exchange difference	13,879	19,109
Enel Generación Chile S.A.(1)	Exchange difference	19,333	-
Enel Generación Chile S.A. (1)	Other services	422	215,487
Enel Chile S.A. (1)	Exchange difference	7,801	-
Enel Chile S.A. (1)	Other services	195	84,120
Emgesa Panamá	Exchange difference	3,810	-
Endesa Energía SAU	Other services	-	28,887
Endesa Energía SAU	Exchange difference	-	261
		$ 129,101,395	**$ 116,392,093**

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

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

Board of Directors and Key Management Personnel

Board of Directors

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

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

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

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

Name	As of December 31 2016	As of December 31 2015
Herrera Lozano Jose Alejandro	$ 41,541	$ 20,558
Riga Bruno	38,144	25,974
Rubio Diaz Lucio	37,991	37,594
Vargas Lleras Jose Antonio	34,604	37,594

(In thousands of pesos)

Lafaurie Luisa Fernanda	31,303	31,446
Álvarez Hernández Gloria Astrid	31,165	-
Araujo Castro María Consuelo	27,528	-
Romero Raad Richard Ernesto	10,267	-
Lopez Valderrama Andres	10,238	3,436
Gutierrez Medina Fernando	6,937	8,494
Vivas Munar Diana Margarita	6,630	-
Bonilla Gonzalez Ricardo	3,746	37,594
Caprini Daniele	3,550	-
Jimenez Rodriguez Diana Marcela	3,397	3,126
Roa Barragán Ricardo	-	34,768
Maldonado Copello Maria Mercedes	-	17,035
Torres Macías Alvaro	-	2,825
Total general	**$ 287,041**	**$ 260,444**

Key Management Personnel

Below is a list of key Management personnel:

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

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

	As of 31 December 2016	As of 31 December 2015
Fees	$ 2,406,348	$ 1,893,498
Short-term benefits	498,746	420,207
	$ 2,905,094	**$ 2,313,705**

Incentives Plans for Key Management Personnel

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

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

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

(In thousands of pesos)

10. Inventories

	As of 31 December 2016	As of 31 December 2015
Coal (*)	$ 23,083,747	$ 10,994,370
Energy items and accessories (1)	10,460,814	11,361,974
Fuel Oil (*)	10,447,760	12,206,531
Total inventories	**$ 43,992,321**	**$ 34,562,875**

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

1) Items and accessories consist of:

	As of 31 December 2016	As of 31 December 2015
Spares and materials (a)	$ 10,738,520	$ 11,644,519
Provision of materials (b)	(277,706)	(282,545)
Total other inventories	**$ 10,460,814**	**$ 11,361,974**

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

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

11. Intangible Assets Other than Goodwill, Net

Intangible assets	As of 31 December 2016	As of 31 December 2015
Rights (1)	$ 58,099,975	$ 54,961,578
Development costs (2)	24,384,010	25,729,367
Licenses (3)	11,904,716	4,634,553
Software	825,714	1,190,334
Other identifiable intangible assets	4,817,773	3,103,281
Constructions and work in progress	4,405,324	2,690,832
Other intangible resources	412,449	412,449
Intangible assets, net	**$ 100,032,188**	**$ 89,619,113**
Cost		
Rights (1)	83,322,027	78,664,639
Development costs (2)	34,555,565	35,636,887
Licenses (3)	20,712,441	11,363,839
Software	12,211,180	11,795,593
Other identifiable intangible assets	8,274,738	6,560,246
Constructions and work in progress	4,405,324	2,690,832
Other intangible resources	3,869,414	3,869,414
Intangible assets, gross	**$ 159,075,951**	**$ 144,021,204**
Amortisation		
Rights (1)	(25,222,052)	(23,703,061)
Development costs (2)	(10,171,555)	(9,907,520)
Licenses (3)	(8,807,725)	(6,729,286)
Software	(11,385,466)	(10,605,259)
Other identifiable intangible assets	(3,456,965)	(3,456,965)
Intangible assets cumulative amortisation	**$ (59,043,763)**	**$ (54,402,091)**

(In thousands of pesos)

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

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

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

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

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

Movements in intangible assets as of 31 December 2016			Patents, trademarks and other rights	Other identifiable intangible assets			
	Development costs	Rights	Licenses	Software	Constructions and Works in progress	Other intangible resources	Intangible assets
Initial balance 31/Dec/15	**$ 25,729,367**	**$ 54,961,578**	**$ 4,634,553**	**$ 1,190,334**	**$ 2,690,832**	**$ 412,449**	**$ 89,619,113**
Movements in intangible assets							
Additions (*)	2,520,635	4,657,388	9,842,860	-	1,644,556	-	18,665,439
Transfers	8,735	-	(494,259)	2,198,342	(1,712,818)	-	-
Removals (**)	(3,610,692)	-	-	-	-	-	(3,610,692)
Amortisation	(264,035)	(1,518,991)	(2,078,438)	(780,208)	-	-	(4,641,672)
Other increases (decreases)	-	-	-	(1,782,754)	1,782,754	-	-
Total movements in intangible identifiable assets	**(1,345,357)**	**3,138,397**	**7,270,163**	**(364,620)**	**1,714,492**	**-**	**10,413,075**
Final balance 31/Dec/16	**$ 24,384,010**	**$ 58,099,975**	**$ 11,904,716**	**$ 825,714**	**$ 4,405,324**	**$ 412,449**	**$ 100,032,188**

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

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

(In thousands of pesos)

Movements in intangible assets as of 31 December 2015			Patents, trademarks and other rights	Other identifiable intangible assets			
	Development costs	Rights	Licenses	Software	Constructions and Works in progress	Other intangible resources	Intangible assets
Initial balance 01/Jan/15	**$ 22,228,774**	**$ 57,143,427**	**$ 5,939,950**	**$ 853,122**	**$ 2,806,535**	**$ 412,449**	**$ 89,384,257**
Movements in intangible assets							
Additions	17,547,695	-	897,324	1,449,502	-	-	**19,894,521**
Transfers	-	-	22,829	(22,829)	-	-	**-**
Removals (*)	(3,982,898)	-	-	-	(172,244)	-	**(4,155,142)**
Amortisation (see note 25)	-	(2,181,849)	(2,225,550)	(1,089,461)	-	-	**(5,496,860)**
Other increases (decreases)	(10,064,204)	-	-	-	56,541	-	**(10,007,663)**
Total movements in intangible identifiable assets	**3,500,593**	**(2,181,849)**	**(1,305,397)**	**337,212**	**(115,703)**	**-**	**234,856**
Final balance 31/Dec/15	**$ 25,729,367**	**$ 54,961,578**	**$ 4,634,553**	**$ 1,190,334**	**$ 2,690,832**	**$ 412,449**	**$ 89,619,113**

12. Property, Plant and Equipment, Net

	As of 31 December 2016	As of 31 December 2015
Plants and equipment (1)	$ 7,424,945,002	$ 7,381,204,500
Construction in progress (2)	159,306,414	155,875,063
Lands	268,950,793	275,680,415
Buildings	44,219,117	44,442,206
Fixed installations and others	18,359,418	20,448,137
Finance leases (3)	6,772,669	581,767
Property, plant and equipment, net	**$ 7,922,553,413**	**$ 7,878,232,088**
Plants and equipment	10,286,726,643	10,070,657,112
Hydroelectric generation plants	9,485,351,764	9,353,656,299
Thermoelectric generation plants	801,374,879	717,000,813
Construction in progress	159,306,414	155,875,063
Lands	268,950,793	275,680,415
Buildings	76,135,326	75,275,642
Fixed installations and others	86,910,076	84,840,935
Fixed installations and fittings	34,514,429	34,786,551
Other installations	52,395,647	50,054,384
Finance leases	8,093,197	707,522
Property, plant and equipment, gross	**$ 10,886,122,449**	**$ 10,663,036,689**
Plants and equipment	(2,861,781,641)	(2,689,452,612)
Hydroelectric generation plants	(2,578,856,343)	(2,435,458,478)
Thermoelectric generation plants	(282,925,298)	(253,994,134)
Fixed installations and others	(68,550,658)	(64,392,798)
Fixed installations and fittings	(26,761,086)	(25,802,141)
Other installations	(41,789,572)	(38,590,657)
Buildings	(31,916,209)	(30,833,436)
Finance leases	(1,320,528)	(125,755)
Cumulative depreciation	**$ (2,963,569,036)**	**$ (2,784,804,601)**

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

(In thousands of pesos)

The item plants and equipment consists of the following:

THERMAL POWER PLANTS			
As of 31 December 2016			
Plant	**Gross cost**	**Cumulative Dep.**	**Net Cost**
CC – Termozipa	606,004,192	(205,898,182)	400,106,010
CF – Cartagena	195,370,687	(77,027,116)	118,343,571
Total Thermal Power Plants	**801,374,879**	**(282,925,298)**	**518,449,581**

HYDRAULIC POWER PLANTS			
As of 31 December 2016			
Plant	**Gross cost**	**Cumulative Dep.**	**Net Cost**
CH – Quimbo (*)	3,337,543,174	(50,011,295)	3,287,531,880
CH – Guavio	3,201,766,211	(1,039,487,422)	2,162,278,789
CH – Betania	1,902,584,348	(950,666,904)	951,917,444
CH – Pagua	791,566,867	(415,792,866)	375,774,001
CH – Minor stations (Rio Bogotá)	161,995,174	(91,801,799)	70,193,375
CH – Salaco	89,895,990	(31,096,057)	58,799,932
Total Hydraulic Power Plants	**9,485,351,764**	**(2,578,856,343)**	**6,906,495,421**
Total plants and equipment	**10,286,726,643**	**(2,861,781,641)**	**7,424,945,002**

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

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

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

POWER PLANT	**As of 31 December 2016**
CC – Termozipa	$ 67,980,812
CH – Quimbo	23,271,423
CF – Cartagena	22,153,246
CH - Salaco	14,885,160
CH - Pagua	9,397,288
CH - Guavio	7,311,352
CH - Minor stations (Rio Bogotá)	7,246,849
Other investments	3,532,947
CH - Betania	3,527,337
Total constructions in progress	**$159,306,414**

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

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

Project	**As of 31 December 2016**
CT. Termozipa	$ 37,996,565
CT. Cartagena	24,364,333
CH. Quimbo (*)	17,400,809
CH. Laguneta	16,468,149
CT. Betania	12,563,105
CH. Guaca	12,209,773
CH. Guavio	12,045,675
CH. Paraíso	7,371,466
Other projects	3,711,078

(In thousands of pesos)

CH. Salto 2	1,813,959
CH. El Limonar	1,336,708
CH. Tequendama	1,155,189
CH. Charquito	438,196
CH. La Tinta	243,851
CH. San Antonio	199,076
CH. Muña 2	140,235
Total general	**$ 155,875,063**

CH- Hydroelectric Power Plant CT- Thermoelectric Power Plant

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

Movement in property, plant, and equipment as of 31 December 2016	Constructions in progress	Lands	Buildings	Plants and equipment: Hydroelectric generation plants	Plants and equipment: Thermoelectric generation plants	Fixed installations and accessories: Fixed facilities and accessories	Fixed installations and accessories: Other facilities	Finance leases	Property, plant, and equipment
Initial balance 31/Dec/2015	**$ 155,875,063**	**$ 275,680,415**	**$ 44,442,206**	**$ 6,918,197,820**	**$ 463,006,679**	**$ 8,984,410**	**$ 11,463,727**	**$ 581,767**	**$7,878,232,087**
Movement in property, plant and equipment									
Additions	229,113,238	302,363	222,550	1,392,365	1,439,109	45,466	471,434	6,546,073	**239,532,598**
Transfers	(225,681,887)	(7,031,985)	1,478,378	141,016,182	88,077,892	126,472	2,014,948	-	**-**
Removals	-	-	(1,355)	(3,755,273)	(4,136,100)	(104,064)	(4,696)	-	**($ 8,001,488)**
Depreciation expense	-	-	(1,922,662)	(150,355,673)	(29,937,999)	(1,298,941)	(3,339,338)	(355,171)	**($ 187,209,784)**
Other increases (decreases)	-	-	-	-	-	-	-	-	-
Total movements	3,431,351	(6,729,622)	(223,089)	(11,702,399)	55,442,902	(1,231,067)	(857,652)	6,190,902	**44,321,326**
Final balance 31/Dec/16	**$ 159,306,414**	**$ 268,950,793**	**$ 44,219,117**	**$ 6,906,495,421**	**$ 518,449,581**	**$ 7,753,343**	**$ 10,606,075**	**$ 6,772,669**	**$ 7,922,553,413**

Movement in property, plant, and equipment as of 31 December 2015	Constructions in progress	Lands	Buildings	Plants and equipment: Hydroelectric generation plants	Plants and equipment: Thermoelectric generation plants	Fixed installations and accessories: Fixed facilities and accessories	Fixed installations and accessories: Other facilities	Finance leases	Property, plant, and equipment
Initial balance 1/Jan/2015	**$ 2,424,862,644**	**$ 51,314,209**	**$ 47,629,060**	**$ 3,723,934,196**	**$ 426,850,610**	**$ 9,520,558**	**$ 13,815,179**	**$ 425,057**	**$ 6,698,351,513**
Movement in property, plant and equipment									
Additions	1,113,657,176	213,508,113	529,146	339,119	247,224	85,369	672,103	282,466	**1,329,320,716**
Transfers	(3,392,708,961)	10,858,093	876,594	3,314,351,823	65,336,204	735,743	550,504	-	**-**
Removals	-	-	(2,851)	(786,220)	-	(30,921)	3,822	-	**(816,170)**
Depreciation expense	-	-	(4,589,743)	(119,584,560)	(29,427,358)	(1,326,339)	(3,577,881)	(125,755)	**(158,631,636)**
Other increases (decreases)	10,064,204	-	-	(56,539)	-	-	-	-	**10,007,665**
Total movements	**(2,268,987,581)**	**224,366,206**	**(3,186,854)**	**3,194,263,623**	**36,156,070**	**(536,148)**	**(2,351,452)**	**156,710**	**1,179,880,574**
Final balance 31/Dec/15	**$ 155,875,063**	**$ 275,680,415**	**$ 44,442,206**	**$ 6,918,197,819**	**$ 463,006,680**	**$ 8,984,410**	**$ 11,463,727**	**$ 581,767**	**$7,878,232,088**

Additional information on property, plant and equipment, net

Main investments

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

(In thousands of pesos)

Station	Main projects	From 1 January to 31 December 2016
CH - Betania	Recovery of main equipment	$ 1,934,884
CF - Cartagena	Environmental management plan and equipment recovery to increase reliability	32,482,192
Minor stations (Rio Bogotá)	Modernisation of equipment and recovery of auxiliary facilities	9,686,927
CH – Guavio	Constructions and recoveries in the tunnel of the Rio Chivor and modernisation of speed regulators	26,353,392
CH – Pagua	Recovery of stator windings and acquisitions of spare parts, equipment and impellers	21,329,508
CH - Quimbo	Update of environmental provision and construction, major maintenance for 4000 operating hours	52,527,141
CH – Salaco	Acquisition of hydraulic equipment and recovery of auxiliary facilities	4,451,913
Other investments	Investments in adjustments and improvements	127,418
CC - Termozipa	Modernisation of boilers, turbines, control boilers and works for the recirculation of water mitigating environmental impact in the Bogotá river	90,639,223
Total		**$ 239,532,598**

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

Main transfers to operation

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

From 1 January to 31 December 2016	
Station	**Total activation**
CC - Termozipa	**$ 57,762,364**
CH - Quimbo	45,149,527
CF - Cartagena	32,625,332
CH - Guavio	30,561,769
CH - Pagua	30,117,800
CH - Salaco	12,285,761
CH - Minor stations (Rio Bogotá)	7,984,002
CH - Betania	7,107,625
Other investments	2,087,707
Total	**$ 225,681,887**

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

Fully depreciated assets in use

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

Finance Lease

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

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

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

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

Minimum Payments for leases, obligations for finance leases	As of 31 December 2016			As of 31 December 2015		
	Gross	Interest	Present value	Gross	Interest	Present value
Less than one year	$ 2,815,849	$ 698,786	$ 2,117,063	$ 266,671	$ 68,989	$ 197,762
Over one year but less than five years	4,815,162	556,839	4,258,323	529,692	126,032	403,660
Total	**$ 7,631,011**	**$ 1,255,625**	**$6,375,386**	**$ 796,363**	**$ 195,021**	**$ 601,422**

Operating Lease

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

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

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

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

Minimum future payments for non-payable leases, Lessees	As of 31 December 2016	As of 31 December de 2015
Less than one year	$ 906,761	$ 675,831
Over one year but less than five years	1,312,285	978,077
	$ 2,219,046	**$ 1,653,908**

- The above information does not include VAT

Insurance policies

Below are the policies for the protection of Company property:

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

(In thousands of pesos)

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

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

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

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

13. Deferred Taxes

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

	Initial balance as of 31 December 2015	Increases (decreases) for deferred tax in profit or loss	Increases (decreases) for deferred tax in other comprehensive income	Final balance as of 31 December 2016
Depreciation and adjustments for inflation of property, plant and equipment	$ 198,346,511	($ 155,721,878)	-	$ 42,624,633
Other provisions (1)	14,475,646	34,674,131	-	49,149,777
Defined contribution obligations	2,576,532	($ 221,974)	5,210,224	7,564,782
Deferred taxes assets	**215,398,689**	**($ 121,269,721)**	**$ 5,210,224**	**$ 99,339,192**
Excess tax depreciation on book value	**(132,710,293)**	$ 132,710,293	-	**-**
Forward and swap	**(1,402,169)**	-	($ 788,220)	**($ 2,190,389)**
Deferred tax liabilities	**(134,112,462)**	**$ 132,710,293**	**($ 788,220)**	**($ 2,190,389)**
Deferred taxes assets, net	**$ 81,286,227**	**$ 11,440,572**	**$ 4,422,004**	**$ 97,148,803**

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

	Initial balance as of 31 December 2015	Increases (decreases) for deferred tax in profit or loss	Final balance as of 31 December 2016
Provisions for works and services	$ 9,430,894	$ (3,614,629)	$ 5,816,265
Provision for Labour Obligations	2,366,713	26,890	2,393,604
Provision for Quality Compensation	1,793,368	(257,509)	1,535,858
Others	-	1,788,438	1,788,438
Provision for Uncollectible Accounts	677,815	36,860,949	37,538,764
Provision of Industry and Trade	206,856	(130,008)	76,848
	$ 14,475,646	**$ 34,674,131**	**$ 49,149,777**

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

	Income	2016 CREE and surtax	2017 Surtax	2018 Surtax	2019 Surtax
Fixed assets	$ 127,310,083	$ -	$ 19,329,489	$ 17,719,007	$ 90,261,587
Provisions and estimated liabilities	16,796,537	11,053,124	9,734,250	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

(In thousands of pesos)

	269,060,088	**11,053,124**	**65,629,771**	**53,160,600**	**139,216,593**
Cree and surtax rate		15%	6%	4%	0%
Income rate		25%	34%	33%	33%
Cree tax and surtax		1,657,969	3,937,786	2,126,424	-
Income tax	88,561,877	2,763,281	22,314,122	17,542,998	45,941,476
Occasional earnings	8,647,473				
Rate	10%				
Tax	864,747				
Total deferred taxes debit	**$ 97,148,803**				

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

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

	Initial balance as of 31 December 2014	Increases (decreases) for deferred tax in profit or loss	Increases (decreases) for deferred tax in other comprehensive income	Final balance as of 31 December 2015
Depreciation and adjustments for inflation of property, plant and equipment (1)	$ 213,315,784	$ (14,969,273)	$ -	$ 198,346,511
Other provisions (1)	12,377,930	2,097,716	-	14,475,646
Deferred Quimbo	5,684,826	(5,684,826)	-	-
Defined contribution obligations	1,873,861	629,213	73,457	2,576,532
Others	77,897	(77,897)	-	-
Deferred taxes assets	**233,330,298**	**(18,005,067)**	**73,457**	**215,398,689**
Excess tax depreciation on book value (2)	(44,059,819)	(88,650,474)	-	**(132,710,293)**
Forward and swap	(3,310,934)	-	1,908,766	**(1,402,169)**
Deferred tax liabilities	**(47,370,753)**	**(88,650,474)**	**1,908,766**	**(134,112,462)**
Deferred taxes assets, net	**$ 185,959,545**	**$ 106,655,541**	**$ 1,982,223**	**$ 81,286,227**

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

	Initial balance as of 31 December 2014	Increases (decreases) for deferred tax in profit or loss	Final balance as of 31 December 2015
Provisions for works and services	$ 6,227,869	$ 3,203,025	$ 9,430,894
Provision for Labour Obligations	2,381,643	(14,930)	2,366,713
Provision for Quality Compensation	1,761,127	32,241	1,793,368
Others	1,300,069	(1,300,069)	-
Provision for Uncollectible Accounts	651,953	25,862	677,815
Provision of Industry and Trade	55,269	151,587	206,856
	$ 12,377,930	**$ 2,097,716**	**$ 14,475,646**

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

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

(In thousands of pesos)

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

	Income	2015 CREE and surtax	2016 CREE and surtax	2017 CREE and surtax	2018 CREE and surtax	Onwards CREE and surtax
Fixed assets	$ 179,442,816	$ -	$13,437,737	$11,299,903	$ 11,203,817	$143,553,360
Provisions and estimated liabilities	35,272,091	20,489,382	12,210,330	3,032,264	-	(459,885)
Defined contribution obligations	5,621,449	-	-	-	-	5,621,449
Portfolio	1,653,208	-	826,604	826,604	-	-
Deferred Quimbo	-	-	-	-	-	-
	221,989,564	20,489,382	26,474,671	15,158,771	11,203,817	148,714,924
Rate	25%	14%	15%	17%	18%	9%
	55,497,392	2,868,513	3,971,201	2,576,991	2,016,687	13,384,343
Occasional earnings	9,711,004					
Rate	10%					
Tax	971,100					
Total deferred taxes debit	**$ 81,286,227**					

14. Other Financial Liabilities

	As of 31 December 2016			As of 31 December 2015		
	Current			Current		
	Capital	Interests	Non-current	Capital	Interests	Non-current
Bonds issued (1)	$ 170,000,000	$ 119,989,589	$ 3,735,015,353	$ -	$113,969,527	$3,080,242,533
Club Deal (2)	40,666,667	875,042	244,000,000	20,333,333	824,875	284,666,667
Bank Loans (2)	130,000,000	622,916	-	462,551,809	5,487,510	130,000,000
Lease obligations (3)	2,117,063	-	4,258,323	197,682	-	403,660
Derivatives (4)	-	-	-	3,146,537	-	-
	$ 342,783,730	**$ 121,487,547**	**$ 3,983,273,676**	**$ 486,229,361**	**$120,281,912**	**$3,495,312,860**

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

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

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

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

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

Emgesa Issue and Placement Programme for the Local Market

The Company has a bond issue and placement programme that allows it to issue successive issues of such securities under the global quota that is authorised and available, and during the period of validity thereof. As of

(In thousands of pesos)

December 31, 2015, the Company had offered and placed six (6) bond issues (also referred to as "Tranches" in accordance with the terminology set forth in the programme prospectus) charged to the program, which were in effect at The date mentioned. All issues of bonds under the Emgesa Programme are rated AAA (Triple A) by Fitch Ratings Colombia S.C.V., and are dematerialised under the management of Deceval S.A.

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

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

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

First Tranche:

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

Second Tranche:

Total value placed:	$265,000,000 as follows:	
	Subseries A5:	$49,440,000
	Subseries B10:	$160,060,000
	Subseries B15:	$55,500,000
Balance as of 31 December 2016:	$215,560,000	
Nominal value per bond:	$10,000	
Issue term	Subseries A5: 5 years	
	Subseries B10: 10 years	

(In thousands of pesos)

	Subseries B15: 15 years
Issue date:	11 February 2009, for all subseries
Expiry date:	Subseries A 5: 11 February 2014
	Subseries B10: 11 February 2019
	Subseries B15: 11 February 2024
Coupon rate:	Subseries A 5: DTF A.R. + 1.47%
	Subseries B10: CPI + 5.78% E.A.
	Subseries B15: CPI + 6.09% E.A.

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

Third Tranche:

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

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

Fourth Tranche:

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

Fifth Tranche:

(In thousands of pesos)

Issue term	Subseries B6: 6 years Subseries B12: 12 years
Issue date:	11 September 2013
Expiry date:	Subseries B6: 11 September 2019 Subseries B12: 11 September 2025
Coupon rate:	Subseries B6: CPI + 4.25% E.A. Subseries B12: CPI + 5.00% E.A.

Sixth Tranche:

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

Seventh Tranche:

Total value placed:	$525,000,000, as follows: Subseries B3: $234,870,000 Subseries B7: $290,130,000
Costs of transaction as of 31 December 2016	$583,565
Balance as of 31 December 2016:	$524,416,435
Nominal value per bond:	$10,000
Issue term	Subseries B3: 3 years Subseries B7: 7 years

(In thousands of pesos)

Total value placed:	$300,000,000 as follows: Subseries E6: $300,000,000

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

Global International Bonds in Pesos

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

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

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

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

(In thousands of pesos)

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

Description	EA Rate (*)	Total current Less tan 90 days	Non-current 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	over 10 years	Total non-current
First Tranche B103	11.4169%	$ 186,805,847	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Second Tranche B104-10	12.0845%	2,588,489	-	160,060,000	-	-	-	-	160,060,000
Second Tranche B104-15	12.4130%	920,897	-	-	-	-	55,500,000	-	55,500,000
Third Tranche B105-9	12.2116%	6,359,811	218,200,000	-	-	-	-	-	218,200,000
Third Tranche B105-12	12.4236%	2,654,290	-	-	-	89,580,000	-	-	89,580,000
External bond Z47	10.1744%	8,554,859	-	-	-	90,000,000	-	-	90,000,000
External bond Z58	10.1744%	61,477,114	-	-	-	643,936,502	-	-	643,936,502
Fourth Tranche B10	9.6898%	1,460,910	-	-	-	-	299,778,726	-	299,778,726
Fourth Tranche B15	9.8169%	986,269	-	-	-	-	-	199,821,890	199,821,890
Fifth Tranche B12	11.2580%	2,257,780	-	-	-	-	362,755,283	-	362,755,283
Fifth Tranche B6-1	10.4633%	884,099	-	152,458,663	-	-	-	-	152,458,663
Fifth Tranche B6-2	10.4633%	286,566	-	49,417,296	-	-	-	-	49,417,296
Sixth Tranche B16	10.3573%	2,043,600	-	-	-	-	-	162,348,899	162,348,899
Sixth Tranche B10	10.0183%	2,270,438	-	-	-	-	186,244,241	-	186,244,241
Sixth Tranche B6-2	9.5838%	1,529,325	-	-	130,976,019	-	-	-	130,976,019
Sixth Tranche B6-1	9.5838%	1,283,480	-	-	109,923,060	-	-	-	109,923,060
Seventh Tranche B3-16	9.6580%	3,061,906	-	234,634,163	-	-	-	-	234,634,163
Seventh Tranche B7-16	10.9295%	4,260,625	-	-	-	-	289,782,272	-	289,782,272
Eighth Tranche E6-16	7.5900%	303,284	-	-	-	-	299,598,339	-	299,598,339
Total bonds		**$ 289,989,589**	**$ 218,200,000**	**$ 596,570,122**	**$ 240,899,079**	**$ 823,516,502**	**$ 1,493,658,861**	**$ 362,170,789**	**$ 3,735,015,353**

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

Description	EA Rate	Current Less tan 90 days	Non-current 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	over 10 years	Total non-current
First Tranche B103	11.8691%	$17,413,433	$169,982,201	$ -	$ -	$ -	$ -	$ -	$ 169,982,201
Second Tranche B104-10	12.5393%	2,681,743	-	-	160,043,242	-	-	-	160,043,242
Second Tranche B104-15	12.8692%	953,263	-	-	-	-	55,494,189	-	55,494,189
Third Tranche B105-9	12.6670%	6,586,647	-	218,177,150	-	-	-	-	218,177,150
Third Tranche B105-12	12.8798%	2,747,504	-	-	-	-	89,570,621	-	89,570,621
External bond Z47	10.1744%	61,477,114	-	-	-	-	90,000,000	-	90,000,000
External bond Z58	10.1744%	8,554,859	-	-	-	-	643,387,310	-	643,387,310
Fourth Tranche B10	10.1349%	1,525,846	-	-	-	-	299,754,189	-	299,754,189
Fourth Tranche B15	10.2626%	1,029,591	-	-	-	-	-	199,813,840	199,813,840
Fifth Tranche B12	11.7095%	2,345,062	-	-	-	-	362,738,381	-	362,738,381
Fifth Tranche B6-1	10.9116%	920,671	-	-	152,436,996	-	-	-	152,436,996
Fifth Tranche B6-2	10.9116%	298,420	-	-	49,409,903	-	-	-	49,409,903
Sixth Tranche B16	10.8052%	2,128,669	-	-	-	-	-	162,342,325	162,342,325
Sixth Tranche B10	10.4647%	2,367,941	-	-	-	-	186,231,530	-	186,231,530
Sixth Tranche B6-2	10.0285%	1,597,809	-	-	-	130,955,479	-	-	130,955,479
Sixth Tranche B6-1	10.0285%	1,340,955	-	-	-	109,905,177	-	-	109,905,177
Total bonds		**$ 113,969,527**	**$169,982,201**	**$218,177,150**	**$361,890,141**	**$240,860,656**	**$ 1,727,176,220**	**$ 362,156,165**	**$ 3,080,242,533**

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

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

(In thousands of pesos)

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

Description	EA Rate	Current								
		Less than 90 days	Over 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	Total non-current
Banco Bogotá	9.4581%	$ 230,083	$ 10,666,667	$ 10,896,750	$ 10,666,667	$ 10,666,667	$ 10,666,667	$ 10,666,667	$ 21,333,332	$ 64,000,000
Banco BBVA	9.4260%	644,959	30,000,000	30,644,959	30,000,000	30,000,000	30,000,000	30,000,000	60,000,000	180,000,000
Total Club Deal		**$ 875,042**	**$ 40,666,667**	**$ 41,541,709**	**$ 40,666,667**	**$ 40,666,667**	**$ 40,666,667**	**$ 40,666,667**	**$ 81,333,332**	**$ 244,000,000**
The Bank Of Tokyo	7.0190%	622,916	130,000,000	130,622,916	-	-	-	-	-	-
Total bank loans		**$ 622,916**	**$ 130,000,000**	**$ 130,622,916**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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

Description	EA Rate	Current			Non-current		
		Less than 90 days	Over 90 days	Total Current	1 to 2 years	5 to 10 years	Total non-current
Banco Bogotá	8.3016%	$ 216,963	$ 5,333,333	$ 5,550,296	$ -	$ 74,666,667	$ 74,666,667
Banco BBVA	8.2697%	607,912	15,000,000	15,607,912	-	210,000,000	210,000,000
Total Club Deal		**$ 824,875**	**$ 20,333,333**	**$ 21,158,208**	**$ -**	**$ 284,666,667**	**$ 284,666,667**
Banco Avvillas	6.0600%	49,371,121	-	49,371,121	-	-	-
Banco Citibank	5.5700%	23,122,871	-	23,122,871	-	-	-
Banco Davivienda	6.3000%	13,070,135	-	13,070,135	-	-	-
Banco Bogotá	6.8380%	59,269,218	-	59,269,218	-	-	-
Banco Bbva	6.3038%	1,618,930	122,873,749	124,492,679	-	-	-
Banco de Crédito del Perú	5.8700%	-	90,875,104	90,875,104	-	-	-
Banco de Crédito del Perú	5.9300%	-	60,422,590	60,422,590	-	-	-
Banco de Crédito del Perú	5.6500%	-	46,792,683	46,792,683	-	-	-
The Bank Of Tokyo	7.0200%	-	622,918	622,918	130,000,000	-	130,000,000
Total bank loans		**$ 146,452,275**	**$ 321,587,044**	**$ 468,039,319**	**$ 130,000,000**	**$ -**	**$ 130,000,000**

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

Description	Rate	Type of rate	Current			Current			
			Less than 90 days	Over 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	Total non-current
Banco Corpbanca	8.40%	Fixed	$ 24,619	$ 62,604	$ 87,223	$ 61,005	$ -	$ -	$ 61,005
Equirent S.A	7.70%	Fixed	184,539	572,004	756,543	732,030	749,646	50,469	1,532,145
Mareauto Colombia S.A.S	10.08%	Fixed	23,896	75,964	99,860	101,670	105,816	67,657	275,143
Transportes Especializados JR S.A.S.	11.69%	Fixed	266,461	866,666	1,133,127	1,227,520	1,132,767	-	2,360,287
Business Consortium	7.08%	Fixed	9,812	30,498	40,310	29,743	-	-	29,743
Total leases			**$ 509,327**	**$ 1,607,736**	**$ 2,117,063**	**$ 2,151,968**	**$ 1,988,229**	**$ 118,126**	**$ 4,258,323**

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

(In thousands of pesos)

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

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

15. Commercial Accounts Payable and Other Payables

	As of 31 December 2016		As of 31 December 2015	
Commercial accounts payable	$	42,791,615	$	30,343,761
Other payable (1)		294,715,020		253,281,831
Commercial accounts payable and other payables	**$**	**337,506,635**	**$**	**283,625,592**

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

	As of 31 December 2016		As of 31 December 2015
Accounts payable goods and services (1)	$	239,115,851	$ 198,643,557
Suppliers for energy purchases (2)		42,791,615	30,343,761
Other accounts payable		22,209,776	24,669,179
Taxes other than income tax		27,049,334	24,030,685
Provision for tax payments		17,081,243	15,786,824
Territorial taxes, contributions, municipal and related		9,968,091	8,243,861
Prepayments from clients and positive balances		6,332,797	5,893,432
Fees		7,262	44,978
Total commercial accounts payable and other payables	**$**	**337,506,635**	**$ 283,625,592**

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

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

16. Provisions

Provisions	As of 31 December 2016		As of 31 December 2015	
	Current	Non-current	Current	Non-current
Other provisions (*)	$ 84,023,026	$ 180,341,134	$ 323,186,623	$ 141,251,664
Environmental and Quimbo works (1)	76,720,927	-	300,051,486	-
Quimbo restoration plan (2)	7,302,099	180,341,134	23,135,137	141,251,664
Other		-		299,100
Provision for legal claims (3)	-	11,677,255	-	4,193,295
Civil and others	-	10,677,255	-	3,193,295
Labour	-	1,000,000	-	1,000,000
Dismantling	-	3,936,873	-	374,683

(In thousands of pesos)

Total Provisions	**$ 84,023,026**	**$ 195,955,262**	**$ 323,186,623**	**$ 146,118,742**

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

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

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

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

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

Processes	Qualification	No. of processes	No of processes (undetermined amount)	Value of contingency (a)	Value of provision
Floods before 1997	Probable	14	-	3,792,642	3,739,581
	Possible	21	-	19,291,783	-
Total floods before 1997		**35**	**-**	**23,084,425**	**3,739,581**
Floods after 1997	Probable	9	-	431,501	149,499
	Possible	23	1	1,954,016	-
Total floods after 1997		**32**	**1**	**2,385,517**	**149,499**
Labour	Probable	1	-	1,000,000	1,000,000
	Possible	37	15	3,815,059	-
	Remote	9	-	21,931,000	-
Total Labour		**47**	**15**	**26,746,059**	**1,000,000**
Others	Possible	41	28	55,520,490	-
	Remote	70	45	171,026,702	-
Total Others		**111**	**73**	**226,547,192**	**-**
Quimbo	Possible	58	35	58,172,784	-
	Remote	2	1	-	-
Total Quimbo		**60**	**36**	**58,172,784**	**-**
Total Processes		**285**	**125**	**336,935,977**	**4,889,080**

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

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

(In thousands of pesos)

Item	Value
Penalty ANLA- Quimbo, Res. 0381	2,503,259
Penalty CAM- Quimbo, Res. 2239	758,864
Penalty CAM- Quimbo, Res. 3590	50,670
Penalty CAM- Quimbo, Res. 3653	50,670
Success premiums of legal processes	2,745,070
Fiscal process (Compensation)	679,642
Total provision	**6,788,175**

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

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

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

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

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

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

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

Plaintiff: **Ángel Antonio Díaz Leyton, Aparicio Ibarra Pichina, José Adriano Torres Ibarra y Enemesio Useche Useche**
Start date: 2009
Claim: $ 189,437
Provisioned: $ 1,054,285

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(In thousands of pesos)

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

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

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

	Environmental and restoration plan provision	Provision for legal claims	Dismantling, restoration and recovery costs	Other provisions	Total
Initial balance as of 1 January 2015	$ 26,242,789	$ 1,821,635	$ -	$ 68,488,667	**$ 96,553,091**
Increase (decrease) in provisions	438,351,826	1,582,072	374,683	-	440,308,581
Used provision	-	(1,383,085)	-	(68,185,110)	(69,568,195)
Financial effect update	(459,885)	-	-	-	(459,885)
Recovery	-	(273,299)	-	-	(273,299)
Other increases (decreases)	303,557	2,445,972	-	(4,457)	2,745,072
Total movement of provisions	**438,195,498**	**2,371,660**	374,683	**(68,189,567)**	**372,752,274**
Final balance as of 31 December 2015	**$ 464,438,287**	**$ 4,193,295**	**$ 374,683**	**$ 299,100**	**$ 469,305,365**
Increase (decrease) in provisions	50,769,313	8,088,385	25,625	-	58,883,323
Used provision	(262,939,253)	(473,419)	-	-	(263,412,672)
Financial effect update	12,095,813	-	3,536,565	-	15,632,378
Recovery	-	(131,006)	-	-	(131,006)
Other increases (decreases)	-	-	-	(299,100)	(299,100)
Total movement of provisions	**(200,074,127)**	**7,483,960**	3,562,186	**(299,100)**	**(189,327,077)**
Final balance as of 31 December 2016	**$ 264,364,160**	**$ 11,677,255**	**$ 3,936,873**	**$ -**	**$ 279,978,288**

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

Type of proceeding	Plaintiff	Object of claim	Value	Date
Civil ordinary	Ramiro Tovar and Others Roque Tapia Olaya	Ordinary extra-contractual civil liability for events of 1994	23,223	Jun-16
Civil ordinary	Argemiro Torres and Others	Ordinary extra-contractual civil liability for events of 1994	249,369	Jun-16
Civil ordinary	Quiterio Trujillo and Others	Ordinary extra-contractual civil liability for events of 1994	123,268	Jun-16
Civil ordinary	Emiliano Romero Candia and Others	Ordinary extra-contractual civil liability for events of 1994	68,986	Jun-16
Civil ordinary	Rosa Maria Morales de Rodríguez and Others	Ordinary extra-contractual civil liability for events of 1994	183,274	Jun-16
Civil ordinary	Maria Gladyz Guzman and Others	Ordinary extra-contractual civil liability for events of 1994	605,371	Jun-16
Civil ordinary	Hernan Useche Culma	Ordinary extra-contractual civil liability for events of 1994	492,197	Jul-16
Civil ordinary	Abundio Carrillo	Ordinary extra-contractual civil liability for events of 1994	309,678	Jul-16
Civil ordinary	Angel Antonio Diaz Leyton	Ordinary extra-contractual civil liability for events of 1994	932,406	Jul-16
Civil ordinary	Luis Felipe Vanegas	Ordinary extra-contractual civil liability for events of 1994	-135,980	Oct-16
Civil ordinary	Laura Patricia Ayerbe Cortes	Ordinary extra-contractual civil liability for events of 1994	-69,436	Oct-16
Civil ordinary	Eduardo Sanchez Rojas	Ordinary extra-contractual civil liability for events of 1994	47,251	Nov-16
Civil ordinary	Pastor Aroca Ibarra	Ordinary extra-contractual civil liability for events of 1994	96,403	Nov-16
Fiscal	Compensar	Return of energy contribution	679,642	Aug-16
Penalty	ANLA	on-compliance with environmental license Hyd. El Quimbo	2,503,259	Apr-16
Penalty	CAM	Opening of unlicensed road, illegal forest exploitation of wild flora, inappropriate handling of material, among others, Hyd. El Quimbo	758,864	Aug-16

(In thousands of pesos)

Impregilo Consortium Claim

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

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

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

Provision Environmental Investment Programme 1%

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

17. Provisions for Employee Benefits

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

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

Retirement Pensions

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

(In thousands of pesos)

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

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

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

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

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

Other post – employment benefits

Pensioner benefits

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

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

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

	As of 31 December 2016	As of 31 December 2015
Education aid		
Pensioner	62	85
Average age	19.44	18.78
Energy aid		
Pensioner	293	298
Average age	64.40	63.45
Health service (*)		
Pensioner	111	-
Average age	52.25	-

(*) In 2016 the health benefit was recognised in THE COMPANY, a benefit that consists of the contracting of an operator to provide medical and dental services to family members (basic family group) of Emgesa pensioners (121 beneficiaries currently). This benefit was under the administration of the Trade Union Organisation (Sintraelecol) until March 31, 2016. As of April 1, 2016, the administration of this benefit was paid by Emgesa, and a contract was signed with The company

(In thousands of pesos)

MEDPLUS Prepaid Medicine to continue guaranteeing this benefit. This benefit covers the beneficiaries of pensioners and in case of death of the holder, the benefit is maintained 6 more months on the beneficiaries of the pensioner, term in which the benefit ends. The Company recognised, from May onwards, this benefit, which was valued by an actuary of the company AON.

Retroactive severance pay

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

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

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

Long-term benefits

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

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

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

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

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

Financial Hypothesis:

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

(In thousands of pesos)

Demographic Hypotheses:

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

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

	Retired personnel		Active personnel		
	Pensions (a)	Benefits	Retroactive severance pay	Five-year term	Defined benefits plan
Initial balance as of 31 December 2015	**$62,820,259**	**$3,825,876**	**$4,009,538**	**$ 3,474,747**	**$74,130,420**
Cost of current service	-	-	192,107	172,265	364,372
Cost for interests	4,615,998	272,080	296,398	246,804	5,431,280
Contributions paid	(6,927,592)	(504,613)	(1,319,267)	(462,245)	(9,213,717)
Increase from business combination	-	3,288,421	-	-	3,288,421
Actuarial (Gains) losses from changes in financial assumptions	8,102,223	1,096,437	594,985	147,830	9,941,475
Actuarial (Gains) losses from changes in adjustments for experience	2,621,432	356,559	1,185,326	956,072	5,119,389
Final balance as of 31 December 2016	**$71,232,320**	**$8,334,760**	**$4,959,087**	**$ 4,535,473**	**$89,061,640**

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

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

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

	Retired personnel		Active personnel		Defined benefits plan
	Pensions	Benefits	Retroactive severance pay	Five-year term	
Initial balance as of 31 December 2014	**$ 67,104,800**	**$ 3,920,553**	**$3,937,398**	**$ 2,674,455**	**$77,637,206**
Cost of current service	-	-	197,174	132,550	**329,724**

(In thousands of pesos)

Cost for interests	4,506,163	264,021	276,348	178,004	**5,224,536**
Contributions paid	(5,992,290)	(313,722)	(676,891)	(557,759)	**(7,540,662)**
Actuarial (Gains) losses from changes in financial assumptions	(1,386,361)	(70,889)	(30,526)	(28,875)	**(1,516,651)**
Actuarial (Gains) losses from changes in adjustments for experience	(1,412,053)	25,913	306,035	1,076,372	**(3,733)**
Final balance as of 31 December 2015	**$ 62,820,259**	**$ 3,825,876**	**$4,009,538**	**$ 3,474,747**	**$74,130,420**

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

	Retired personnel		Active personnel		
Changes in discount rate	**Pensions**	**Benefits**	**Retroactive severance pay**	**Five-year term**	**Defined benefits plan**
- 100 basic points	79,779,089	9,255,117	5,472,072	4,789,100	99,295,377
+ 100 basic points	64,233,893	7,559,256	4,506,783	4,418,270	80,718,202

Collective Bargaining Agreements

Collective Bargaining Agreement 2015 – 2018

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

Collective Agreement Emgesa - ASIEB

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

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

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

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

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

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

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

(In thousands of pesos)

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

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

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

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

	Temporary income	Retirement bonus	Other benefits	Total voluntary retirement plan benefits
Period cost for accepted offers	$ 2,254,749	1,643,163	$ 34,037	**$ 3,931,949**
Employer contributions	(1,709,697)	(1,643,163)	-	(3,352,860)
Provision cost for expected acceptance	1,736,183	534,982	-	2,271,165
Final balance 31 December 2015	**$ 2,281,235**	**$ 534,982**	**$ 34,037**	**$ 2,850,254**
Period cost (recovery) for accepted offers	101,833	-	11,910	113,743
Period financial cost	13,273	-	-	13,273
Employer contributions	(2,825,468)	(952,644)	(45,614)	(3,823,726)
Actuarial (gains) losses	846,789	-	-	846,789
Other movements	(417,662)	417,662	-	-
Final balance 31 December 2016	**$ -**	**$ 0**	**$ 333**	**$ 333**

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

18. Taxes payable

Income tax

	As of 31 December 2016	As of 31 December 2015
Current income tax (1)	$ 493,240,215	$ 455,766,707
Income prepayment	(218,833,008)	(222,017,188)
Tax deductions and withholdings	(6,631,611)	(6,887,826)
Self-withholdings	(73,664,727)	(57,205,689)
CREE self-withholdings	(49,619,476)	(41,914,369)
(Assets) liabilities from current taxes	**$ 144,491,393**	**$ 127,741,635**

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

	As of 31 December 2016	As of 31 December 2015
Income tax relative to the results of the period (See note 27)	$ 492,899,513	$ 452,670,743
Income tax relative to components of other comprehensive income (See Note 29)	340,702	3,095,964
	$ 493,240,215	**$ 455,766,707**

(In thousands of pesos)

The main reconciliation items between earnings before taxes and the taxable net income that explain the difference between the 25% rate for companies corresponding to income tax and the 15% rate of the income tax for equality CREE, and the CREE surtax are with respect to the effective rate on earnings of 39.03% as of 31 December 2016 and 36.44% as of 31 December 2015 are as follows:

Item	As of 31 December 2016 Amount	Rate (%)	As of 31 December 2015 Amount	Rate (%)
Accounting earnings before income tax	**$ 1,236,154,914**		**$ 1,393,048,040**	
Line items increasing net income				
Wealth tax	31,408,370	2.54	35,522,489	5.25
Deductible provisions	69,312,621	5.61	19,318,713	2.86
Taxable income	32,102,886	2.60	11,837,153	1.75
Contribution to financial transactions	3,982,513	0.32	5,919,403	0.88
Others	1,001,360	0.08	2,215,360	0.33
Non-deductible expenses	1,463,364	0.12	1,693,421	0.25
Non-deductible taxes	2,002,958	0.16	278,874	0.04
Amortisation in science and technology	-	0.00	74,090	0.01
Difference between payroll taxes and pensions	326,136	0.03	68,695	0.01
Assumed interests	15,810	0.00	3,657	0.00
Total line items that increase net income	**141,616,018**	**11.46**	**76,931,855**	**11.38**
Line items that decrease net income				
Deductions from productive fixed real assets	(56,649,461)	(4.58)	(243,909,809)	(36.08)
Fiscal depreciation and amortisation	(109,231,996)	(8.84)	(125,959,258)	(18.63)
Non-taxable income	(175,303)	(0.01)	(19,226,750)	(2.84)
Total line items that decrease net income	**(166,056,760)**	**(13.43)**	**(389,095,817)**	**(57.55)**
Taxable Net income	**1,211,714,172**	**25**	**1,080,884,078**	**25**
Tax rate	25%		25%	
Income tax	**302,928,543**	**23.02**	**270,221,019**	**(21.17)**
Occasional earnings	-		410,970	
Tax rate of occasional earnings	10%		10%	
Tax on occasional earnings	-		**41,097**	
Total income tax and supplementary taxes	**$ 302,928,543**		**$ 270,262,116**	

Income Tax for Equality - CREE

Item	As of 31 December 2016 Value	Rate (%)	As of 31 December 2015 Value	Rate (%)
Ordinary taxable net income	**1,211,714,173**		**$ 1,080,884,078**	
Plus special deductions				
Donations	716,658	0.06	598,700	0.12
Reductions of productive real fixed assets	56,649,461	4.68	243,909,809	49.87
Less non-taxable income and deductible expenses				
Amortisation science and technology investment	(15,810)	0.00	(74,090)	(0.02)
CREE net taxable income	**1,269,064,482**	**9**	**1,325,318,497**	**9**

(In thousands of pesos)

CREE tax and surtax rate	9%		9%	
CREE income tax	**114,215,803**	**13.73**	**119,278,665**	**58.98**
CREE net taxable income	1,269,064,482		1,325,318,497	
CREE non-taxable base surtax	(800,000)	(0.06)	(800,000)	(0.12)
CREE surtax net taxable income	1,268,264,482	6	1,324,518,497	5
CREE tax rate	6%		5%	
CREE Income tax and surtax	76,095,869		66,225,925	
CREE income tax and surtax	**190,311,672**		**$ 185,504,590**	

Item	As of 31 December 2016	As of 31 December 2015
Total income tax and supplementary	$ 302,928,543	$ 270,262,117
CREE income tax and surtax	190,311,672	185,504,590
Total	**$ 493,240,215**	**455,766,707**

Equity Reconciliation

	As of 31 December 2016	As of 31 December 2015
Accounting equity	**$ 3,495,961,876**	**$ 3,558,112,111**
Estimated liabilities	56,350,829	46,669,629
Payroll taxes and pensions contributions	326,136	68,695
Tax adjustment to assets	93,385,916	199,775,683
Tax adjustment to deferred charges	14,944,864	6,456,031
Debtors provision	104,079,205	3,764,232
Tax adjustment to investments	2,846,161	7,796,843
Deferred tax	(97,148,803)	(81,286,227)
Tax equity	**$ 3,670,746,184**	**$ 3,741,356,997**

Transfer Pricing

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

Legal Stability Agreement

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

Purpose: The Company undertakes to build the hydroelectric station “El Quimbo”

(In thousands of pesos)

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

Key standards subject to Legal Stability (with favourability):

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

Obligations of Parties

a. Obligations of the Company:

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

b. Obligations of the Nation:

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

19. Other Non-financial Liabilities

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

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

20. Equity

(In thousands of pesos)

Capital

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

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

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

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

Shareholding structure as of 31 December 2016:

	Common shares with voting rights		Preferred shares without voting rights		Shareholding structure	
Shareholders	Interest (%)	Number of shares	Interest (%)	Number of shares	Interest (%)	Number of shares
Empresa de Energía de Bogotá S. A. E.S.P.	43.57%	55.758.250	100.00%	20,952,601	51.51%	76,710,851
Enel Américas S.A.	56.42%	72.195.996	–%	–	48.48%	72,195,996
Otros minority shareholders	0.01%	7.315	–%	–	0.01%	7,315
	100.00%	**127.961.561**	**100.00%**	**20,952,601**	**100.00%**	**148,914,162**

Shareholding structure 2015:

	Common shares with voting rights		Preferred shares without voting rights		Shareholding structure	
Shareholders	Interest (%)	Number of shares	Interest (%)	Number of shares	Interest (%)	Number of shares
Empresa de Energía de Bogotá S. A. E.S.P.	43.57%	55,758,250	100.00%	20,952,601	51.51%	76,710,851
Empresa Nacional de Electricidad S.A.	31.27%	40,019,173	–%	–	26.87%	40,019,173
Enersis S.A. (now Enel Américas)	25.15%	32,176,823	–%	–	21.61%	32,176,823
Otros minority shareholders	0.01%	7,315	–%	–	0.01%	7,315
	100.00%	**127,961,561**	**100.00%**	**20,952,601**	**100.00%**	**148,914,162**

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

Distribution of Dividends

The General Shareholders' Meeting of 25 March 2015, according to Minutes No. 92, ordered that profits between 1 September and 31 December 2014 for $ 286,222,317 be distributed in dividends amounting to $ 187,919,675, with the remaining $ 98,302,641 being constituted as reserve by application of the accelerated depreciation, according to article 130 of the Tax Code. 100% of dividends were paid on 26 March 2016.

(In thousands of pesos)

The General Shareholders' Meeting of 28 March 2015, according to Minutes No. 94, ordered that profits between 1 January and 31 December 2015 for $885,455,396 be distributed in dividends amounting to $807,284,040, with the remaining $98,302,641 being constituted as reserve by application of the accelerated depreciation, according to article 130 of the Tax Code. 40.53% of dividends were paid on 28 June 2016, 34.69% will be paid on 26 October 2016 and the remainder will be paid on 27 January 2017

Reserves

	As of 31 December 2016	As of 31 December 2015
Legal reserve (1)	$ 327,611,157	$ 327,611,157
Reserve for deferred depreciation (Art. 130 ET) (2)	176,473,996	98,302,641
Other reserves	178,127	178,127
	$ 504,263,280	**$ 426,091,925**

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

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

21. Revenues from Ordinary Activities and Other Revenues

	Year ended 31 December 2016	Year ended 31 December 2015
Electric energy sales (1)	$ 2,672,557,006	$ 2,287,875,739
Spot market sales (1)	767,873,456	911,206,155
Electric energy Sales	**3,440,430,462**	**3,199,081,894**
Gas sales (2)	44,776,288	30,597,981
Total revenues from ordinary activities	**$ 3,485,206,750**	**$ 3,229,679,875**

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

a) Demand increase by 215 Gwh for the unregulated market, higher sales by $ 142,188,703
b) Demand increase by 610 Gwh for the wholesale market, higher sales by $ 220,087,383.
c) Recognition of thermal compensation for 2015 for $17,575,333 (November and December) and for 2016 $37,482,632 (January to April). On 27 October 2015, the Commission for the Regulation of Energy and Gas (CREG) issued Resolution 178 "Which provides the measures to ensure the provision of the public electricity service in the event of extraordinary situations that put it at risk". This Resolution sought to recover part of the cost not covered by the shortage price in the thermal power plants that operate with liquid fuel, in order to ensure its operation during the critical condition. The Company as generator and operating with the Cartagena Station under these conditions, since 4 November declared to this regulatory body that it will exercise the option contemplated in the resolution.
d) The negative effect due to lower selling price on the stock market compared to 2015 for (-76 $ / kWh), affecting revenues for this market by $140,834,818.

(In thousands of pesos)

e) On 18 December 2015, the Commission for the Regulation of Energy and Gas (CREG) assigned the Final Energy Obligations (OEF) for the next three periods, between December 2016 and November 2019. The Final Energy Obligations assigned to the Emgesa portfolio reached an annual average value of 11,948 GWh-year, representing an annual income of USD 194 Million.

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

Negative reconciliations, CREG Resolution 176/2015

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

The XM market administrator, through a letter filed on 22 February of 2016, declared that the Group's disagreement regarding article 1 of CREG Resolution 176/2015 was well-founded; however, it failed to indicate manners, dates, or amounts according to which the adjustments would be applied to the 2016 billing. Before making any adjustment, the CREG issued Resolution 043/2016, which clarifies that the settlements that Resolution 176/2015 corrects are those made from 20 September to 28 October 2015, closing any possibility of XM to make adjustments and reaffirm the retroactive effect of the aforementioned resolution.

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

Other Operating Income

Below is the detail of other income:

	Year ended 31 December 2016	Year ended 31 December 2015
SD real property leases	$ 334,465	$ 295,808
Other MNR services	79,728	86,879
Lease of metering and other equipment	1,327	8,778
Ease of equipment	393	1,327
Other service provisions	**415,913**	**392,792**
Compensation for damages (1)	14,919,637	23,185,913
Secondary market reliability charge (2)	5,286,097	6,646,438
Trader deviation revenue	2,440,302	3,261,766
Other services	4,480,995	2,173,387
Sale of obsolete material	684,154	1,254,771
Fines and penalties (3)	449,486	1,621,305
Commission	156,553	-
Material leftovers	66,560	60,855
Other operating income	**28,483,784**	**38,204,435**
Total other operating income	**$ 28,899,697**	**$ 38,597,227**

(In thousands of pesos)

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

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

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

22. Provisioning and Services

	Year ended 31 December 2016		Year ended 31 December 2015	
Energy purchases (1)	$	595,525,932	$	680,967,739
Energy transport expenses (2)		324,527,649		270,953,039
Fuel consumption (3)		170,272,931		236,332,186
Business-related taxes (*)		95,832,246		78,591,228
Other variable provisioning and services (**)		93,724,915		55,085,625
Gas purchases (4)		43,013,903		28,009,195
	$	**1,322,897,576**	**$**	**1,349,939,012**

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

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

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

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

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

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

	Year ended 31 December 2016		Year ended 31 December 2015	
Contributions and royalties Act 99/1993 (1)	$	62,164,265	$	54,494,869
Solidarity Fund Reform Act 633		28,008,599		16,599,352
Other business-related local taxes		3,096,681		4,923,806
Industry and trade tax		2,562,701		2,573,201
	$	**95,832,246**	**$**	**78,591,228**

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

Other variable provisioning and services (**)

(In thousands of pesos)

		Year ended 31 December 2016		Year ended 31 December 2015
Restrictions (1)	$	57,571,243	$	20,999,319
Cost CND, CRD, SIC		14,750,291		12,163,117
Secondary market reliability charge (2)		10,053,781		3,019,240
Other generation support services		5,163,361		13,296,176
Reading services		4,872,818		3,359,908
Contributions regulatory entities		1,313,421		2,247,865
	$	**93,724,915**	**$**	**55,085,625**

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

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

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

23. Personnel Expenses

		Year ended 31 December 2016		Year ended 31 December 2015
Wages and salaries (1)	$	53,192,697	$	61,914,545
Social security service and other social charges		16,254,487		16,406,319
Expenses (revenues) for post-employment benefits obligation		1,320,444		1,406,097
Other personnel expenses		726,608		1,544,493
Expenses (revenues) for retirement plans obligation (2)		521,654		6,203,114
	$	**72,015,890**	**$**	**87,474,568**

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

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

24. Other Fixed Operating Expenses

		Year ended 31 December 2016		Year ended 31 December 2015
Taxes and rates (1)	$	36,581,830	$	38,330,497
Independent professional services, outsourced and others (2)		31,320,524		31,783,139
Other supplies and services (3)		26,961,671		22,334,986
Insurance premiums		25,681,920		17,516,945
Repairs and maintenance		9,548,223		10,353,041

(In thousands of pesos)

Leases and fees	3,694,879	3,417,926
Advertising, marketing and public relations	2,888,689	1,436,804
Transport and travel expenses	1,520,166	2,691,150
	$ 138,197,902	**$ 127,864,488**

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

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

	Year ended 31 December 2016	Year ended 31 December 2015
Stationed maintenance and operation	$ 17,158,027	$ 18,251,241
Other management and operation agreements	4,745,521	3,532,143
Cafeteria	3,079,140	3,399,035
Industrial safety	1,993,079	2,614,469
Software and computer applications development services	1,660,570	1,857,240
Fees	1,603,265	1,012,197
Telecommunications services	725,119	764,047
Office supplies and equipment	351,803	339,832
Fuels and lubricants	4,000	12,935
	$ 31,320,524	**$ 31,783,139**

(3) Corresponds mainly to security and surveillance services for $7,078,621, expatriate expenses for $ 2,634,300, maintenance for $ 2,512,445, cleaning $ 2,919,673 and penalty from the National Authority of Environmental Licenses (ANLA) imposed on the Company for non-compliance with the Environmental License regarding the removal of the wood and biomass product of the forest use of the reservoir vessel of the El Quimbo Hydroelectric Project for $.2,503,259.

25. Expense for Depreciation, Amortisation and Impairment Losses

	Year ended 31 December 2016	Year ended 31 December 2015
Depreciations (1)	$ 187,209,784	$ 158,631,638
impairment of financial assets (2)	102,320,470	457,493
Amortisations	4,641,672	5,496,859
	$ 294,171,926	**$ 164,585,990**

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

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

26. Net Financial Income

	Year ended 31 December 2016	Year ended 31 December 2015
Revenues from cash and cash equivalents (1)	$ 41,332,221	$ 11,583,352
Interests on customer financing	3,084,290	1,450,761

(In thousands of pesos)

Interests on accounts receivable	2,179,493	904,638
Net financial revenues	**46,596,004**	**13,938,751**
Financial obligations (2)	(462,779,828)	(336,710,258)
Tax on movement of funds	(7,965,026)	(11,838,805)
Obligation for post-employment benefits	(5,592,383)	(5,195,662)
Other financial costs	(20,604,517)	(949,403)
Finance leases	(340,419)	(40,575)
Valuation of financial derivatives	207,975	743,833
Financial expenses	**(497,074,198)**	**(353,990,870)**
Capitalised financial expense	5,062,047	168,974,389
Net financial expenses	**(492,012,151)**	**(185,016,481)**
Revenues from exchange difference (3)	11,842,281	7,870,676
Expenses from exchange difference (3)	(9,616,985)	(4,125,346)
Net exchange difference	2,225,296	3,745,330
Total net financial income	**$ (443,190,851)**	**$ (167,332,400)**

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

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

Transaction	Value
Bonds issued	$ 412,543,140
Club Deal	26,998,258
Bank loans Bank Of Tokyo	9,119,500
Treasury loans	8,596,343
Bank loans Banco de Crédito del Perú	5,522,587
Total Expense from Financial Obligations	**$ 462,779,828**

The financial obligations as of 31 December 2015 correspond to interest on the bonds issued and generated under the Company's issue and placement programme, as follows:

Transaction	Value
Bonds issued	$ 300,578,833
Club Deal	21,623,208
Treasury loans	11,418,648
Bank loans Banco de Crédito del Perú	2,412,317
Bank loans Bank Of Tokyo	622,917
Intercompany Loans	54,335
Total Expense from Financial Obligations	**$ 336,710,258**

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

	As of 31 December 2016	
	Revenues from exchange difference	**Expenses from exchange difference**
Cash	$ 7,604	$ (3,516)
Bank balance	469,978	(992,744)
Cash and cash equivalents	477,582	(996,260)
Current accounts receivable	689,200	(475,862)
Total Assets	**1,166,782**	**(1,472,122)**
Accounts payable for goods and services	9,533,233	(7,594,107)
Prepayment to customers	1,142,266	(550,757)
Current commercial accounts payable and other payables	10,675,499	(8,144,864)
Total liabilities	**10,675,499**	**(8,144,864)**

(In thousands of pesos)

Total exchange difference	**$ 11,842,281**	**$ (9,616,986)**

	As of 31 December 2015	
	Revenues from exchange difference	Expenses from exchange difference
Cash	$ 6,134	$ (1,760)
Bank balances	1,668,517	(896,921)
Cash and cash equivalents	1,674,651	(898,681)
Total assets	**1,674,651**	**(898,681)**
Accounts payable for goods and services	6,178,203	(2,434,525)
Prepayment to customers	17,822	(792,140)
Current commercial accounts payable and other payables	6,196,025	(3,226,665)
Total liabilities	**6,196,025**	**(3,226,665)**
Total exchange difference	**$ 7,870,676**	**$ (4,125,346)**

27. Income Tax Expenses

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

	As of 31 December 2016	As of 31 December 2015
Current income tax	$ 302,682,341	$ 269,551,270
Current CREE income tax	190,217,172	183,119,473
	492,899,513	**452,670,743**
Income tax previous years (1)	971,332	(51,733,641)
Deferred tax movement	(11,440,572)	106,655,542
	$ 482,430,274	**$ 507,592,644**

(1) The General Shareholders' Meeting held on 28 March 2016, as per Minutes No. 94, ordered the establishment of the reserve on account of accelerated depreciation pursuant to article 130 of the Tax Code for $78,171,355 chargeable to net income of 31 December 2015, taking into account that for tax purposes the reducing balance depreciation method will be used as of 2014, and for accounting purposes the straight-line system will continue being used.

The income tax of previous years is composed of:

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

(b) Difference between the provisioned amount and the actual expense of the income statement for ($ 1,015,710)

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

Reconciliation effective tax rate	Year ended 31 December 2016	Year ended 31 December 2015
Gain (Loss)	**$ 753,724,640**	**$ 885,455,395**
Income Tax Expense (Earnings)	482,430,274	507,592,645
Earnings (loss) before taxes	**1,236,154,914**	**1,393,048,040**

(In thousands of pesos)

Current legal tax rate	40%	39%
Tax according to legal rate in force	**(494,461,966)**	**(543,288,736)**
Permanent differences:		
Non-deductible taxes (1)	(1,869,356)	(2,417,920)
Non-deductible wealth tax	(12,563,348)	(13,853,771)
Non-causal and other non-deductible expenses (2)	(740,940)	(1,346,349)
Net effect of movement of estimated liabilities and permanent provisions	(2,596,534)	(755,015)
Assumed interests	(6,324)	(1,426)
Deductions on account of real productive fixed assets	14,162,365	60,977,452
Net profits from the sale of fixed assets subject to occasional gains taxes	-	(41,097)
Other permanent differences	(179,165)	(160,048)
Income adjustment 2015 income tax return (3)	1,244,246	(338,369)
Adjustment for rate differences-deferred adjustment previous years (Tax Reform)	14,532,748	(6,407,365)
Effect of CREE surtax adjustment	48,000	40,000
Total permanent differences	**12,031,692**	**35,696,092**
Income tax (expense) earnings	**$ (482,430,274)**	**$ (507,592,644)**

(1) Corresponds mainly to 40% of the tax on movement of funds for $1,593,005, vehicle tax for $ 18,006, public lighting tax $258,143, among others for $202.

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

28. Earnings per Share

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

	Year ended 31 December 2016	Year ended 31 December 2015
Profit attributable to owners	$ 753,724,640	$ 885,455,396
Preferred dividends (1)	608,754	608,754
Profit attributable to owners adjusted to preferred dividends	746,764,634	878,150,349
Weighted average of outstanding shares	148,914,162	148,914,162
Basic earnings per share (*)	**$ 5,014,73**	**$ 5,897,02**

(*) Figures in Colombian pesos.

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

29. Comprehensive Income

The breakdown of other comprehensive income is shown below:

	Year ended 31 December 2016	Year ended 31 December 2015
Components of other comprehensive income that will not be reclassified to net income		
(Losses) on new measurements of financial instruments measured at fair value rough OCI (1)	$ 2,966,983	$ (1,853,059)
Gains (losses) for new measurements of defined benefits plans (2)	(14,803,751)	2,567,882
Gains (losses) on cash flow hedges (4)	(2,822,410)	(697,458)
Other comprehensive income that will not be reclassified to earnings before taxes	**(14,659,178)**	**17,365**

(In thousands of pesos)

Income tax relative to components of other comprehensive income that will not be reclassified to net income		
Gains (losses) for new measurements of defined benefits plans (3)	4,869,522	(1,024,152)
Income tax relative to cash flow hedges of other comprehensive income (5)	1,198,822	(78,276)
Total income tax relative to components of other comprehensive income that will not be reclassified to net income	**6,068,344**	**(1,102,428)**
Total Other Comprehensive Income	**(8,590,834)**	**(1,085,063)**

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

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

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

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

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

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

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

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

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

30. Assets and Liabilities in Foreign Currency

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

Summary of assets and liabilities expressed in foreign currency:

	As of 31 December 2016		
	(in EUR)	*(in US Dollars)*	*(in thousands of pesos)*
Cash and cash equivalents *(Note 4)*	**1,890**	**568,556**	**1,712,057**
Debtors	106,645	98,275	632,473
Accounts payable	(1,106,251)	(5,973,082)	(21,425,258)
Net position (liability)	**(997,716)**	**(5,306,226)**	**(19,080,728)**

	As of 31 December e 2015		
	(in EUR)	*(in US Dollars)*	*(in thousands of pesos)*
Cash and cash equivalents *(Note 4)*	**439**	**155,947**	**492,659**
Debtors	119,292	8,640,390	23,500,222
Accounts payable	(234,366)	(1,372,152)	(5,162,954)
Net position (asset)	**(114,635)**	**7,424,185**	**18,829,927**

31. Penalties

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

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

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

   - Opening of unlicensed road, outside the area of the reservoir in the village El Espinal in the municipality of Gigante.
   - Illegal forest use of wild flora that was in a road section of 1547 meters, in an average width of 4.0 meters.
   - Elimination of epiphytes species
   - Interception of three intermittent drainage channels, which causes contamination of the runoff waters with sediment trawling in the winter seasons.

- Inadequate handling of cutting material (soil and subsoil), scattered downhill, in several sections of greater cut, partially burying the remaining vegetation in the lower margin of the open road.
- Non-compliance with the resolution in article one of the Preventive Measure imposed by Resolution No. 1561 of 5 August 2014.

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

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

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

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

32. Other Insurance

In addition to policies relative to properties, plant, and equipment *(see note 12)*, the company has the following policies:

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

33. Commitments and Contingencies

I. Purchase Commitments:

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

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

II. Contingencies and Arbitrations

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

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

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

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

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

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

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

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

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

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

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

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

Industry and Trade Tax (ICA).

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

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

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

2003 Fiscal Year Income Tax

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

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

Forest Use Rate.

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

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

2013 Fiscal Year Income Tax

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

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

34. Energy Derivatives Market

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

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

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

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

35. Reclassification in the Financial Statements

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

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

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

36. Risk Management

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

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

a) Comply with good corporate governance standards.
b) Comply strictly with the entire corporate regulatory system.
c) Each management and corporate area defines:

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

d) Management and corporate areas establish for each market where they operate their risk exposure consistent with the defined strategy.
e) All management and business operations are performed within the limits approved in each case.

(In thousands of pesos)

f) Managements, corporate areas and business lines establish risk management controls as necessary to ensure that market transactions are carried out in accordance with the Company's policies, standards and procedures.

Interest Rate Risk

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

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

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

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

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

Exchange Rate Risk

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

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

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

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

Commodity Risks

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

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

(In thousands of pesos)

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

Liquidity Risk

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

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

Credit Risk

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

Commercial Accounts Receivable

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

Financial Assets

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

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

The liquidity surplus operations must meet the following general criteria:

- **Safety:** In order to preserve the value of the investment portfolio, the available resources for placement must meet the credit rating requirements set forth herein.
- **Liquidity:** The instruments that are part of the investments must have high liquidity in the market.

- **Profitability:** Within the risk limits allowed for, the highest possible return on investment must be sought.
- **Diversification:** Risk concentration must be avoided in a given type of issuer or counterparty.
- **Transparency:** All operations and commitments undertaken for management of available resources must be explicitly registered and supported, and shall be governed by the norms and procedures in force.

Risk Measurement

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

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

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

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

37. Fair Value

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

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

	Book value	Fair value
	As of December 2016	
Financial liabilities (1)	(In thousands of pesos)	
Issued bonds	$ 4,025,004,942	$ 4,224,164,297
Club Deal	285,541,709	279,614,725
Bank loans	130,622,916	131,123,577
Lease obligations	6,375,386	7,431,684
Total liabilities	**$ 4,447,544,953**	**$ 4,642,334,283**

(In thousands of pesos)

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

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

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

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

38. Approval of Financial Statements

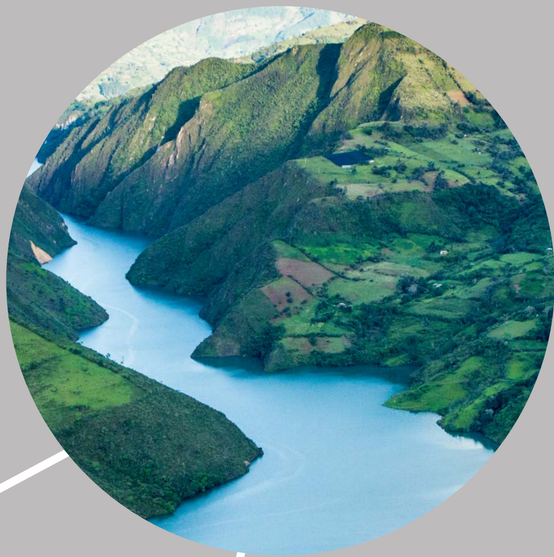
The general purpose Financial Statements of the Company as of 31 December 2016 were approved by the Board of Directors as per Minutes No. 441 of 16 February 2017 for presentation to the General Shareholders' Meeting, pursuant to the Code of Commerce.

39. Subsequent Events

- **El Quimbo Hydroelectric Project**

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

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

14_Code of Commerce

Bogota, 9 February 2017
EMG-003/2017

Shareholders
Emgesa S.A. ESP
Bogota

Re: Information Code of Commerce 2016

Dear sirs:

In compliance with the provisions of article 446, section 3, of the Code of Commerce, we provide the following economic and financial information, *expressed in thousands of pesos:*

a) Detail of expenses for salaries, fees, travel expenses, representation expenses, bonuses, benefits in cash and in kind, expenses for transportation and any other kind of remuneration that would have been received by each of the company executives.

Fees paid to the members of the Board of Directors

Third Party	Twelve-month period from 1 January to 31 December 2016
ÁLVAREZ HERNÁNDEZ GLORIA ASTRID	$ 31,165
ARAÚJO CASTRO MARÍA CONSUELO	27,528
BONILLA GONZÁLEZ RICARDO	3,746
CAPRINI DANIELE	3,550
GUTIÉRRREZ MEDINA FERNANDO	6,937
HERRERA LOZANO JOSÉ ALEJANDRO	41,541
JIMÉNEZ RODRÍGUEZ DIANA MARCELA	3,397
LAFAURIE LUISA FERNANDA	31,303
LÓPEZ VALDERRAMA ANDRÉS	10,238
RIGA BRUNO	38,144
ROMERO RICHARD ERNESTO	10,267
RUBIO DÍAZ LUCIO	37,991
VARGAS LLERAS JOSÉ ANTONIO	34,604
VIVAS MUNAR DIANA MARGARITA	6,630
VAT PRORATE	946
Total	**$ 287,987**

Fees paid to Auditing Committee

Third Party	Twelve-month period from 1 January to 31 December 2016
ÁLVAREZ HERNÁNDEZ GLORIA ASTRID	$ 10,616
LAFAURIE LUISA FERNANDA	5,049
LÓPEZ VALDERRAMA ANDRÉS	2,662
ROMERO RICHARD ERNESTO	10,616
RUBO DÍAZ LUCIO	10,616
Total	**$ 39,559**

> Expenses for the same concepts specified in the previous paragraph, which have been made in favour of advisers or managers, whether or not linked to the company through an employment contract, when the main duty they perform consists of processing issues before public or private entities, or advising or preparing studies to develop such procedures:

Legal advisory fees:

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
AESCA S.A.	Labour advisory	$ 130,557
ÁLVAREZ ARIAS EINAR ANDRÉS	Legal advisory fees	44,371
AREZ CONSULTORES Y ASESORES S.A.S.	Legal advisory fees	59,982
BAKER & MCKENZIE S.A.S.	Tax advisory	85,670
CRUZ RINCÓN GERMÁN JAVIER FERNANDO	Legal advisory fees	48,000
GÓMEZ PINZÓN ZULETA ABOGADOS S.A.	Legal advisory fees	63,800
HINCAPIÉ MOLINA JUAN GUILLERMO	Legal advisory fees	1,200
LEAL ALMARIO JAIRO ALBERTO	Legal advisory fees	44,000
LEWIN & WILLS ABOGADOS LTDA.	Legal advisory fees	4,998
LOBOGUERRERO GUTIÉRREZ LTDA.	Legal advisory fees	37,256
LUPA JURÍDICA S.A.S.	Legal advisory fees	8,641
QC INVERSIONES S.A.S.	Legal advisory fees	2,101
VELÁSQUEZ RAMÍREZ MARTHA INÉS	Legal advisory fees	29,219
VAT PRORATE	VAT prorate	26,188
Total		**$ 585,983**

Advisory fees

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
AON MÉXICO BUSINESS SUPPORT S.A.	Actuarial fees	$ 3,347
BBVA CHILE	Valuation alternative energy project	5,285
CONINGLES S.A.S.	Selection advisory	6,491
CORPORACIÓN CREO	Reports advisory	23,200
DELOITTE ASESORES Y CONSULTORES LTDA.	Other advisories	8,526
DELOITTE Y TOUCHE LTDA	Other advisories	35,223
ERNST & YOUNG AUDIT S.A.S.	Other auditing services fees	126,158
	Statutory auditing fees	580,335
ERNST & YOUNG S.A.S.	Other auditing services fees	39,742
GLORIA SOLEDAD DIAZ MAFLA	Arbitration tribunal advisory	3,093
HAY GROUP LTDA	Charge structures fees	74,193
JAVIER TAMAYO JARAMILLO	Other advisories	50,000
LÓPEZ & ASOCIADOS SAS	Labour advisory	11,600
NEWLINK COMUNICACIONES ESTRATÉGICAS	Strategic communication fees	32,465
PRICEWATERHOUSECOOPERS LTDA	IFRS advisory	42,704
PROYECTO COMPAC	COMPAC Project	318,750
SERVICIOS EMPRESARIALES GLOBAL MANA	Other advisories	57,103
STUDIO MEDIA S.A.S.	Other advisories	19,859
VAT PRORATE	VAT prorate	17,633
Total		**$ 1,455,707**

c) Detail of advertising and public relations expenses:

Advertising on radio, television, mail, print and public relations

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
ABC PRODEIN	Prints	$ 41,140
AD ORANGE S.A.S.	Prints and publications	1,745
BLOOM MOTION S.A.S.	Advertising services	10,952
CADENA S.A.	Prints	76

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
CAM COLOMBIA MULTISERVICIOS S.A.S.	Advertising material	923
HISPANIC-COLOMBIAN CHAMBER OF COMM.	Subscription renewal	3,935
CARACOL TELEVISIÓN S.A.	Advertising service	330,701
CASA EDITORIAL EL TIEMPO S.A.	Subscription renewal	439
CORPORATION SERVICE COMPANY	Subscription renewal	2,139
EDITORA DEL MAR S.A.	Subscription renewal	265
EL CONTADOR DEL SIGLO XXI	Publications	1,698
EVENTOS CORP S.A.	Internal and external relations	4,231
EVENTOS EFECTIVOS Y PRODUCCIONES S.A.	Internal and external relations	17,051
EXITO PUBLICITARIO S.A.S.	Advertising material	8,984
EXPRESO VIAJES Y TURISMO EXPRESO S.A.	Internal and external relations	1,861
GOMA AGENCIA DE MARKETING S.A.S.	Advertising service	99,155
ICONNECTION S.A.S.	Public relations	12,528
IDENTISYSTEM S.A.S.	Prints	540
INCENTIVES S.A.S.	Public relations	77,345
INSIGHT M&C S.A.S.	Prints	1,060
ISAACS RODRÍGUEZ LIBARDO EDMUNDO	Prints	406
LABSTORE Y&R S.A.S.	Investor relations	86,703
LEGIS EDITORES S.A.	Subscription renewal	1,355
MARÍA ELVIRA JARAMILLO CABANZO	Advertising material	896
MINDSHARE DE COLOMBIA LTDA.	Advertising service	779,563
MMS COMUNICACIONES COLOMBIA	Prints and publications	94,200
MOLINO DE PAPEL S.A.S.	Prints and publications	3,000
OFICIAR S.A.S.	Prints	916
OOKRE IMPRESORES LTDA.	Advertising material	18,802
PRIMERA PÁGINA COLOMBIA S.A.S.	Subscription renewal	3,584
PUBLICAR PUBLICIDAD MULTIMEDIA S.A.	Advertising service	15,853
PUBLICIS GROUPE MEDIA S.A.	Advertising material	3,249
RCN TELEVISIÓN S.A.	Advertising service	242,944
RODRÍGUEZ VERGARA HUGO	Prints	4
SERVI FLASH IMPRESORES S.A.S.	Prints and publications	5,029
TC IMPRESORES LTDA.	Advertising material	76,718
TARGET INSIGHTS S.A.S.	Market research	18,015
YOUNG & RUBICAM BRANDS S.A.S.	Advertising service	63,297

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
Total		**$ 2,031,302**

Participation in events and congresses and sponsorships

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
ACOLGEN	Sponsorship	$ 403,565
ALIANZA FIDUCIARIA S A FIDEICOMISO C.N.O.	Sponsorship	76,053
ASOCIACION COLOMBIANA DE INGENIEROS	Sponsorship	13,881
ANDI	Sponsorship	30,000
ANDESCO	Sponsorship	38,158
CORPORACIÓN CENTRO DE INVESTIGACIÓN	Sponsorship	7,540
TOTAL		**$ 569,197**

d) Transfers of money and other property, free of charge or other similar, made in favour of natural or legal persons;

Third Party	Concept	Twelve-month period from 1 January to 31 December 2016
ENDESA FOUNDATION	Contribution	$ 716,661

e) As of 31 December 2016, moneys or other assets held by the Company abroad and obligations in foreign currency are as follows:

	As of 31 December 2016		
	(EURO)	*(US Dollars)*	*(Thousands of pesos)*
Cash and cash equivalents	**1,890**	**568,556**	**1,712,056**
Debtors	106,645	98,275	668,125
Accounts payable	(1,106,251)	(5,973,082)	(22,350,665)
Net position (liability)	**(997,716)**	**(5,306,251)**	**(19,950,484)**

f) As of 31 December 2016, the investments of the Company in other companies, either national or foreign, correspond to:

Below is the detail of the investments recognised under the equity method:

Company	Economic activity	Relationship	% interest	Calue 31/12/16
Sociedad Portuaria Central Cartagena S,A,	Port Services	Subsidiary 55,071	95.95	$ 491,772
Emgesa Panamá	Energy	Subsidiary	100.00	71,293
				$ 563,065

Financial investments in unlisted companies:

Company	Economic activity	Common shares	% interest	Value 31/12/16
Electrificadora del Caribe S.A. E.S.P.	Energía	109,353,394	0.22%	5,698,661

Sincerely,

JOSÉ ANTONIO VARGAS LLERAS
Chairman of the Board of Directors

FERNANDO GUTIÉRREZ MEDINA
Alternate Legal Representative

Bogota D.C., 1 de February 2017

GENERAL MEETING OF SHAREHOLDERS

EMGESA S.A. ESP

Bogota

Ref.: Special Report of the Corporate Group

As CEO of Emgesa S.A. ESP, in compliance with article 29 of Act 222/1995, I hereby submit to you the Special Report of the Corporate Group for the period from 1 January to 31 December 2016:

i) From the total works and services rendered in 2016, Sociedad Portuaria Central Cartagena S.A., which is part of the Enel Group, provided services to Emgesa S.A. ESP for a value of $931,963,757, VAT, included, and in turn Emgesa provided services to Sociedad Portuaria for a value of $128,707,505 VAT included.

ii) From the total works and services rendered in 2016, Emgesa Panamá S.A., which is part of the Enel Group, did not render services to Emgesa S.A. ESP, and in turn Emgesa increased the capital of the company Emgesa Panamá by $98,632,790.

Said companies are controlled by Emgesa S.A. ESP.

Sincerely,

Bruno Riga

BRUNO RIGA

CEO

Grupo Enel

emgesa.com.co