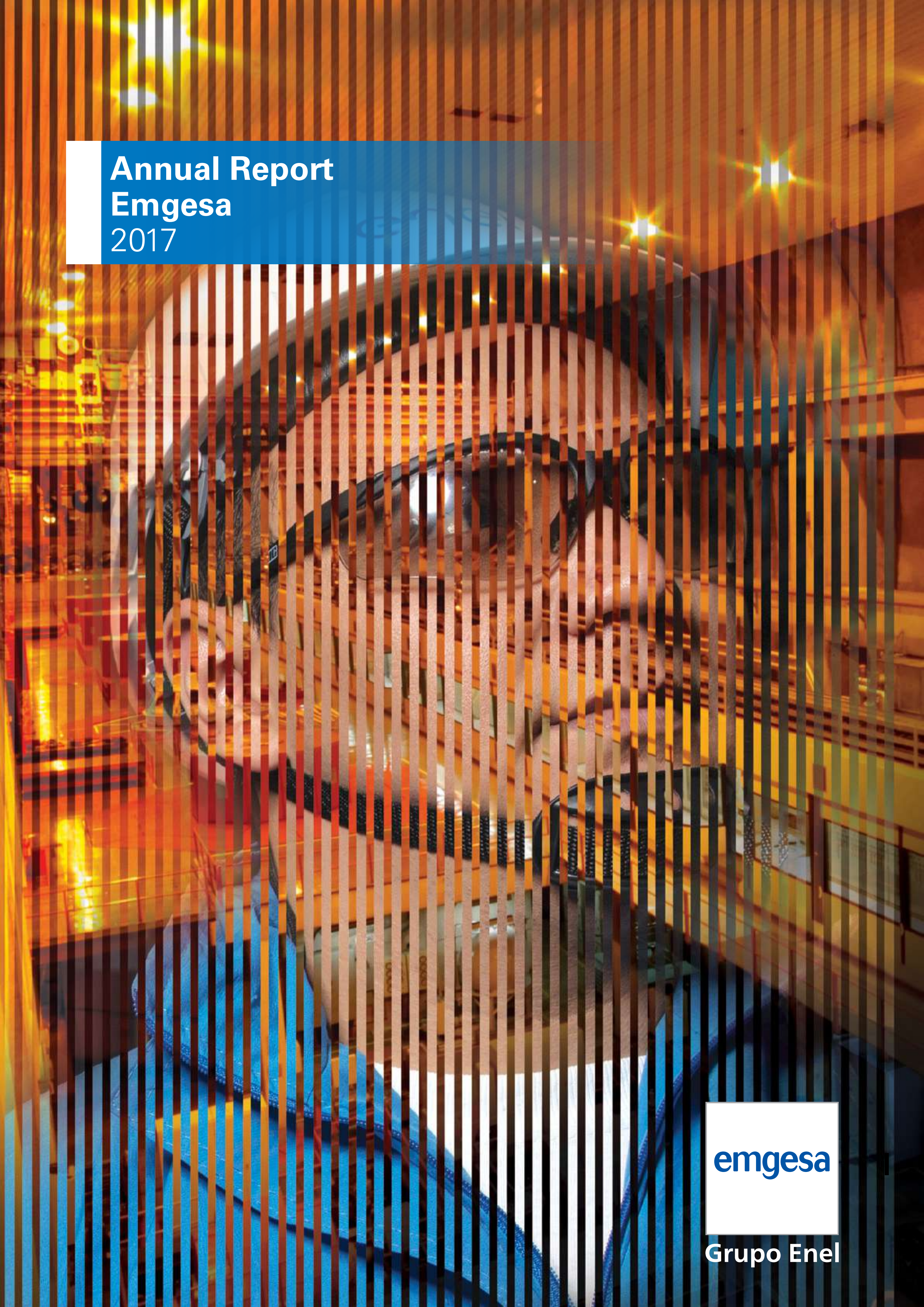
Annual Report Emgesa 2017



emgesa

Grupo Enel

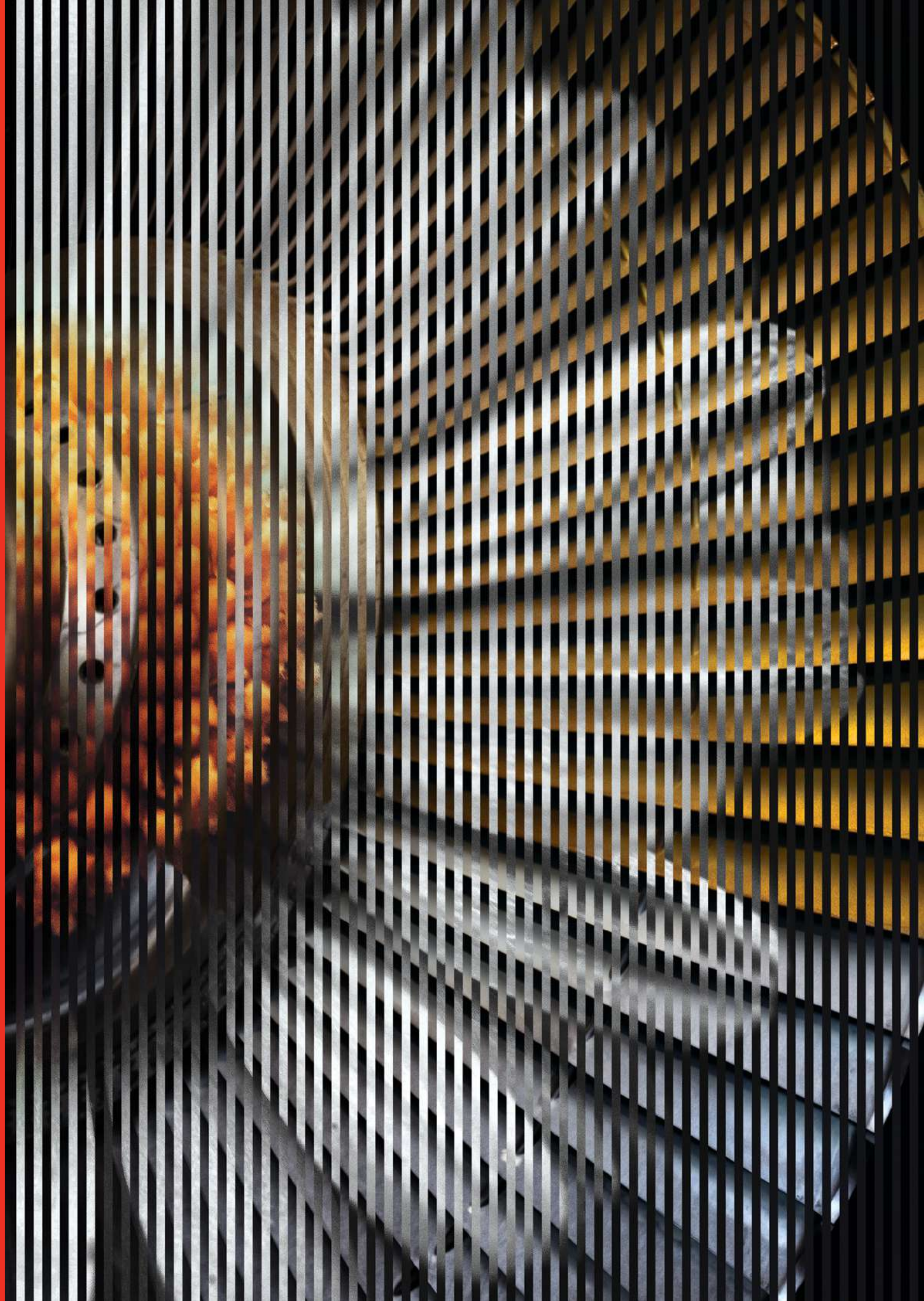
EMGESA S.A. ESP, subsidiary of the Italian group ENEL, is a company dedicated to generate and market electric power in Colombia, with about 465 customers of the non-regulated market and a total installed generation capacity of **3,467 MW.** It has 12 hydraulic power stations and two thermal power plants that operate in the departments of Cundinamarca, Bolívar and Huila. Since 2013, it has participated as a natural gas marketing agent in the negotiation processes with producers, marketers and customers of theUnregulated Market.

Enel is a multinational electric power company and a leading integrated company in global markets for electric power, gas and renewable energy. It is the largest public service company in Europe in terms of market capitalization and is positioned among Europe's leading electric power companies in terms of installed capacity and reported EBITDA. The Group is present in more than thirty countries around the world and produces electric power with about 86 GW of managed capacity. Enel distributes electricity and gas through a network of more than 2 million kilometers and, with more than 65 million companies and households as customers worldwide, with the largest client base among European competitors. The renewable energy division of Enel, Enel GreenPower, already manages approximately 40 GW of wind, solar, geothermal, biomass, and hydroelectric power plants in Europe, America, Africa, Asia and Australia.

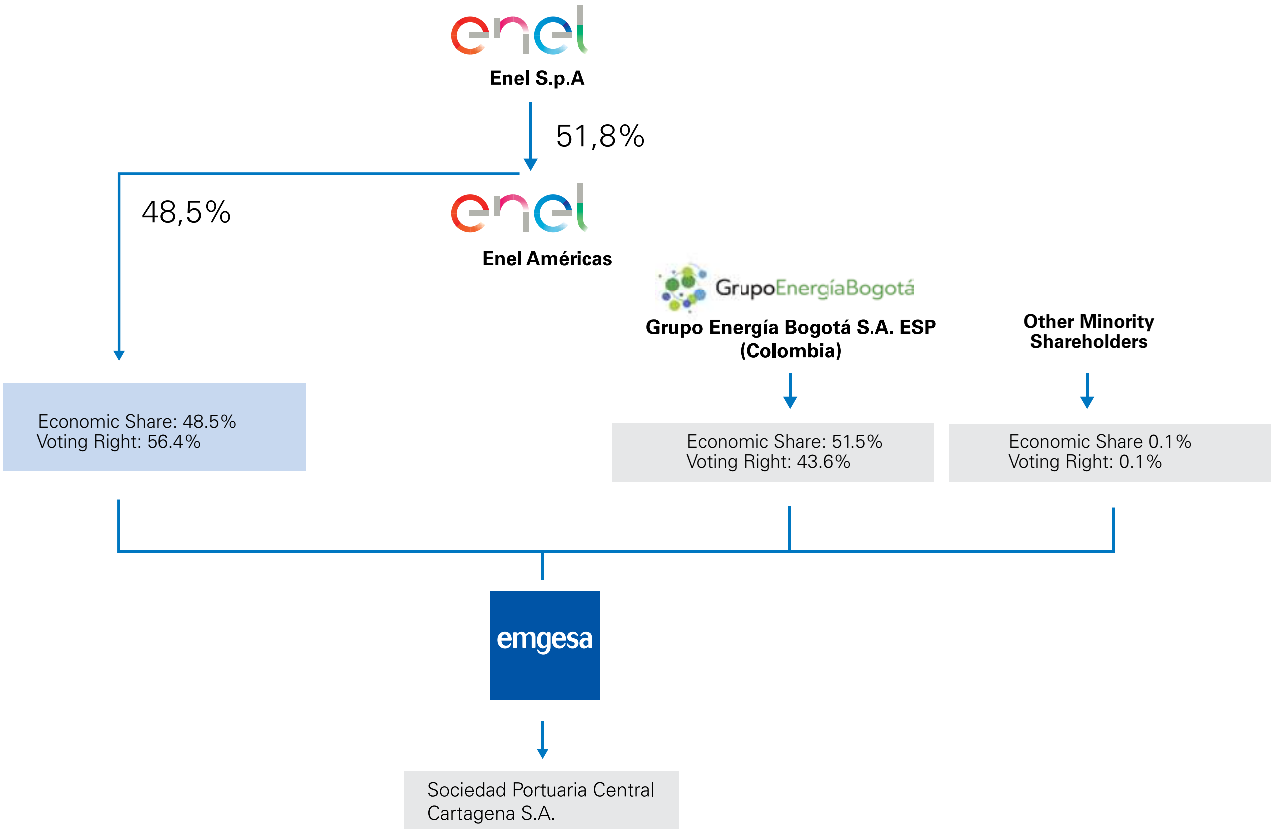
Table of Content

01

The Company, its context and its main results



Ownership Structure Shareholding Composition



Composición Accionaria

Shareholder	Shares Ordinary	% Ord.	Shares Preferential	% Pref.	Total shares	% Total
Grupo Energía Bogotá S.A. ESP	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%

Corporate Governance

Board of Directors

- **Chairman of the Board of Directors:** José Antonio Vargas Lleras
- **General Manager:** Bruno Riga
- **General Manager First Alternate:** Lucio Rubio Díaz
- **General Manager Second Alternate:** Fernando Javier Gutierrez Medina

The Company has a Board of Directors conformed by seven principal members, each of them with a personal alternate, elected by the General Shareholders Meeting through the electoral quotient system. Pursuant to that provided for in the Articles of Association, as long as the Company is a security issuer, 25% of the Board Members will be independent according to the law. The members of the Board of Directors are elected for two-year terms, and they can be reelected indefinitely and without prejudice of the General Assembly Power to remove them freely at any time. The functions of the Board of Directors are described in article 62 of the Articles of Association.

At the General Shareholders Meeting held on March 28, 2017, the election of the following members of the Board of Directors was approved.

Seat	Principal	Alternate
First	Bruno Riga	Diana Marcela Jimenez
Second	Lucio Rubio Díaz	Fernando Gutiérrez Medina
Third	José Antonio Vargas Lleras	Daniele Caprini
Fourth	Astrid Álvarez Hernández	Camila Merizalde Arico
Fifth	Diana Margarita Vivas Munar	Alejandro Botero Valencia
Sixth (Independent)	Luis Fernando Alarcón Mantilla	Rodrigo Galarza Naranjo
Seventh (Independent)	Luisa Fernanda Lafaurie	Andrés López Valderrama

Members of the Board of Directors

In an extraordinary session of the General Assembly of Shareholders held on December 18, 2017, the Meeting was informed that Mr. Andrés López Valderrama submitted his resignation as alternate and independent member of the seventh line of the Board of Directors of the company, designated as such at session No.96 of the General Shareholders' Meeting of March 28, 2017; thus, insofar as no proposal for the designation of the new substitute member was received, the position will remain vacant until the new appointment is made; therefore, the composition of the Board of Directors at December 31 is as follows:

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

Board Members on December 31

Attendance to meetings by members of the Board of Directors

In 2017, the Board of Directors met 12 times in ordinary sessions. The members of the Board participated in said sessions, as indicated below:

Line	No. of sessions attended Principal Member	No. of sessions attended Alternate Member*
First	12	-
Second	12	-
Third	10	2
Fourth	10	2
Fifth	11	1
Sixth (Independent)	7	5
Seventh (Independent)	9	3

* The alternate members shown in blank did not have to replace the principal members, inasmuch as there were neither absolute nor temporary absences

Board of Directors members attendance to meetings

Based on the foregoing, it is inferred that in all meetings there was quorum to meet and decide validly.

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Audit Committee

In accordance with the provisions of the Articles of Association, the Code of Good Governance of the Company, and Law 964 of 2005, the Company has an Audit Committee, conformed by four (4) members of the Board of Directors, two (2) of them being independent members. The Chairman of the committee is independent and elected among its members. This committee will have a Secretary, who may or may not be a member thereof. The Statutory Auditor attends the Committee meetings with right to speak, but not to vote.

The Board of Directors in its meeting No. 443 of April 19, 2017, approved the composition of the Audit Committee, as follows:

PRINCIPAL	ALTERNATE
Lucio Rubio Díaz	Fernando Gutiérrez Medina
Astrid Álvarez Hernández	Camila Merizalde Arico
Luis Fernando Alarcón Mantilla	Rodrigo Galarza Naranjo
Luisa Fernanda Lafaurie	Vacant

Composition of the Audit Committee

The functions of the Audit Committee are described in article 96 of the Corporate Bylaws, it being worth to highlight the following: (i) Supervise compliance with the internal audit program, which must consider the business risks and perform a thorough review of all company areas. (II) Ensure that the preparation, presentation before submittal for consideration of the Board of Directors and the General Shareholders' Meeting. (iv) Establish the policies and practices to be used for the structuring, disclosure and dissemination of its financial information. (v) Define the mechanisms that the company will use to consolidate the information of the control bodies for presentation to the Board of Directors. (vi) Issue a written report regarding the transactions that have been entered into with related parties, having verified that these were performed in fair market conditions, without violating equal treatment of the shareholders; and (VII) others assigned by the Board of Directors.

In view of the foregoing and pursuant to its main function of supporting the Board of Directors in monitoring compliance with Good Governance provisions provided for in the Law, the Corporate Bylaws, the Good Governance Code, and the Internal Regulations of the Board of Directors, the Audit Committee presents to the General Shareholders' Meeting a report corresponding to the previous year, in which it outlines the fulfillment of the above mentioned functions.

Attendance to meetings by members of the Audit Committee

The Audit Committee of the Company during the year 2017 met in four ordinary sessions. The Board members participated in said sessions, as indicated below:

SEAT	Number of sessions attended Principal Member	Number of sessions attended Alternate Member*
First	4	-
Second	3	1
Third (Independent)	2	2
Fourth (Independent)	3	1

* The alternate members shown in blank did not have to replace the principal members, inasmuch as there were neither absolute nor temporary absences

Audit Committee member attendance to meetings

Based on the foregoing, it is inferred that in all meetings there was quorum to meet and decide validly.

Good Governance and Evaluation Committee

In accordance with the provisions of the Articles of Association and the Good Governance Code, the company has a Good Governance and Evaluation Committee, conformed by three members of the Board of Directors. Chairman of the committee elected by its members. This committee will have a Secretary, who may or may not be a member thereof.

The Board of Directors in its meeting No. 443 of April 19, 2017, approved the composition of the Good Governance and Evaluation Committee, which was conformed as follows:

PRINCIPAL	ALTERNATE
Lucio Rubio Díaz	Fernando Gutiérrez Medina
José Antonio Vargas Lleras	Daniele Caprini
Astrid Álvarez Hernández	Diana Margarita Vivas

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Good Governance and Evaluation Committee

The functions of the Good Governance and Evaluation Committee are described in article 98 of the Articles of Association, with the following standing out: (i) Monitor that the shareholders, investors, other stakeholders and the market, at large, have full, truthful and timely access to relevant corporate information. (ii) Review and assess how the Board of Directors fulfilled its duties during the period. The evaluation shall include the following, among other aspects: attendance of members to the meetings, their active participation in the decisions, and their follow-up of key corporate issues. (iii) Monitor the negotiations carried out by the members of the Board of Directors with shares issued by the company or by other companies of the same group. (iv)Supervise compliance with the remuneration policy for Board of Directors members. (v) Be aware of the complaints raised by investors, shareholders and other stakeholders regarding compliance with this code and ensure that they are duly conveyed by the person in charge of the Virtual Office for the service of Shareholders and Investors.

In view of the foregoing and pursuant to its main function of supporting the Board of Directors in monitoring compliance with good governance provisions provided for in the Law, the Bylaws, the Good Governance Code, and the Internal Regulations of the Board of Directors, the Good Governance Committee presents to the General Shareholders' Meeting a report corresponding to the previous year, in which it reports the fulfillment of the aforementioned functions.

Attendance to meetings by members of the Good Governance Committee Governance and Evaluation

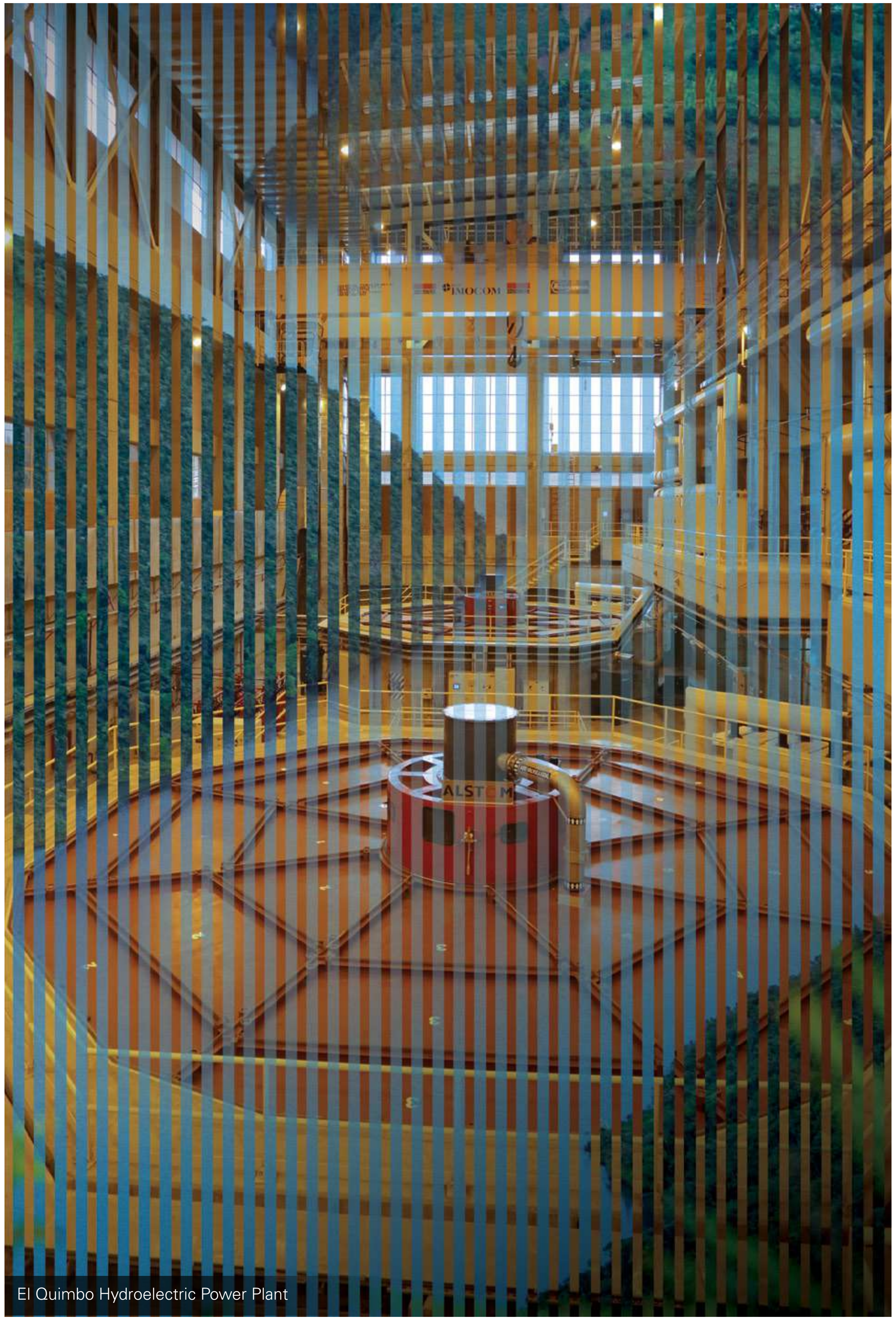
The Corporate Governance and Evaluation Committee of the company during the year 2017 met in ordinary session once. The Board members participated in said sessions, as indicated below:

SEAT	No. of sessions attended Principal Member	No. of sessions attended Alternate Member*
Primero	1	-
Segundo	1	-
Tercero	1	-

* The alternate members shown in blank did not have to replace the principal members, inasmuch as there were neither absolute nor temporary absences

Attendance to meetings of Members of the Good Governance and Evaluation Committee

Based on the foregoing, it is inferred that in all meetings there was quorum to meet and decide validly.



El Quimbo Hydroelectric Power Plant

Corporate purpose

"The main purpose of the company is the generation and commercialization of electricity pursuant to Law 143 of 1994 and the regulations that govern, add to, modify or repeal it, and all kinds of directly or indirectly related activities, complementary to the gas commercialization business, performing the necessary actions to preserve the environment and good relations with the community in the area of influence of its projects; carry out designs and consulting in electrical engineering and marketing products for the benefit of its customers; the company may, as part of its corporate purpose, execute all activities related to exploration, development, research, exploitation, commercialization, storage, marketing, transportation and distribution of minerals and stone materials, as well as administrative, operational and technical management related to the production of minerals and exploration and exploitation of reservoirs in Colombia, including the purchase, sale, rent, distribution, import and export of raw materials, elements, machinery and equipment for the mining sector. Similarly, the company may promote or establish companies or agencies in Colombia or abroad, acquire any kind of real or personal property, lease them, alienate them, encumber them and deliver them as security; exploit trademarks, trade names, patents, inventions or any other intangible property; participate in public and private tenders; enter into and execute all kinds of contracts and acts, whether civil, labour, commercial or financial or of any nature as necessary, convenient or appropriate for the achievement of its purposes; give to, or receive from its shareholders, parent companies, subsidiaries, and third parties money as loans; issue, accept, endorse, collect and pay all kinds of securities, negotiable instruments, shares, executive titles and others; enter into partnership agreements or acquire shares in companies and participate as partners in other public utility companies; split, merge with other companies that have a related social purpose; opt for any associative or business collaboration form with natural and legal persons, national and foreign, to carry out related, related and complementary activities with its corporate purpose ".

Letter to the Shareholders

Dear Shareholders:

We are pleased to share the results achieved by the Company in 2017, which respond to the approach of a renewed strategy based on an inspiring concept: Open Power to manage the greatest challenges, as well as the reflection of teamwork, the passion for outstanding results and the great commitment to provide our customers with a quality product that leverages the development and growth of the communities where we operate.

The economic activity of Colombia was characterized in 2017 by weak domestic demand, so that its growth was around 1.8%, which implied a slight slowdown as compared to 2.0% in 2016. In 2017, measures were taken to strengthen revenues and mitigate expenses aimed at progress in adjusting public finances. The Colombian Government tax revenues increased as a result of the tax reform approved in late 2016.

In this scenario, the Central Bank gradually reduced its interest rates to 4.75%, as the impact of inflation shocks registered in 2016 dissipated. Furthermore, this rate reduction became fundamental in a context where consumption was affected by the VAT increase to 19%, which was reflected in a year to date growth of the economy below the forecast for 2017. Nevertheless, despite the strong impact of the tax reform on consumption, government revenues were sufficient to comply with the fiscal norms and therefore, in a context of controlled inflation and low interest rates, an upturn of the GDP growth is expected in 2018. In the same token, the price of an oil barrel is standing above 65 dollars, which helps reactivate the exploration and production of inactive fields and, therefore, to a recovery in tax revenues on such account.

In terms of exchange, there were no major upsets in the year 2017. Expectations of the exchange rate continued around $ 3,000 (closing at $ 2,984/Dollar) and no significant variations in the exchange rate are expected in 2018, unless there is an unexpected rebound in the price of oil. The Consumer Price Index (CPI) registered a variation of 4.09% in 2017, decreasing by 1.66 percentage points the inflation of 2016 (5.75%). In turn, the Producer Price Index (PPI) registered a variation of 1.86% in 2017, higher by 0.24 percentage points with respect to variation in 2016 (1-62%). This last indicator has a positive impact on the price of our sales in electricity contracts and, hence, on the income received on such account during 2017.

The domestic energy demand in 2017 was 66.89 TWh, 1.3% higher than that of the previous year. The maximum power demand occurred on December 6, when it reached 9,996 MW. This figure increased by 0.9% vis-a-vis the 2016 maximum (9,904 MW).

The supply of electric energy in Colombia in 2017 responded to neutral weather conditions, without any significant incidence on the hydrology of the main rivers in Colombia. During the first half, contributions at the national level were surpluses and in the second half (due to the incidence of atmospheric phenomena such as Madden Julian Swing (MJO) in its terminal phase), with records maintained below the historical mean. Thus, the average spot price of the year was106.1 $/kWh, which decreased 65% vis-a-vis 2016. In 2017, Emgesa achieved an efficient operation of its reservoirs under the already mentioned weather conditions, thus being able to position ourselves as the second generation agent of the SIN (supplying 17% of the demand), with a total generation of 14.77 TWh.

This translated into optimal management of the portfolio, which resulted in an annual variable margin (gross margin) of $ 2,255 million (2.9% higher than in 2016), a significant figure in the existing conditions.

The management of Emgesa's portfolio assets in 2017 was characterized by boosting energy sales in long-term contracts (up to 15 years), providing benefits for the Company and its customers, contributing to the efficiency and planning of their operations and favoring the development of new supply sources.

In sales operations in the Wholesale Market (public calls or private invitations), 17.3 TWh (distributed between 2017 and 2025) were achieved and as regards customers of the Non-Regulated Market, 8.3 TWh were achieved between 2017 to 2032, in different regions of the country. Based on an engagement plan and structured customer service (86.0% quality satisfaction rate vs. 84.0% in the previous year).

It is also worth noting that in 2017 Emgesa carried out purchase and sale operations in financial energy derivatives for a total of 22 GWh/year, which represents 36% of the total energy traded in this market. Thus, Emgesa consolidates a position that generates liquidity and contributes to the growth of the energy derivatives sector.

Total energy sales in 2017 added up to 18,156GWh, higher by 0.78% than those of 2016. Out of the sales registered in 2017, 15,701 GWh corresponded to sales in contracts (11,693 GWh in contracts with Wholesale Market customers, and 4,009 GWh in contracts with customers of the Non-Regulated Market), with an increase of 17, 8% compared to 2016; and 2.455GWh corresponded to sales in the spot market (Bolsa de Energia, Reconciliaciones y Servicio de AGC), which decreased by 47.61% in 2017 compared to the previous year.

In 2017, Emgesa continued to consolidate its position in the gas market in Colombia, with a sales volume of 63.9 Mm3, which is lower by27.4% compared to 2016 (87.9 Mm3). In this market, 11 industry customers (Unregulated) were served in different cities of the country and 5 customers at the wellhead (Secondary Market).

In 2017, preventive management and collection programs were carried out and strategies aimed at improving customer collection management were implemented. However, the average rate of consolidated overdue loans for the year reached 34.3%, mainly due to the loan portfolio as of mainly due to the loan portfolio of the Agent Electricaribe S.A E.S.P, which adds up to $99 billion and is frozen by the establishment of the Superitendence of Public Services on November 14, 2016.

Emgesa has a net installed capacity of 3,467 MW, 21% of the country's capacity (of 16,779 MW), which ratified it in the second position among the generating agents in Colombia, measured by installed capacity. During 2017 the development of the Useful Life Extension Project began as well as improvement in the environmental performance of the Termozipa Power Plant, with the contracting of equipment supply aimed at complying with primary NOx emissions.

TO pursue completion of the El Quimbo Hydroelectric Project, between January and December 2017, $ 131,561 million were invested, intended for execution of amounts related to the commitments of the environmental license during the operation stage.

El Quimbo production was 2,191 GWh, the largest generation since the start-up of its commercial operation. Similarly, the plant obtained certification in the ISO 9001, ISO 14001 and OHSAS 18001 standards.

At the end of 2017, the availability of Emgesa's generating fleet was 92.6%, with an increase of 1.2 percentage points compared to 2016 resulting from the optimization of maintenance times and less unscheduled unavailability.

Among the main interventions carried out at the power plants, the first full decommissioning of unit 5 in Guavio since its commissioning 25 years ago is to be highlighted, which was intended for stator winding and general overhaul. The modernization of the speed regulators was also carried out in some units of the Pagua and Betania stations, as well as the change of the winding stator of unit 1 of Paraíso and Guaca.

In 2017, the management of Safety and Health at Work was based on the development of corporate strategies defined by the Group to fulfill thezero accidents target, based on self-care and mutual care, and the promotion of a preventive culture.

During the year there were neither fatal nor serious accidents among own or contracted personnel, reaching an approximate total of 5,981,379 man-hours worked.

From an environmental perspective, it is worth highlighting the modification introduced by the CAR concerning the water concession of the Bogotá River, which extended its validity until the year 2038. This concession allows for the operation of the Antigua Chain hydroelectric power plants (Charquito, Salto II, Tequendama, Limonar and Laguneta, Darío Valencia); the Pagua Chain and the Termozipa Thermoelectric Power Plant.

In terms of results, operating income reached $ 3,425,081 million, which represented a 2.5% decrease with respect to the same period of the previous year, mainly due to a lower price of energy related to greater hydrology, offset with a higher sales volume in contracts.

Cost of sales amounted to $ 1,170,360 million, with a 11.53% decrease compared to the previous year, mostly due to lower consumption of fuels for thermal generation.

Regarding the fixed operating costs, these showed a 1.3% increase,adding up to $ 209,445 million, mostly due to higher costs of personnel, maintenance and plant services. Thus, as of December 2017, Emgesa generated an EBITDA of $ 2,045,276 million, 3.06% higher than that generated during 2016.

The Company's net profit in 2017 amounted to $ 887,056 million, 17.7% higher than that of the previous year, mostly due to a higher EBITDA of $ 60,795 million, lower financial expenses of $ 91,194 million in savings from a lower rate of debt compensated with a higher income tax of $ 83,826 million with respect to 2016 due to higher profit before taxes, and the reduction of the tax benefit on investment in real productive fixed assets for the Quimbo project, which in2017 decreased by 60% as compared to 2016.

As of December 31, 2017, the Company's total assets amounted to $ 9,028,370 million, among which the available and short-term investments amounted to $536,382 million. Availability decreased by 13.50% with respect to the balances corresponding to the same cut-off date. This variation was mostly derived from the takeover of debt carried out in February 2016, which implied greater execution of the CAPEX in the same year.

Regarding the indebtedness level, at the end of December 31, 2017, Emgesa registered a financial debt of $ 4,088,303 million, 5.5% higher than the debt registered at the end of 2016.

During 2017, a loan was contracted with the Banco de Credito del Peru (BCP) for $ 100,000 million pesos, for a one-year term, at an effective rate in pesos of 7.85% after hedging. These resources were used to refinance part of the maturities of the Company.

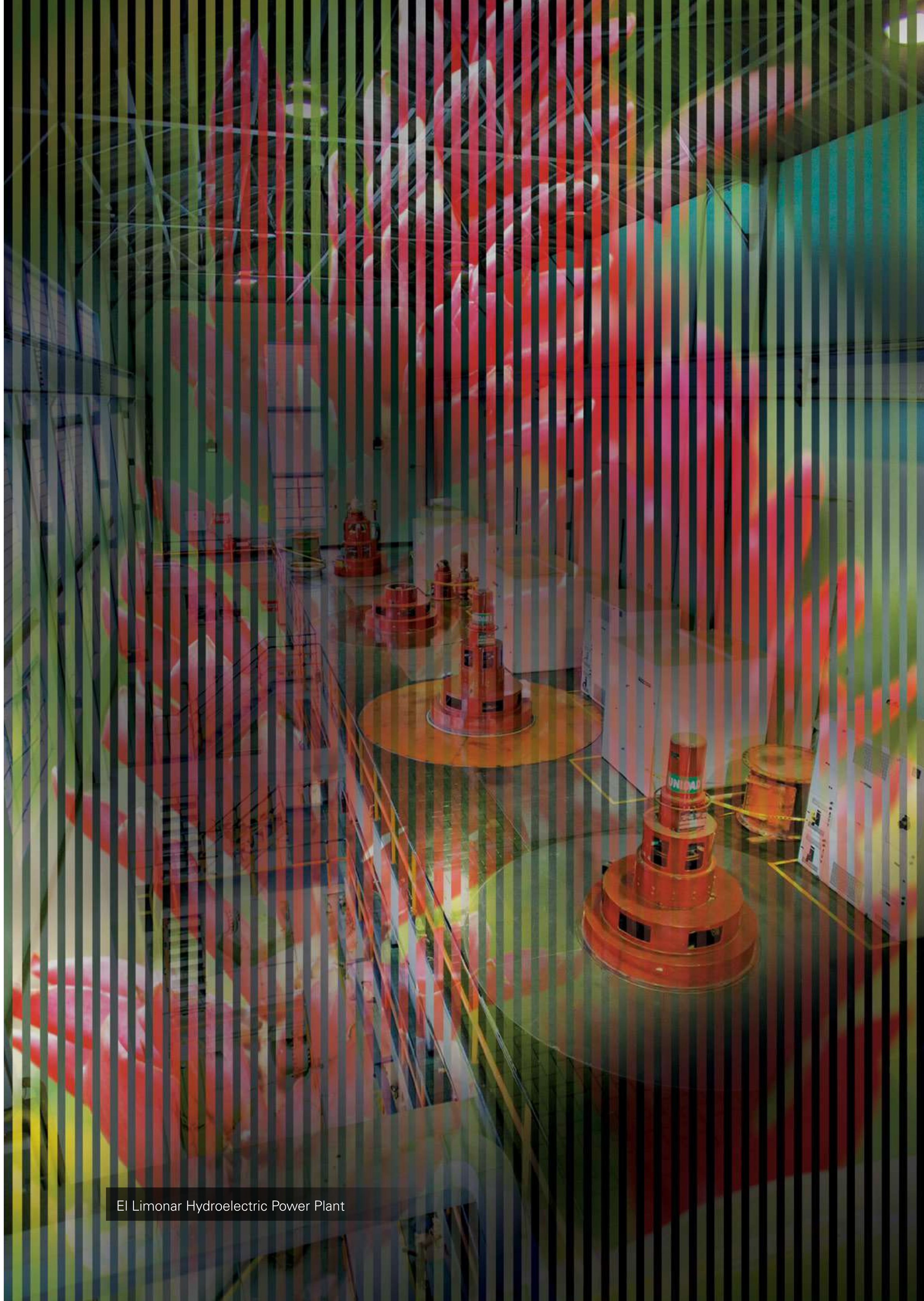
Thus, the financial debt as of December 31, 2017 was divided in 73.5% bonds issued in the local capital market, 18.0% bonds indexed to Colombian pesos issued in the international market, and 8.4% bank loans.

At the end of 2017, Emgesa maintained 100% of its debt in pesos after financial hedging. On the other hand, 91.2% of the financial debt was long term (with remaining maturities of over one year). 66.2% of the debt had interests indexed to the CPI, 6.0% to IBR, and the remaining 27.8% at fixed rate.

In 2017, Emgesa received the Investor Relations IR recognition for the fifth consecutive year from the Colombian Stock Exchange (BVC), for voluntarily raising its management models for disclosure of information and investor relations beyond the requirements set out by local regulations, and for making available to investors quarterly and annual information in English and Spanish on its website.

On April 28, 2017, FitchRatings Colombia ratified in 'AAA (col)' and 'F1 + (col)' the National Long-Term and Short-Term Ratings, respectively, of Emgesa S.A. ESP. Likewise, it ratified in 'AAA (col)' the rating of the Bonds Program for $ 3,715 billion of Emgesa with a stable outlook. Likewise, Emgesa's international rating as long-term corporate debt issuer in local and foreign currency was ratified in BBB by Standard & Poor's on August 31, 2017 and by Fitch Ratings on April 28, 2017.

With regard to S&P, the outlook was improved to stable,



El Limonar Hydroelectric Power Plant

considering the expectation that its holding company, Enel Américas, would support Emgesa in a sovereign stress scenario.

In turn, the Transparency Secretariat of the Presidency of the Republic recognized Emgesa S.A. ESP in July 2017, for its inclusion in the list of "Active Anti-corruption Companies - Businesses with Utility Services", for having a compliance program in place with high standards on prevention of corruption.

At the end of 2017, the staff of our Company was conformed by 593 employees. We also progressed in consolidating our company as preferred employer within the industry, competitive in the labour market, and always seeking to generate a sense of belonging and pride among our collaborators.

In 2017 we continued working to maintain our certification as a Family Responsible Company (EFR for its acronym in Spanish), granted by the Más Familia Foundation, as acknowledgment of our work in the implementation of a new socio-labour and business culture based on flexibility, respect and commitment to our workers, aimed at managing reconciliation among personal, family and work life. Since 2015, the focus on labour equity was included, upon receiving the Equipages silver award. The Company is, therefore, committed to the development of a work culture that incorporates gender equity through the management of the following areas: recruitment, promotion and development, training, compensation and salaries, balance among work, personal and family life, prevention of work and sexual harassment, working climate, health, and non-sexist communication. We completed this journey through the management of the Company, expressing our conviction that the growth prospects of the Colombian economy, the high quality and commitment of our human resources, as well as the support derived from belonging to a multinational with worldwide coverage such as Grupo Enel, will enable us to face challenges with optimism, as well as the regulatory changes that are looming in the electricity sector. We are optimistic that the lessons learned contribute to our increased knowledge, experience, management of the increasing challenges in the market context, which will transform the future of the sector, and the development of new projects in Colombia.

In 2017, progress was made in the materialization of the country's efforts to comply with the commitments acquired as part of the recent Peace Process Agreement for the Post-conflict, to show results in all aspects - social, economic and Human Rights, and in general for what it represents for the country's stability.

Thus, in the medium term, it represents great challenges for the economic actors engaged in productive activities in Colombia, foreseeing future investment opportunities in the near future, aimed at promoting the country's productivity and competitiveness, and ensuring the stability of the above mentioned agreement.

Additionally, after the closing of the year no relevant events occurred in the Company that are worth to mention.

In accordance with article 47 of Law 222 of 1995, in relation to the operations carried out with the shareholders and administrators, it is reported that these complied with all applicable legal provisions and are duly reflected in the financial statements. Likewise, Emgesa complies with intellectual property and copyright regulations and declares that all software available for the management of the Company has the pertinent licenses, thus complying with all intellectual property and current copyright regulations in Colombia.

Also complying with that set forth in article 87 of Law 1676 of 2013, informs that the Company has not hindered the free circulation of invoices issued by vendors or suppliers.

In accordance with Emgesa's Articles of Association, the following reports are presented to the Shareholders:

- General Manager management report corresponding to the period between January 1 and December 31, 2017, approved by the Board of Directors
- Report of the firm Ernst & Young Ltda., in its capacity as Statutory Auditor, on Internal Control
- Certified and audited end-of-year financial statements
- Report of Article 446 of the Commercial Code
- Special Report of the Business Group in accordance with Article 29 of Law 222 of 1995
- Corporate Governance Annual Report

Likewise, in accordance with the provisions of numeral 12 of article 68 of the Articles of Association, we advise the Shareholders that the Company has an internal control office in charge of overseeing compliance with the control and management programs. Moreover, the external audit of management and results is currently underway by the firm Ernst & Young Ltda. and its results will be reported to the Unified Information System (SUI for its acronym in Spanish) of the Superintendency of Public Utility Services, in accordance with the deadlines established in current regulations. Additionally, during the reported period, the Company, as issuer of securities, has controlled and disclosed financial information in accordance with the applicable regulations.

Finally, we thank our Shareholders for their show of confidence in maintaining their investment in the Company, which is an incentive for us to generate value and good results, further contributing to the country's development.

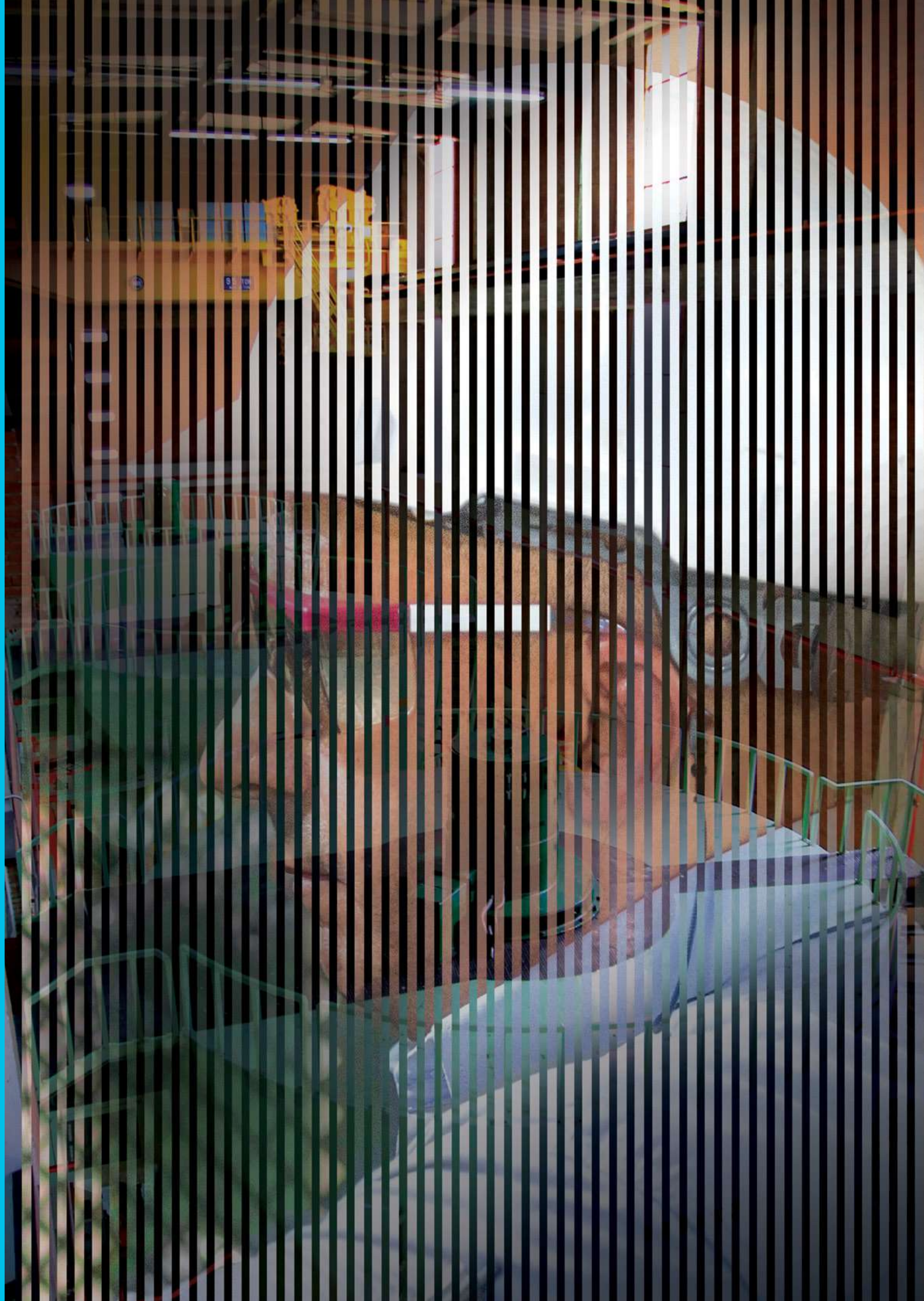
Sincerely,

BRUNO RIGA
Gerente General

JOSÉ ANTONIO VARGAS LLERAS
Presidente de la Junta Directiva

02

Our value chain



Electric energy generation

Based on the new organizational structure of Enel, its management was aimed at improving processes and adopting best practices globally, which led to the efficient development of projects, achieving optimal operational and economic results.

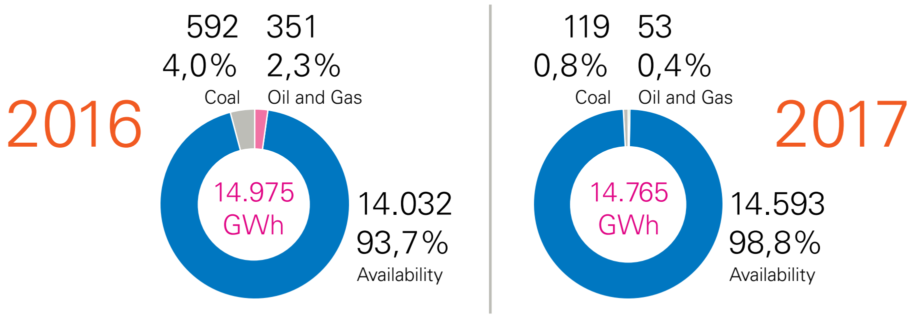
Outlined below are the main actions related to operational, technical, health, safety, environmental and quality issues of 2017, as well as the main challenges envisaged for 2018.

Operational Performance

In 2017, Emgesa's generation of net energy reached 14,765 GWh, with 1.4% decreased compared to2016, mainly due to lower requirements for thermal power plants in the system as compared with 2016, year in which occurrence of El Niño weather phenomenon.

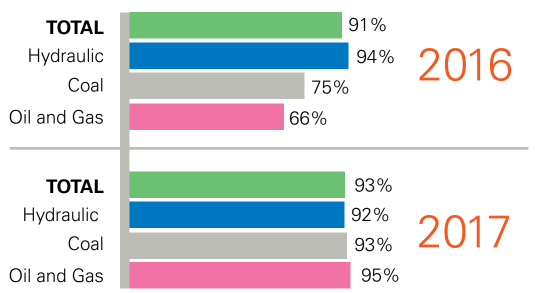
The following graph shows the breakdown of net generation by technology:

Net generation by technology



The availability of Emgesa's generator park in 2017 was 92.6%, with an increase of 1.2 percentage points as compared with 2016. The following graph shows the breakdown of net generation by technology:

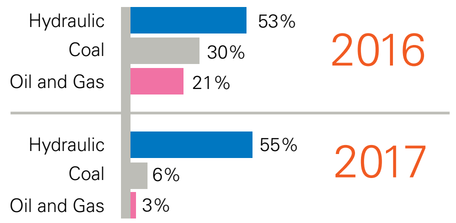
Availability by technology 2016 - 2017 (%)



In total, 178,969 hours of service were recorded for Emgesa's generation units during 2017, that is, 12,077 hours more than in 2016. There was an increase in service hours at the hydraulic power plants due to the higher water inflow as compared with 2016.

The utilization factor ended at 49% compared to 50% in 2016. The following graph shows the breakdown of this variable by technology, evidencing reduced utilization of Thermal Technology in 2017 derived from lower requirements from the system operator.

Utilization factor by technology (2016-2017)



Hydraulic Technology

To achieve the above optimal operational results, various investment and intervention actions were carried out at the hydroelectric power plants, which are described below:

- **El Guavio Hydroelectric Power Plant:** two high impact projects commenced in 2016 were consolidated: (1) Guavio Menor, 9.9 MW, came into service and increased the net effective capacity of the power plant (1.200 MW to 1.250 MW). (2) The first full decommissioning of unit 5 was performed since it came into service 25 years ago, to carry out maintenance of the stator coil and general overhaul.
- **Betania Hydroelectric Power Plant:** upgrading of unit 1 speed controller carried out as part of the modernization project of plants that will continue in 2018.
- **El Quimbo Hydroelectric Power Plant:** generation of 2,191 GWh, the largest generation since its entry into commercial operation. Maintenance was performed 8,000 hours of operation, and the certification in ISO 9001, ISO 14001 and OHSAS standards 18001.
- **Pagua Chain:** the speed regulators of units 1 and 2 of Paraíso were upgraded as well as that of unit 3 in Guaca. The stator winding of Units 1 of Paraíso and Guaca was changed. Civil works were completedto improve the infrastructure of the Power Plant.
- **Pumping stations Muña III and Muña II:** to improve the efficiency of the pumping station, the inspection and installation of flow meters at Muña II and Muña III discharge pipes were performed.
- **Río Bogotá Old Chain:** in the minor power plant of Charquito the instrumentation upgrade was completed, and of the power transformers and the flow measurement system was installed in the loading pipe. In the minor power plant of Tequendama, the upgrading of the Motor Control Center (MCC) of the auxiliary services was completed. The recovery of the Colegio II loading pipe, with a length of 3.3 km was carried out, at the run o the river Darío Valencia Samper power plant, maintaining over 21,000 m2 of surface area.
- **Alichachín Pondage:** As a long-term project, intended to secure sustainable management and recovery of the environment, an innovation project was implemented with the Universidad de los Andes aimed at taking advantage of the sludge disposal from the dredging and

adequate shaping of the banks, which improved the area's operating and environmental conditions

Thermal Technology

During the year 2017, due to low generation, the Thermal Generation management focused on planning of activities for 2018 and on fulfilling dispatches for safe generation. Additionally, the structure was deployed to the second level, in order to meet the Operation and Maintenance standard.

The main actions performed were:

> **Termozipa Power Plant:** Neither minor nor major overhauls were carried out in 2017 due to the low generation. The supply of automatic voltage regulators (AVR) was contracted and the work was focused on Planning of maintenance to be conducted in2018. In performance of the Useful Life Extension and Environmental Update Project, the Supply of the Fund Ash Evacuation System (MAGALDI) was contracted, as well as the equipment supply for compliance with primary NOx emissions (DENOX), which will be installed in 2018. Additionally, a dedicated structure was created for Management of these Projects.

> **Cartagena Thermal Power Plant:** The biennial maintenance of unit 3 was carried out, where the Critical Controls System was upgraded, which allows to have a boiler maintenance system (BMS) and the change of baskets (LUNJSTROM), which will improve the emission performance during the operation of this unit.

Cartagena Thermal Power Plant

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Health, Safety Environment and Quality

Health and Safety

In 2017 there were neither fatal nor serious accidents among own or contracted personnel, reaching an approximate total of 5,981,379 man-hours worked. Education and personnel training activities continued on technical and safety themes, seeking to improve knowledge and skills for performance of tasks required in each role and to minimize the possibility of accident occurrence.

During this period, the management of Safety and Health at Work was based on meeting the target of Zero accidents, thus conducting activities aimed at continuing with the improvement of safe behaviors and conditions at the workplace, which are described as follows:

> Promotion of self-care and mutual care and generation of preventive culture: own and contractor personnel were trained on their exposure and consciousness conditions that can cause an accident, and especially the possible means to prevent its occurrence.

> Safe Work Centers: the activities set out in the Fatality Prevention Program were carried out, aimed at improving safety conditions related to working at heights, electrical risk, load lifting and work permits, which included activities such as: on-site repairs, change and acquisition of equipment and adequate supplies, software development and development of procedures.

> Aligned with the Group's global initiative of eliminating asbestos structures and equipment, in 2017 90% of such structures were eliminated at the Cartagena power plant and, their removal was commenced at the Termozipa power plant.

> Mechanical Risk Prevention that, based on theSafety Moving Parts and Intrinsic Safety Programs, carried out the evaluation and assessment of the risks for the equipment and machinery with moving parts that required intrinsic preventive safety establishing the improvement to be achieved in 2018, as well as access restrictions and/or permanent safety recommendations.

> Road safety: given the occurrence of events within the group in other countries associated with vehicle driving, training activities and defensive driving schools were developed.

The Occupational Health and Safety Management strategies implemented in the Cartagena Power Plant, resulted in acknowledgment as part of the ARL SURA 2017 Excellence Award for the northern region of the country in the category "Better work environments for better results". This was related to the implementation of programs for an efficient control of risk agents that result in work accidents.

Environment

The environmental management was focused on the execution of the following action lines

> The activities defined in the environmental license of the El Quimbo power plant were executed, as well as the environmental management plans of the Pagua Chain, Antigua Chain, Cartagena, Betania and El Quimbo power plants approved by the National Environmental Licensing Authority (ANLA) and processing of renewal sand obtainment of permits with the regional environmental authorities to secure the operation within the framework of sustainable development.

> The Regional Autonomous Corporation (CAR) in the department of Cundinamarca modified the water concession of the Bogotá River and extended its validity until the year 2038. This concession secures the operation of the power plants of the Antigua Chain (Charquito, Salto II, Tequendama, Limonar and Laguneta, Darío Valencia); the Pagua Chain and the Termozipa thermoelectric power plant.

> On the other hand, the CAR issued a favorable opinion on the environmental management measures presented for the execution of the project to extend the useful life and improve the environmental performance of the Termozipa power plant.

> The elimination of environmental liabilities continued; the old facilities of electric workshops of the Cartagena power plant were demolished and 3 equipment units that were contaminated with Polychlorinated Biphenyls (PCB) were eliminated from the Termozipa and Cartagena power plants.

El Quimbo Reservoir

- The facilities were completed and 100% of the fly ash dry extraction system of the Termozipa power plant was started, which eliminated the consumption of water required for this process, and, furthermore, 90% of the waste water generated by the particulate material control system was also eliminated. On the other hand, the design and installation of the neutralization system for rainwater and runoff from the coal yard were completed.
- An agreement was signed with the Jaime Duque Park Foundation for the recovery of wetlands in the municipality of Tocancipá, area of influence of the Termozipa power plant.
- The Cerro Matambo civil society reserve that is part of El Quimbo was established, which is a conservation project on a total area of 918 hectares that secure the continuity of ecological processes for the preservation and conservation of biological diversity. The Research and Biological Station Center was developed, which became an academic benchmark and has allowed for the development of undergraduate and master's degree projects.
- Within the framework of the operation of El Quimbo Hydroelectric Plant, the environmental obligations set out in he Environmental License and the Environmental Management Plan (EMP) were mostly carried out with a goal above 90%. A significant milestone is the declaration of the Civil Society Reserve by the National Parks Unit of around 900 hectares of tropical dry forest, which Emgesa has destined for restoration as a project compensation measure for the forest use during the conditioning of El Quimbo reservoir.
- Within the framework of the Ichthyic and Fishing Program of Alto Magdalena that takes place in El Quimbo since5 years ago, between Emgesa and the Universidad Surcolombiana (USCO), the Surcolombian Experimental Station of Hydrobiological Resources (ESRH for its acronym in Spanish) started operations, being the first in Southern Colombia to conduct studies and induced reproduction of native Magdalena River species. Its goal is the production of 2 and a half million fingerlings of the Capaz, Bocachico, Peje and Pataló species, for the re-population processes that will be carried out at the El Quimbo reservoir and downstream and which directly benefit artisanal fishermen of the region by increasing the fish catch volumes.

Qualification

In 2017, quality management was focused on the following fronts

- **Maintenance of the Integrated Quality Management System - SGI:** An external follow-up audit was carried out by the RINA Certification Body, with a highly positive result, as no non-conformities were registered and recognition was granted for improvement achieved since the previous audit carried out in 2016
- **El Quimbo Certification:** El Quimbo Hydroelectric Power Plant was certified in the Integrated Management System for Quality, Environment, Safety and Occupational Health, as per standards ISO9001: 2015, ISO14001: 2015 and OHSAS 18001: 2007 by the international certifying body RINA, thus joining the group of certified power generation plants in the country. This external endorsement of the application of management good practices enhances the trust and credibility of the operations, based on planning, control and continuous improvement.
- **Implementation of the Energy Efficiency Management System - ISO 50001 in Termozipa:** The work program established until the external audit (phase 1) was completed by RINA, with satisfactory results, and the execution of phase two was approved for February 2018.
- **Improvement in Vendor evaluation** *Rating:* Improvement was achieved in the identification of key aspects that must be worked by the contractors to optimize their performance, benefiting the efficiency of the processes.
- **Scheme of Quality Assurance (QA) and Quality Control (QC):** he contract materialization processes were reviewed in order for the contractors to generate the Quality Plans established in the technical specifications considering the requirements of QA and QC.

2018 Challenges

In response to the greater challenges posed in the strategic vision of the Enel Group, the main challenges have been defined according to the following fundamental axes:

- **Digitization:** develop the scheme for the remote operation of the plants and continue with the Telecontrol project in the power stations of the Bogotá river chain. Implementation of management systems in generation plants: management of operational variables, technical and diagnostic analysis, digital management of work permits, incident management, among others.
- **Efficiency:** develop innovative projects to achieve efficiencies in ancillary consumption. Recover installed capacity in the old chain of the Bogotá River, such as increasing the power of the Tequendama power plant.
- **Modernization:** Install new turbine impellers, also improving plant efficiency. Automate the intake gates in the power stations of the Antigua Chain. Install the automatic voltage regulators in the Thermal Power Plants (Cartagena and Termozipa) units. Continue with the plan for the upgrading of speed regulators at the hydroelectric plants (Betania, Guaca, Charquito and Tequendama).
- **Environmental Management:** continue to implement the world's best practices to maintain the current standard of environmental performance,which include the automation of the bio-filter at the Paraíso power plant, the installation of the bottom ash extraction systems at the Termozipa power plant, and others.
- **Safety:** continue reinforcing the self-care and mutual care culture, emphasizing preventive actions for mitigating the risks that have generated events, providing key tools for workers to "work safely". Continue in the search for "healthy workers" promoting preventive health activities, with a strict monitoring of epidemiological surveillance programs to prevent occupational diseases.
- **Sustainability:** strengthen the relationship with the communities around the power generation plants (refer to the sustainability chapter).

Energy management

Asset management in the wholesale market and the marketing of electricity and gas

We carried out operations in the wholesale markets through energy sales to unregulated customers, as well as purchases and sales of block energy from other market agents.

In 2017, energy sales were promoted in long-term contracts for up to 15 years, which generated benefits for the Company and its customers, contributing to efficiency, planning of their operations and development of new sources of supply

The supply of electricity in Colombia in 2017 was characterized by neutral ENSO (El Niño Southern Oscillation) conditions, without any impact on the hydrological contribution of the main rivers in Colombia. During the first half of 2017, the inflows at the national level (SIN) were surpluses and in the second shortfalls, the latter with sustainable records below the historical average. Thus, the average Spot price of the year was 106.1 $ / kWh, which decreased by 65% compared to 2016.

In 2017, Gas Marketing continued to consolidate natural gas in the Colombian market, obtaining, new industrial customers, with contracts of up to three years. The growth was attributed mostly to the Unregulated industry market, which had an increase of 191% as compared to 2016. However, total sales decreased due to the decrease in spot and wellhead sales destined to the thermal sector because of the lower hydrology in 2016.

Similarly, there was contribution in the year 2017 to the growth of the Energy derivatives market, where Emgesa made operations that represent 36% of the energy traded in this financial market. Further, it is worth noting that Emgesa, was registered as an agent regarding the REC (Renewable Energy Certificates) international standard , entering the Green Energy Certificates Market, in a search for innovation and diversification of electric Energy associated services supply;

On the other hand, the process of auditing the El Quimbo hydraulic plant with the verification of its firm dependability charge was completed successfully.

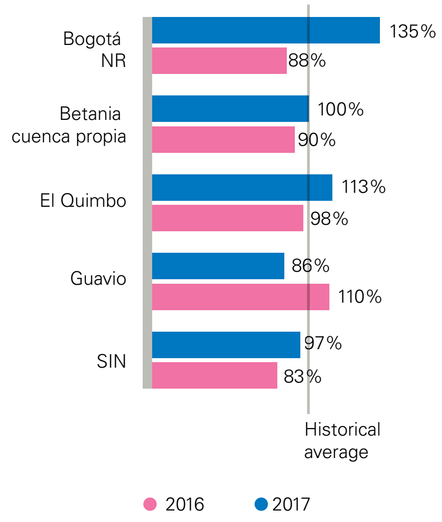
Hydrological inflow

The ENSO (Southern El Niño Oscillation) conditions were neutral in the Central Pacific region for most of 2017, without any impact on the hydrological inflow of the main rivers in Colombia.

During the first semester of 2017, inflows at the national level (SIN) were surplus and in the second half shortfalls, the latter registering figures below historical average. The deficit was caused by the few records available of the second rainy season in the country, due to the incidence of atmospheric phenomena that inhibited rainfall, such as the subsidence phase of the intra-seasonal wave MJO (Madden Julian Swing).

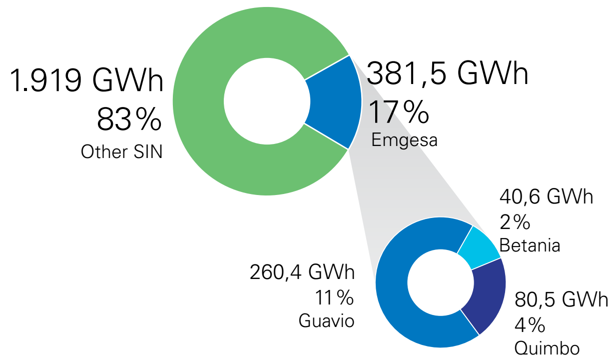
The inflows of the afferent basins to: Bogota and Quimbo were above the historical average,Betania basin own normal and Guavio deficit.

Hydrological inflow expressed in Percentage of the Historical Mean



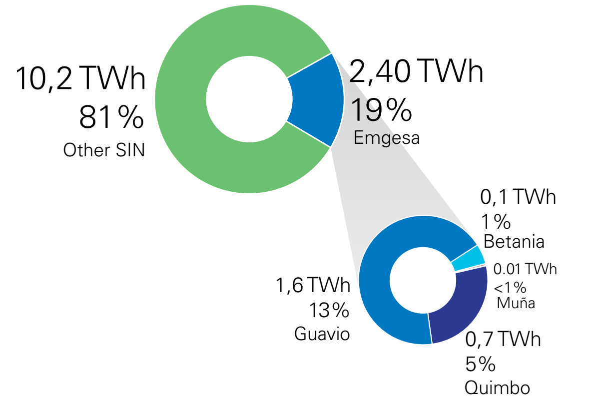
Next, the discharges registered by Emgesa (17%) regarding the behavior in the whole system:

discharges emgesa 2017

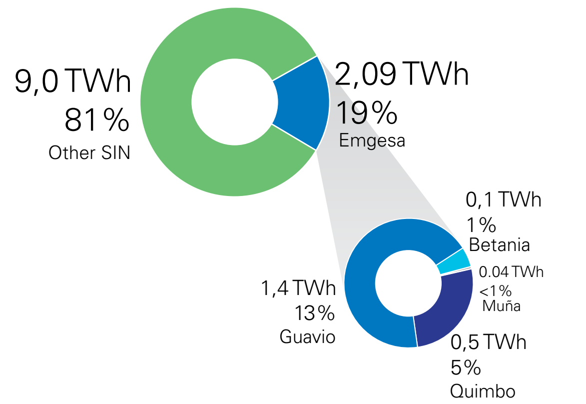


Emgesa's reserves began with 2.4 TWh and ended with 2.1 TWh, maintaining an average of 19% of the reserves of the SIN over the year:

Reserves at the begining of2017



Reserves at the END of 2017

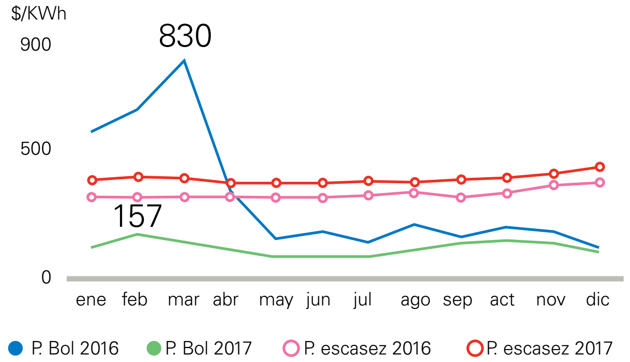


Spot Market

The spot market orEnergy Stock is that in which the generators and traders of sector trades their surpluses and shortfalls in real time, taking into account that energy cannot be stored.

The demand is not completely exposed to spot price variations thanks to the existence of the scarcity price. The scarcity price represents a ceiling price to which the demand is exposed, on which basis the requirement of the Firm Energy Obligations (FEO) materialized for the generating agents.It is noteworthy that during this year the Energy and Gas Regulating Commission (CREG) through Resolution 140 of 2017 changed the calculation methodology and the definition of the *scarcity price*.

Evolution of spot price and scarcity price for the years 2016 and 2017




Guavio Central - peltron wheel

The average Spot price for the year was 106.1 $/kWh, decreasing by 65% with respect to 2016.

Annual change in average Spot price and average scarcity price

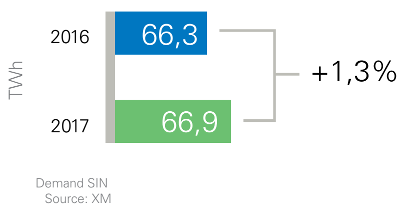
	2017	2016	Dif	
	$/kWh	$/kWh	$/kWh	%
Spot Price	106	301	- 194	-65%
Scarcity Price	375	314	-61	19%

In this context, Emgesa's variable margin for 2017 was $ 2,255 thousand million, 2.9% higher than that registered in the same period of 2016.

Demand

The domestic energy demand in 2017 was 66.89 TWh, 1.3% higher than that of the previous year. Then, the demand of the unregulated market corresponded to 31% of the total electric energy demand, that is,20.73 TWh, the remaining demand (69%) corresponded to the demand of the regulated market, with 46.17 TWh. The maximum power demand was registered on December 6, when it reached 9,996 MW. This figure increased by 0.9% vis-a-vis the 2016 maximum (9,904 MW).

Annual variation in electric energy domestic demand



Demand SIN. Source: XM

Management of the Reliability Charge and the Secondary Market

For the period 2016 - 2017, Emgesa acquired a Firm Energy Obligation (FEO) of 13,135 GWh, achieving 99.5% compliance, thanks to the high availability of generation resources and the management of the Security Rings defined in the CREG regulations.

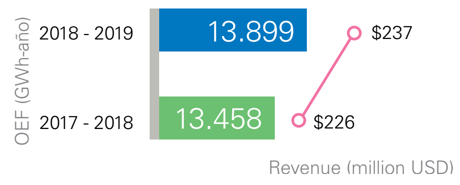
Remuneration of Firm Energy Obligations Period 2016-2017 Charge

	TOTAL (GWh)	TOTAL (MUSD)
Remuneration allocated	13.135	215,5
Received by plant availability	12.770	210
Received by management of Security Rings	280	4,6

Allocation of Firm Energy Obligations (FEO) for Emgesa

Currently, the Colombian system has allocated the Firm Energy Obligations (FEO) until November 2019. The Obligations acquired by Emgesa in the aforementioned periods, together with their equivalent revenue by charge, are described below:

Firm Energy Obligations allocated to Emgesa

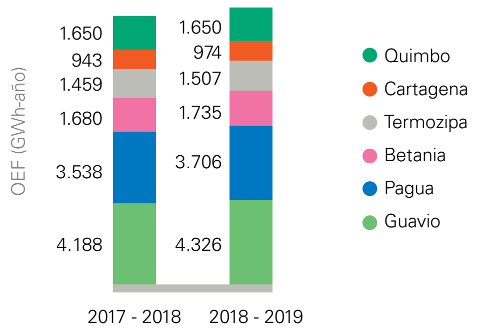


Period 2017-2018 and 2018-2019

Revenues for the periods between December 2017 and November 2019 are calculated with a rate of 15.7 USD/MWh as of December 2011, indexed to the American PPI.

The allocations of Firm Energy Obligations (FEO) for Emgesa of each plant are consolidated in the following graph:

FEO Emgesa by plant



It is to be highlighted that the allocation of the periods December 2017 to November 2018 and December 2018 to November 2019, was pro-rata based, which represents an allocation of 92% and 95% of the ENFICC for the existing plants, respectively.

In 2017, the audit process of the El Quimbo Hydroelectric Power Plant was successfully completed with the verification of its Firm Energy of the Reliability Charge -ENFICC-, in which the calculation of the ENFICC Base was estimated based on real technical parameters, as well as the certification of the entry into commercial operation of the plant, which ratifies compliance with the Firm Energy Obligations (FEO) allocated in 2008 for the periods between December 2014 and November 2034.

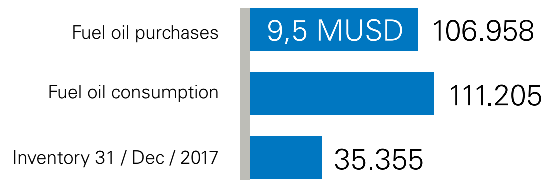
Fuel management

Special fuel oil

In 2017, the consumption and purchases of special fuel oil for the Cartagena power plant decreased 85% and 84% respectively, as compared with 2016, because of lower hydrology (El Niño) which lasted until April 2016, registering high consumption during the first four months of that year

In 2017, the Cartagena power plant was the largest consumer, with 89% of liquid fuels (diesel, fuel oil and kerosene) used for thermal generationin the National Interconnected System. As regards the average unit price of the fuel purchased, an increase of 67% was registered as compared with 2016 due to the price recovery in the international market. The performance of the new supply contract started for special fuel oil to support the reliability charge of the Cartagena power plant for the period of December 2017 to November 2019.

Barrels 2017



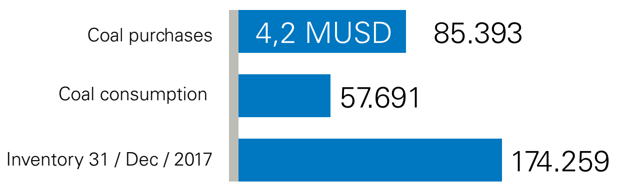
The inventory volume as of December 31, 2017 was 12% lower than that at the close of 2016, due to similar operating conditions for the two years, where low expectation of generation dispatch was estimated.

Coal

In 2017 for the operation of the Termozipa Power Plant, the volume of purchases and consumptions of coal were reduced by 76% and 80% respectively, as compared with 2016, because of favorable hydrological conditions and to the low Spot prices. The volume consumed in the power plant corresponded to 2% of the total used in the SIN for coal-fired thermal generation; thus, in 2017 the plant registered the lowest consumption in the last ten years.

In terms of consumption of fuels for generation in the National Interconnected System, the lowest consumption of recent years was also recorded, so that 12% pf the electricity demand was covered with thermal plants generation.

Coal movements Emgesa 2017



On the other hand, there was a 19% increase of the coal inventory level at the end of 2017 as compared to the of new contracts that support the Firm Energy Obligations (FEO) of the Reliability Charge (CxC) and are valid from June 1, 2017 to November 30, 2019.

Wholesale Market

In the wholesale market, energy purchase and sale operations were carried out in large blocks between generators and marketers to perform long-term contracts subject to prices and defined amounts, as a result of public calls or private invitations, as shown in the following table:

Sales in Contracts Wholesale Market

	2016	2017	Variación %	
Wholesale market	9.693	11.693	+2.000	+21%

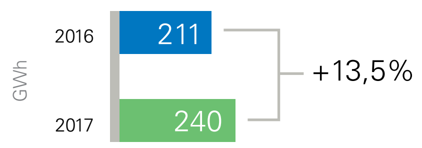
Emgesa participated in 87% of the public bidding processes of the Colombian Market, as well as in other sales processes to serve the regulated market and/or support contracts of other generators, reaching sales of 5,562 GWh, distributed between 2017 and 2025.

Power Purchases

In order to support energy sales in contracts, Emgesa buys energy through contracts with other agents in the wholesale market, such as generators. Purchases in 2017 increased by 13.5%with respect to 2016.

The following shows the level of electric energy purchases at the end of 2017:

Energy purchases at the end of 2017



Unregulated Market

The Unregulated Market is conformed by final customers that consume more than 55 MWh per month or whose installed capacity is above 0.1 MW. In this market, Emgesa serves customers in the industry and commercial sector mostly, having specialized means to provide advise in the negotiation of energy and to offer energy solutions aimed at efficiency.

The commercial demand of the Unregulated Market served by Emgesa in 2017 was 4,009 GWh, equivalent to 19% of the total domestic demand, consolidating itself as the third energy supplier.During this year, 1,000 frontiers (telemetry points) of 465 clients were served.

Unregulated Commercial Demand Emgesa

Figures in GWh	2016	2017
Unregulated Market	3.650	4.009

Unregulated Commercial Demand Emgesa

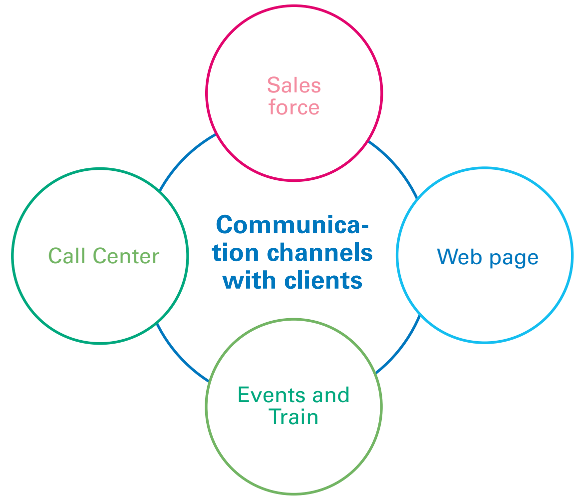
The main regions in which the growthof electric energy sales to the Unregulated market customers, with respect to 2016, were: Atlantic Coast (+ 51%), Western Zone (+ 4%) and the Central Zone (+ 1%).

Additionally, in the year 2017, 4,325 GWh were sold in contracts between 2017 and 2032 to unregulated market customers.

Engagement and customer service plan

Relationship with clients

To communicate effectively with its customers, Emgesa has designed a plan that is executed through various communication channels:




Cartagena Thermal Power Plant

Sales force

As part of the value proposition to customers, we have a Zone Commercial Coordinators team, who are experts in energy markets, energy management, quality of supply and regulation of the industry, who provide advice and customized followup. Emgesa serves customers all over the country, with its sales force located in Bogotá, Cali and Barranquilla.

In accordance with the growth of our Unregulated demand on the Caribbean coast, which represents a variation in sales represents a share of the total unregulated market in this area of approximately 14% at the end of 2017.

The opening (second half of 2017) of the new commercial office in the city of Barranquilla, which will provide better technical and commercial service to new industry customers.

Call Center

Clients have access to service lines, nationwide, available 24 hours a day, 365 days a year, where all their doubts and requirements are addressed, as well as claims relative to quality of supply before the Operator of the respective network.

Web page

Through the website http://clientes.emgesa.com.co, Emgesa customers can access personalized content.

Events and training

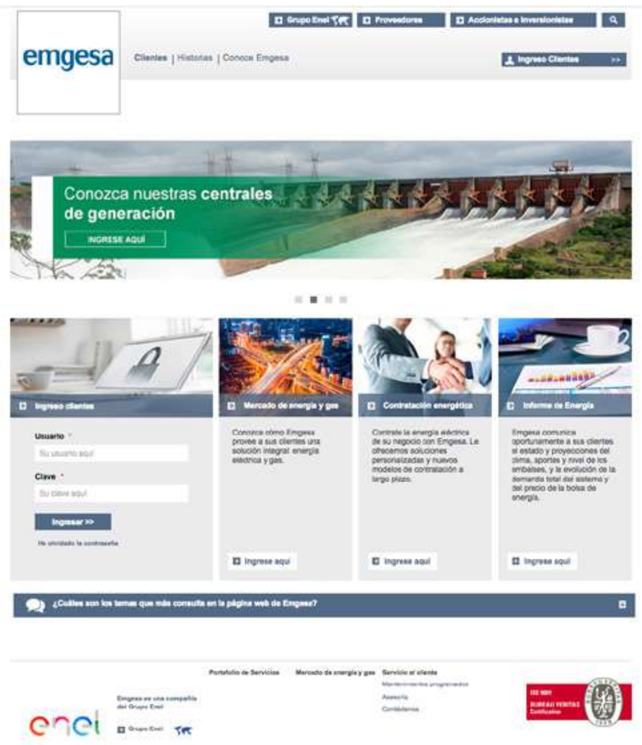
Emgesa has developed an Engagement Plan that contributes to close relationships, based on providing training on the following topics of the relevant commercialization business for customers:

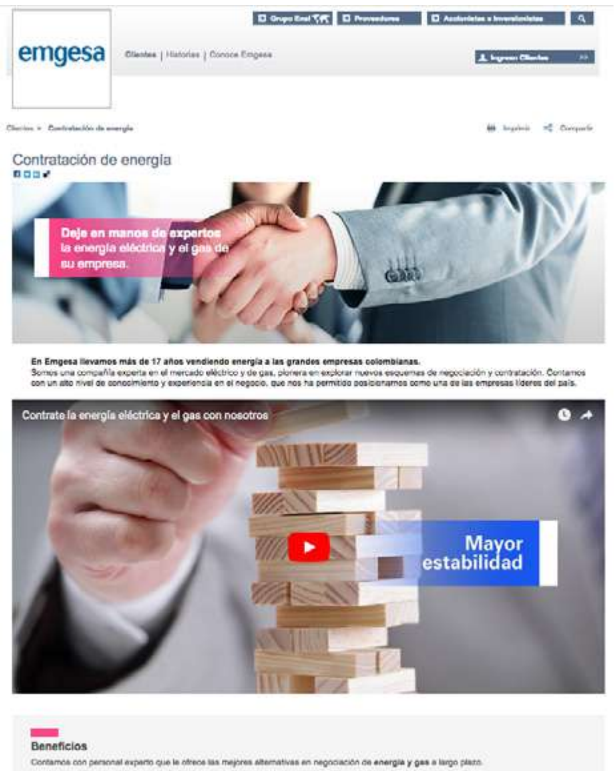
- Energy Market
- Regulations and norms in force
- Efficient use of energy
- Economic prospects
- Other current issues

Nearly 300 customers attended the events that are part of this plan.

Customer satisfaction

Emgesa's customer satisfaction survey model has been designed to measure market perception of product and service supply, and seeks to focus efforts and resources on customer satisfaction drivers and on what adds value to the product.





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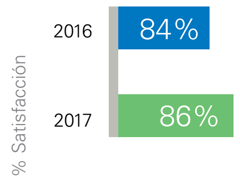
The Quality Satisfaction Index (ISCAL) has remained at excellent levels in recent years, thanks to the development of the Customer Engagement Plan. The customer satisfaction model evaluates aspects of the commercial relationship as a service by its commercial coordinator, media, billing and image, among others.

Satisfaction Index - ISCAL



Structuring of new products - Green Energy Certification

Emgesa, always seeking to innovate and diversify its range of services associated with electric power in favor of full satisfaction of its increasingly demanding customers, has made decisive inroads into the market for green energy certificates.

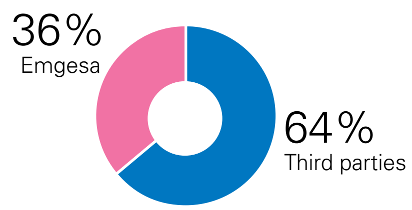
With the registration of Emgesa as an agent before the international REC standard *(Renewable Energy Certificates)* and the registration of the Guavio power plant in the I-REC Services BV systemin December 2017, Emgesa concluded the process that enables it to certify the renewable origin of its electric energy generation sources and to issue,to commercialize, and/or redeem renewable energy certificates to its customers. Hence, Emgesa's customers can acquire renewable energy certificates from any technological source and any country in the world, in order to provide its customers with products and services developed with renewable energy, adding an element of preponderant and differentiating value to the intrinsic quality of its products.

Energy Derivative

Derivex is an organized, structured market, in which it is possible to negotiate energy derivatives; this parallel market to the electricity market in Colombia, offers hedging and investment products that allow participants to efficiently manage the various market risks. In the year 2017, negotiatedin these operations, positions were closed for a total of 60 GWh/year (source: Derivex Monthly Trading Bulletin).

Emgesa carried out purchase and sale operations in DERIVEX for a total of 22 GWh/year, which represents the 36% of the total energy traded in this market, sothat Emgesa consolidates a liquidity generation position that contributes to the growth of the energy derivative sector.

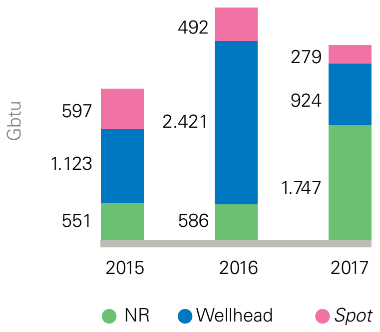
Market share 2017 in terms of volumes traded



Gas Marketing

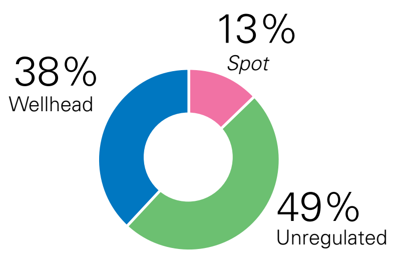
The variable margin in the year 2017 showed an increase of 126% as compared with 2016, thanks to 191% increase in sales to the NR Industry market, which increased from 14.8 Mm3 to 43.1 Mm3. Nevertheless, total sales went down due to the decrease in spot and wellhead sales destined to the thermal sector because of the lower hydrology in 2016. We served 11 industrial customers (Not Regulated) in Bogotá, Manizales and Cartagena, and 5 clients at wellhead (Secondary Market). The execution of new sales contracts with final customers was achieved for 2018 and 2019:

Sales

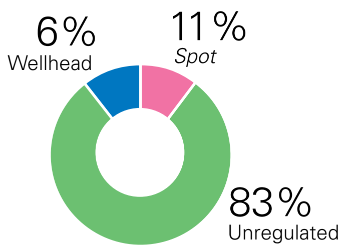


The share in 2016 and 2017 in the variable margin for each of the markets was:

Share by market



2016



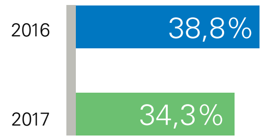
2017

Portfolio

In 2017, preventive management and collection programs were implemented and strategies aimed at improving customer collection management were implemented, achieving a portfolio rate of 0% in the MNR at the close of the period.

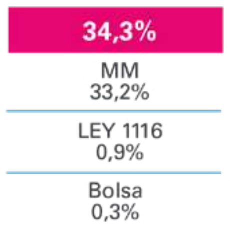
Notwithstanding the foregoing, the average consolidated portfolio for the year reached 34.3%, being affected mainly by the agent's portfolio, Electrica Caribe S.A. ESP, which amounts to $ 99 billion and is frozen due to the takeover by the Superintendence of Public Utility Services as of November 14, 2016. .

Consolidated annual portfolio rate



The Emgesa overdue portfolio rate for 2017, consolidated at 34.3%, can be broken down as follows: the portfolio of energy sales of the Wholesale Market (33.2%), the customers of the unregulated market now subject to the bankruptcy law (0.9%) and what is left to collect for other debts agents to the Spot market (0.3%).

Internal disaggregation



Measurement

In 2017, progress was made in standardizing customer measurement systems in the unregulated market, installing the equipment required by the measurement code in 80% of the frontiers. Such progress ensures that the measurements used for operational, commercial, regulatory, and monitoring and control purposes are accurate and reliable and were developed in accordance with current technological capabilities.

During the second half of 2017, the CNO published Agreement 1004, which establishes the minimum security and integrity conditions for the transmission of readings from the meters toward the Measurement Management Center and between the latter and the ASIC (Administrator of the Commercial Exchange Systems). With the publication of consumptions, procedures have been developed to ensure that Emgesa's measurement management center (MMC), complies fully with the technical and regulatory requirements for its proper operation.


Termozipa Thermal Power Plant

Energy management in figures

The following table summarizes the results of the main processes:

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	66,318	66,892
SIN Generation	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	65,942	66,666
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	19
Energy Imports	77	40	8	69	48	37	28	40	26	21	10	8	7	29	47	45	378	194
Unattended Demand	124	86	180	142	82	120	55	64	49	51	48	65	89	43	46	41	43	51
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	46,798	57,343
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	21,786	19,085	9,306
ACPM (Diesel) generation	-	-	-	-	-	-	1	1	0	276	478	5	144	145	180	1,043	1,348	8
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	6,245	5,393	2,391
Fuel Oil	408	73	8	7	13	8	15	18	14	92	98	105	147	127	113	491	534	50
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	13,449	11,004	6,196
Imported Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33	28
Others (Mezla Gas-JetA1, JetA1, Querosene)	105	99	103	105	116	109	88	69	48	111	210	311	347	352	555	559	772	633
Wind generation	-	-	-	-	51	50	63	50	54	58	39	41	55	58	70	68	51	3
Solar generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5
Generation (GBTU)																		
SIN Gas Thermal	-	-	-	-	-	26,951	68,400	56,854	48,899	86,822	102,053	71,262	75,766	98,225	110,297	108,554	90,780	54,154
Sin Imported Gas Thermal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	438	404
EMGESA Gas Thermal	-	-	-	-	-	60	159	418	242	2,653	2,144	1,524	1,002	7	-	171	227	39
SIN POWER (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	16,594	16,779
Hydraulic	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	11,611	11,726
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	4,902
Other (Cogenerator, wind, solar)	14	14	14	20	43	31	44	44	43	53	73	75	76	85	96	105	118	151
SIN Maximum Power Demand Demanda	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	9,996
EMGESA POWER (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	3,467	3,467
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	3,056	3,056
Thermal	222	222	221	223	223	225	354	354	411	411	411	412	412	412	412	412	411	411
Portfolio Generation EMGESA (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	13,691	14,954	14,767
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	5,081
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	2,621
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	3,062
El Quimbo	-	-	-	-	-	-	-	-	-	-	-	-				159	1,448	2,190
Cartagena	408	73	8	7	13	8	10	36	31	224	241	206	203	91	74	332	330	53
Termozipa	8	62	243	180	68	228	321	478	472	747	791	264	394	934	914	1,150	592	119
Run-of-River	-	-	-	-	-	-	-	-	-	-	-	-	-	46	322	327	554	1,086
Minor	853	302	373	156	484	502	608	496	556	335	517	721	328	118	92	95	211	555
Marketed 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	11,719	11,570	10,969	12,488	13,328	15,703
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	8,682	8,425	7,669	8,497	8,696	10,837

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Unregulated Market	-	1,627	2,388	2,493	2,925	3,074	3,019	2,209	2,183	2,481	2,611	2,905	3,037	3,145	3,300	3,991	4,632	4,866
FIRM ENERGY OBLIGATIONS (GWh)																		
OEF System	-	-	-	-	-	-	4,324	52,780	55,326	54,732	56,535	64,914	68,224	69,866	64,264	67,952	72,207	72,326
Hydraulic	-	-	-	-	-	-	2,096	25,529	26,158	25,887	26,566	29,493	32,722	33,939	31,048	34,010	36,274	36,424
Thermal	-	-	-	-	-	-	2,222	27,178	29,116	28,739	29,746	35,104	35,156	35,575	32,744	33,415	35,365	35,267
Cogenerator	-	-	-	-	-	-	6	73	52	106	223	317	347	352	472	526	567	633
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
OEF Emgesa	-	-	-	-	-	-	-	3,814	11,209	11,187	11,835	13,301	13,311	13,529	12,095	12,462	14,093	13,204
Hydraulic	-	-	-	-	-	-	-	3,103	9,068	8,835	9,063	10,143	10,150	10,316	9,252	9,858	11,122	10,804
Thermal	-	-	-	-	-	-	-	711	2,141	2,351	2,772	3,159	3,161	3,213	2,843	2,604	2,971	2,400
TRANSACTIONS - SIN (Thousand Millions $)																		
RC 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	3,504
Cost of restrictions	-	-	-	176	200	155	260	120	347	277	499	705	622	296	282	433	998	1,455
Sport 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	2,032
AGC Service	56	203	157	243	222	273	268	183	367	526	504	294	444	709	882	1,628	1,199	526
TRANSACTIONS - EMGESA (Thousand Millions $)																		
RC Remuneration	173	211	250	290	271	230	247	283	350	377	291	333	347	357	424	593	807	808
Domestic Spot Market Sales	129	94	185	202	234	234	243	198	244	344	268	226	317	385	658	615	534	216
Domestic Sport Market Purchases	16	110	16	53	27	30	26	62	69	161	206	50	109	197	170	153	192	158
AGC Service	16	51	26	15	35	61	43	45	90	154	135	91	121	268	189	554	440	77
HYDROLOGY – RESERVOIR																		
SIN contribution related to M.H. (%)	106	84	88	88	101	94	108	105	119	89	107	135	104	91	91	80	83	97
Energy Contributions - SIN (GWh)	41,013	34,652	40,684	41,909	48,662	44,934	51,124	49,147	57,389	43,139	52,305	73,699	56,447	49,619	50,242	48,017	53,118	63,001
Useful Volume - SIN (%)	71	83	75	79	81	78	84	79	82	65	78	89	73	69	75	61	74	65
Useful Volume - SIN (GWh)	11,131	12,620	11,154	12,178	12,395	11,837	12,612	12,090	12,500	10,000	11,957	13,968	11,181	10,495	12,132	10,563	12,586	11,091
Discharges - SIN (GWh)	9,465	1,991	2,526	309	3,245	928	3,030	1,488	4,173	441	3,457	5,911	2,434	151	776	883	376	3,445
Discharges Emgesa (GWh)	1,926	293	1,745	111	1,812	813	2,527	242	1,538	296	2,177	1,131	897	5	680	504	157	382
PRECIOS E INDICADORES																		
Domestic Spot Prices ($/kWh)	45	52	49	67	64	74	74	84	88	139	129	75	116	177	225	378	300	106
Average CERE yearly rate ($/kWh)	24	25	28	32	28	25	25	28	28	30	27	29	30	33	31	43	55	57
MC ($/kWh)	45	56	65	76	79	76	76	82	93	114	121	132	134	140	144	156	167	178
IPP	59	63	69	73	76	78	82	83	90	88	92	97	95	94	100	110	111	113
IPC	61	66	70	75	79	83	87	91	98	102	104	108	111	113	117	126	133	139
TRM Year Average ($/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	2,743	3,051	2,951

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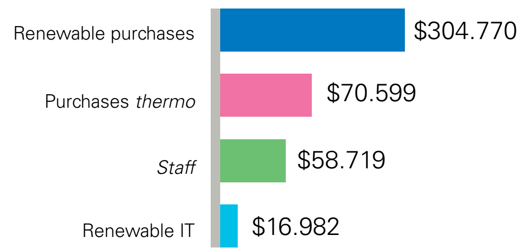
Grupo Enel

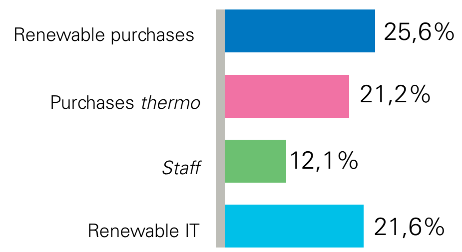
Procurement and Sourcing Management

Award volume by area



With these purchases it is possible to obtain savings of 23.1%; this result was obtained from negotiations (win-win) with suppliers, obtaining better market prices for the company. The savings obtained are distributed by purchase portfolios as indicated below:

Savings management



Some achievements in 2017

- In the second half of the year, the Procurement Transformation project began,aimed at creating value for the business units and improving the experience of the stakeholders, expanding the skills of the buyers, using friendly technologies, improving the integration and communication with the customers to define solutions that meet the business needs, and involving suppliers from the moment the need arises by listening to their proposals and developing solutions together with an innovative approach.
- The Supplier Qualification model was initiated through the Rating System, which includes the concept of Sustainability (Human Rights, Environment and Security) as a pillar in all assessments
- In 2017 the evaluation methodology was developed systematically - Vendor Rating -which allows for assessing services and materials supply in the company, in accordance with the parameters established by the business. They are evaluated under thismethodology in general Quality andEnvironment, Punctuality, Safety and Compliance with labour legal aspects.
- Continuity in the implementation of the corporate portal "Portal One", which allows greater autonomy and simplicity in the availability of suppliers for purchasing processes of the Enel Group. The main objective is to have a larger number of suppliers to participate inthe procurement of goods and services processesfor the company.
- Stabilization of the 2ONE Purchasing Portal, which allows for standardization of all existing purchasing procedures, in the different purchasing areas under a single common process. The common processes and work schemes are supported by a single system, thus generating synergies, great, transparency and better process control. The 2ONE encompasses the best practices and functionalities of the current processes between organizations and countries where Enel operates. The solution; SAP SRM - Ariba, offers the best among market trends and business coverage needs.
- Implementation of a new contracting model for the rental service of vehicles assigned to company management, with improvements in the following aspects:
  - Reduction in the response times to meet the needs of the internal customer, from 4 months to 20 days on average.
  - Efficiency in the use of company resources due to the reduction in the number of bids carried out for the service, going from 2 or 3 bids to only one, in one-year periods.
  - Obtaining sustainable prices, consistent with the market.

emgesa
Grupo Enel

Purchase management

Purchase of materials and contracting of works and services for renewable generation

The following were some relevant processes contracted in 2017:

- The re-profiling of the El Quimbo hydroelectric plant dam, a work that will be carried out in 14 months starting in December of the same year, and whose cost amounts to $ 50,142.million, with savings in negotiation of $ 3.641 million, equivalent to 6.8%.
- The change of the stator winding of unit 2 in the Betania Hydroelectric Plant, award amounting to $ 8,135 million, and whose saving was $ 1,937 million, which is equivalent to 19.2%.
- Wood chipping and the incorporation of biomass into the soil for the final disposal of plant material located in the Balseaderoyard of the El Quimbo dam, service that will be executed in 12 months and whose cost amounts to $ 4,587 million, with savings in negotiation amounting to $ 1,484 million, equivalent to 24.5%.

Purchase of materials and contracting of works and services for Thermal Generation

In 2017, contracts worth $ 54.2 billion were awarded to carry out works and supply goods related to extension of the useful life and the reduction of emissions from theTermozipa Generation Plant

Purchases Enel X, Services and Staff

The civil works adjustment and remodeling service was awarded for all company headquarters for a value of $ 11,967 million and a period of 3 years.

Purchases of information systems and technologies

Some relevant processes contracted over the year 2017 were:

- The Support, Maintenance and Evolution Service was contracted of the commercial information system - ICOMS for Emgesa, for a 12-month period, with an allocated amount of $ 694 million and savings of 22.43%.
- The contracting was completed for fixed voice services and mobile phone for Emgesa for a 33-month period for $ 836 million and savings of 38.98%, achieving an improvement in the distribution of mobile service plans to meet the needs of the operation, both commercial and technical, optimizing the resources in the fixed telephone services.

Supplier management

The Company has continued the objective of having qualified, experienced and highly performing suppliers; therefore, over the year 2017 the company has developed the following activities associated with the qualification of suppliers.

The qualification of suppliers began with activities such as enviromental monitoring, non-specialized Mechanical, Maintenance of Power Generation Plants and electrical and instrumentation maintenance of Power Plants. At the end of the year, it achieved the qualification of 12 suppliers in different Strategic Services.

Six new Supplier qualification processes in strategic services in thermal generation were incorporated.

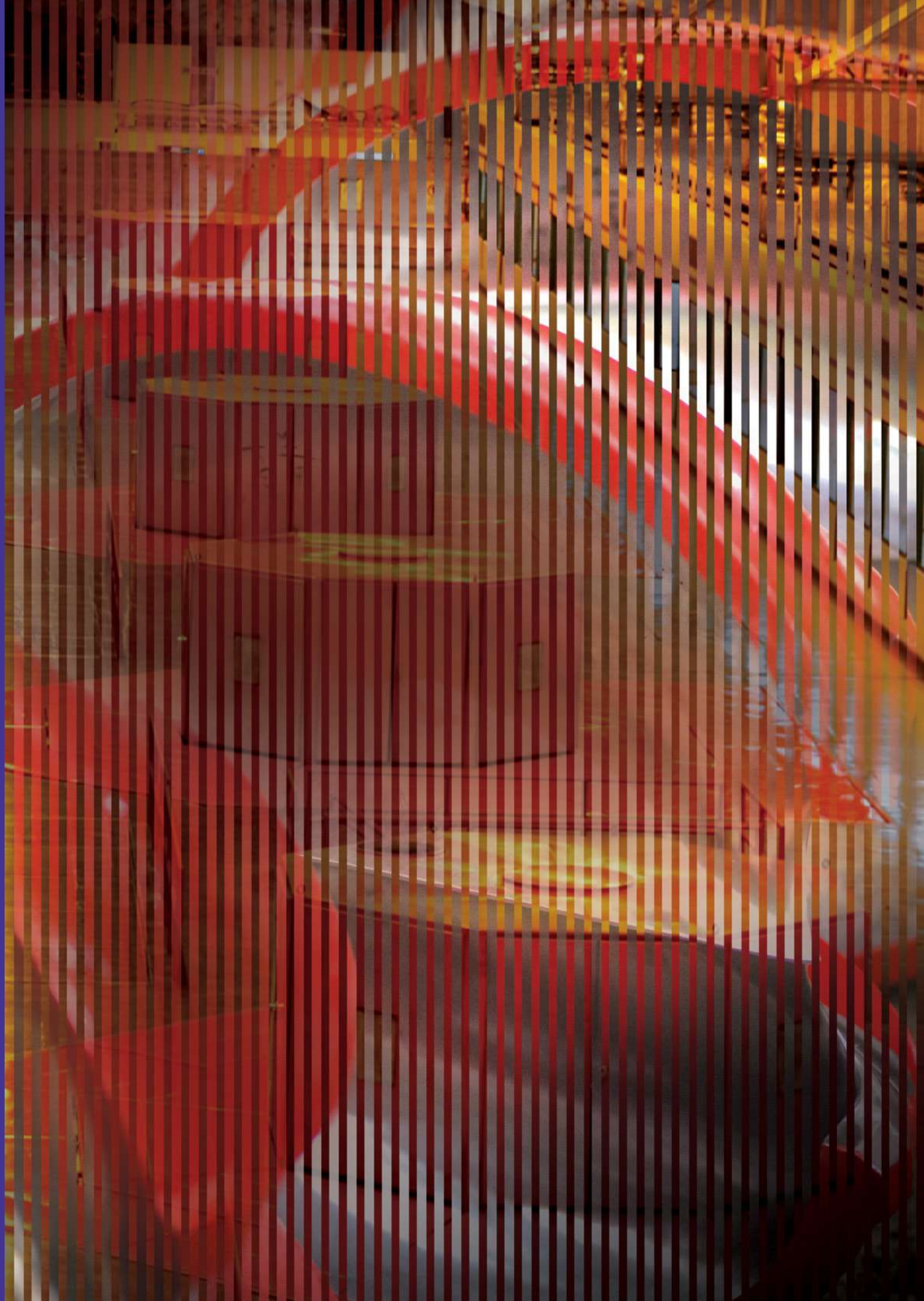
Foreign Trade

During the year 2017, the first official DIAN classification was obtained for the functional unit of a reverse osmosis water treatment plant for the Cartagena power plant and the processing started for obtaining two more functional units, a dry ash extraction system and Multidisc grating system, both for the Termozipa generation plant.

In 2017, 28 Import processes were managed for an amount of USD 4.4 million.

03

This is how we project ourselves in our milieu



Sustainability management

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

Hence, the Enel Group is committed to supporting the Global Sustainable Development Goals (SDGs), with special attention to four of them: access to electricity, climate change, socio-economic development and education; offering new energy products and services to promote the social and economic development of the communities, creating shared value in the medium and long term for all its stakeholders and establishing the following global goals:

> **Access to electricity:** 3 million beneficiaries in Africa, Asia and Latam in 2020
> **Education:** 800,000 beneficiaries in 2020 - this goal was modified in 2017 as we reached more than 500,000 beneficiaries worldwide this year

Economic and social development: 3 million beneficiaries in 2020 - this goal changed in 2017 as we reached in this year over 1,500,000 beneficiaries worldwide.

> **Climate change:** Carbon neutrality in 2050

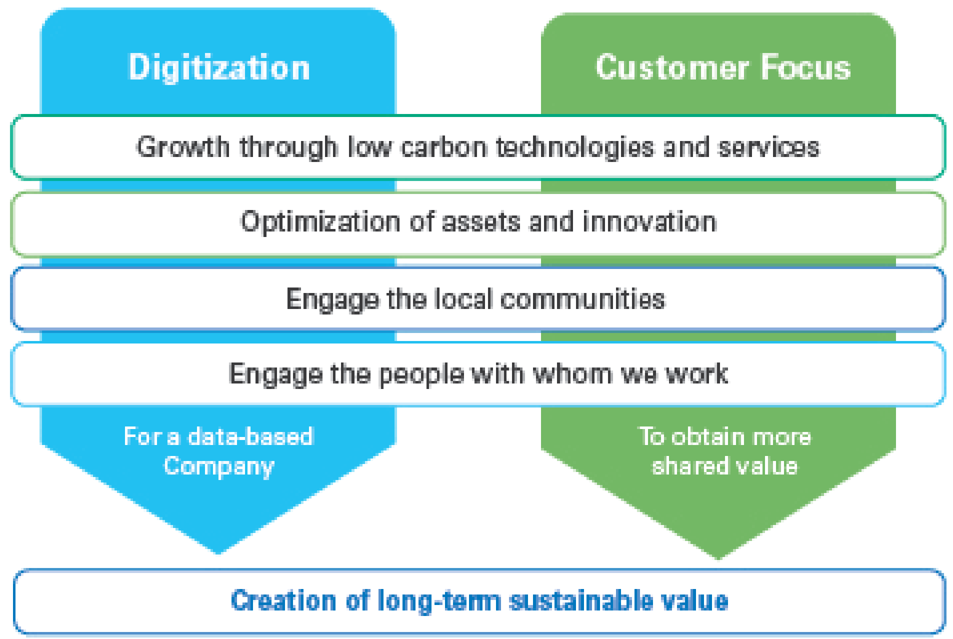
Contribution of the SDGs in Colombia in 2017 and data obtained by the Group in 2017.

	Colombia 2017*	Grupo Enel 2017**
4 EDUCACIÓN DE CALIDAD	64.800	500.000
7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE	85.338	1.700.000
8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO	4.220	1.500.000

* Closing data at September 2017..
** Figures from the Enel Group presented in the Capital Markets Day Delivery: a sustainable strategy

It is worth to mention that in December 2017 the companies approved Organizational Procedure no. 478 - Creation of Shared Value CVC Colombia, which contains the guidelines for the application of the vision of creating shared value in the relationships with the stakeholders, thus responding to the strategic needs of the business through the development of projects focused on the creation of shared value in the medium and long term.

The Enel Group in 2017 established the new guidelines framework for the 2018-2020 Sustainability Plan, based on future trends in social, environmental, economic and corporate governance, as well as the most important issues derived from the materiality analysis of its companies in the world and the challenges for the energy sector and the sustainability of the Organization.



Coffee Processing Plant, Viotá, Cundinamarca

Sustainable strategy with our stakeholders

Sustainability management for new generation projects focused on the implementation of engagement strategies with the different stakeholders in the areas of influence, where opportunities for the creation of shared value were identified.

With regard to our ongoing projects, and in response to community needs, Emgesa focused its initiatives and sustainability projects in accordance with the following SDGs: i) Economic and social development of the communities, and ii) Education. The most relevant projects are outlined below.

Line of Economic and Social Development of the Communities

Coffee Productive Chain

Business partner strengthening processes were carried out with 201 coffee growers in Cundinamarca, specifically the municipalities of Viotá, El Colegio, Gachalá and Gachetá, through the installation of mini-processing centers that carry out drying, quality improvement and grain marketing activities. This will make the production and marketing processes of the product more efficient.

Cacao Productive Chain

Strengthening processes were carried out that benefited 52 producers, who established the crop in their own farms, learned to produce some cacao-based artisan products for local marketing. It should be mentioned that cacao crops increased production by 30%.

Together for the Committees

93 Community Action Committees of the municipalities of Ubála, Gachalá, Gama, Sibaté, San Antonio de Tequendama, El Colegio and the District of Cartagena participated in the training process on peace building, gender equality, socio-environmental conflict transformation, regional development visions, strategic planning, risk management, and recovery of cultural traditions. With the inclusion of young people in the process, the strengthening of youth groups in municipal advocacy processes was achieved.

Cartagena Adolescent Mothers

Red Prodepaz

The alliance with the Prodepaz Network continued, seeking to create a public advocacy process in the territories where the development and peace programs are carried out, through the building of citizen agendas that allow for the analysis and generation of proposals that affect short-term national policies and the implementation of peace agreements. Red Prodepaz is present in most of the selected departments to implement socio-economic development actions in the post-conflict phase in Colombia.

Aniversario 50 años Sibaté

To celebrate 50 years of institutional life of the municipality of Sibaté, the company supported the production and dissemination of 2,300 pocket books that recover the history of the Sibateños, of which the Company is part, thus contributing to the strengthening of harmonious relations with the local authorities and the community.

Education Support Line

Good Energy for your School

The contribution in infrastructure conditioning under the Good Energy Program for your School resulted in improvement of headquarters of 15 educational institutions located in Ubalá, San Antonio del Tequendama, El Colegio, Tocancipá, Soacha, Cartagena, Sibaté, Granada and Ubalá. These undertakings benefited 1497 children and youth.

Scholarship Bank for Adolescentes

In Cartagena, we continue contributing to the quality of life of adolescent mothers and their children, through the Scholarship Bank for Adolescent Mothers program. In 2017 five new young people began their cycle of comprehensive intervention and technical studies in hotel services and beauty; another fifteen young people held income generation workshops; and 400 more received support and skills to access the world of work.

Educating with the Dance

30 children and young people from the neighborhoods of Arroz Barato, Puerta de Hierro, Albornoz and Policarpa in Cartagena are still part of the training on contemporary dance as an activity that supplements their basic education. Educating with Dance educated the beneficiaries in relation with values, self-esteem and good use of their leisure time, thus mitigating psychosocial risks among children, young people, and their communities.

Construction and endowment of regional educational institution El Tequendama

The partnership with the Mayor's Office of El Colegio, Cundinamarca, continues, which is aimed at supporting the construction of the Tequendama mega-school infrastructure, which is part of the national educational infrastructure plan that is being promoted by the Colombian Education Ministry. 1200 students (boys, girls and adolescents from the rural and urban areas of the municipality) will have modern and decent facilities to attend their classes.

El Quimbo Hydroelectric Power Plant

As part of the social and economic strengthening activities performed by Emgesa with the collectively and individually resettled communities of the area of direct influence (DIA) of the El Quimbo Hydroelectric Power Plant, 81 productive projects were consolidated, which currently have translated into family income above $ 1,670 million, thus improving the quality of life of the communities. An achievement has been that 64 people have restored their State Indicator, which corresponds to 2 minimum monthly legal salaries (MMLS).

71 social projects were executed with the trust Fiducia del Quimbo, with 100% of the resources contributed amounting to $ 16,500 million, in the 6 municipalities of the AID of El Quimbo Hydroelectric Plant.

Emgesa has brought to Colombia the Instituto Sirolli facilitation process, which is a successful methodology throughout the world through which people are helped to identify their true passions and create their own company.

Construction of school El Paraiso, Cundinamarca

Emgesa is linked to this strategy to generate business growth in the AID area of El Quimbo Hydroelectric Plant, in search of development in the territory and generation of employment for locals and outsiders, for which in 2017 it was possible to promote a total of178 ventures, 16 of which were publicly launched in November, already rendering robust results with a minimum of 4 months of activity, and with the participation of local administrations of Gigante, Garzón and Agrado, with more than 700 participants.

As regards the commitment of Emgesa, according to the Environmental License of the El Quimbo power plant, in response to the requests, complaints and claims of the community, it was possible to address4,122 communications, equivalent to 98.6% of total accumulated entries. An 85% satisfactory response was obtained from the survey completed among the people who visit the Garzón and Gigante offices.

Participatory communication actions were carried out with 33 pieces of information on the execution of the Environmental Management Plan, during the operation stage in 2017, 24 dissemination meetings in the six municipalities of the AID, 19 workshops, or sessions with resettled and receiving communities on conflict management, and 12 trips to the works and restoration zone with community leaders from the area of direct influence.

The works of the La Galda irrigation district were completed, which will be delivered to the resettlement community of Nuevo San José de Belén, with whom agricultural productive projects (PPA) will be initiated. The construction of the Irrigation District of Llanos de La Virgen is underway for the resettlement community of Nueva Escalereta, which is to be completed in 2018.

Currently, the Montea and Santiago & Palacio irrigation districts are operating and have resulted in the economic reactivation of 43 families. 12 photovoltaic systems were installed for the electrification of fences of the Agricultural Productive Projects (PPAs) in the irrigation district of Montea, and the drinking water treatment plant that serves this collective resettlement population was set up.

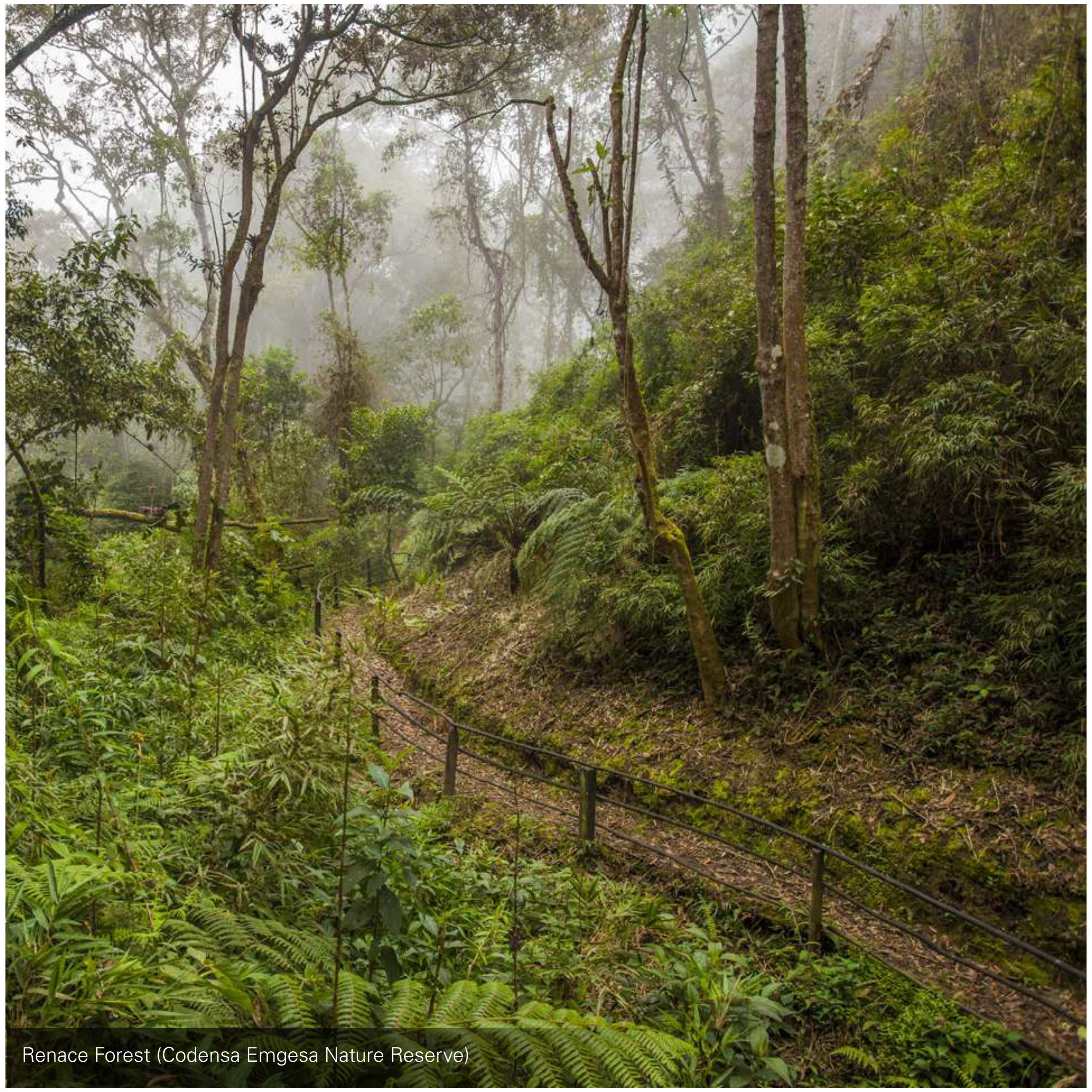
Montea and Palacio Integration, Huila

Visit to Vivero Parque, Huila

Other sustainability initiatives

Volunteering

Through corporate volunteering that takes place during working hours, it was possible to contribute to different causes and projects of non-profit organizations, as well as to the embellishment of education facilities in public institutions. 550 company employees participated in the activities carried out during the year 2017, in the different volunteering modalities, benefiting 982 children, youth, seniors and people with disabilities attended in foundations, added to children and young people from seven educational institutions in Cundinamarca.



Renace Forest (Codensa Emgesa Nature Reserve)

Sustainable mobility

The Sustainable Mobility Plan was implemented, which promotes within the Company the use of transport means that contribute to caring for the environment and improving mobility in the city, such as shared car or taxi, bicycle and hikes. This initiative in a one-month time achieved the participation of 130 officials, who traveled 7111 kilometers by bicycle,544 km walking, and 90 people who shared 37 trips.

2016 Sustainability Report

The Company's 13th Sustainability Report was published, thus completing more than a decade of transparent and responsible accountability exercises with our stakeholders. The report was prepared as per the parameters of the GRI Guide 4: Comprehensive Option of the Global Reporting Initiative (GRI) and the sector-specific supplement for the electricity sector. The document was verified by the auditing firm Ernst & Young Audit SAS. The report obtained the "Advanced GC" in the Communication on the Progress of the Global Compact in accordance with the ten principles to which the Company has adhered since 2004.

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Renace Forest (Codensa Emgesa Natural Reserve)

The Forest, located in the municipality of Soacha, Cundinamarca, was born as a sustainability initiative for the conservation and protection of 690 hectares of high Andean forest. This initiative contributes to the recovery and connectivity of the ecosystems located in the middle and lower basins of the Bogotá River. Since 2012, nearly 35,000 trees have been planted in compensation for the activities of the Companies.

Regulatory management, institutional engagement, and the environment

Generation and marketing of natural gas

Regulatory management focused in 2017 on the analysis and adjustment of the regulations of the electricity market and the natural gas marketing. Particular emphasis was placed on the review of key aspects of the Wholesale Energy Market (MEM), the incorporation of Unconventional Renewable Energy Sources (FRNCE) and the modifications to the Wholesale Natural Gas Market.

Once the great challenges of 2015 and 2016 were overcome, by virtue of the presence of the El Niño Phenomenon, and after actively participating in sectoral discussions and proposals that were developed later, the regulatory management focused on proposals to modify the methodology calculation of the Scarcity Price, a relevant variable within the Reliability Charge scheme, which was finally reflected in CREG Resolution 140 of 2017, which mitigated to a large extent the risk of mismatching between said value and the variable costs of the generation resources, allowing to gradually reflect to the market the cost of local fuels.

In relation with the proposals for modifying the allocation method for Firm Energy Obligations, finally included in the draft of CREG Resolution 55 of 2017, arguments and alternatives were presented to the regulator, directly or though associations, against the evidenced impacts of said approach, managing to open the discussion spaces in the regulatory agenda for 2018.

Other market issues on which proposals were submitted to the regulator, are related to: i) contracting schemes, which include a long, medium and short term vision, and ii) complementary services, as a supplement to the he development and promotion of FRNCE.

In relation with the incorporation of Renewable Unconventional Energy Sources (FRNCE) during the year2017 and after the publication of different Resolutions undergoing consultation, the Energy and Gas Regulatory Commission (CREG) approved the methodology that establishes Firm Energy for solar and wind resources. Similarly, and with the aim of proposing alternatives to encourage the participation of these sources in the system, the Commission, through CREG Document 161 of 2017, proposed different participation schemes, which is a relevant signal for the market.

In the same period, the Ministry of Mines and Energy (MME) regulated the Unconventional Energy and Efficient Energy Management Fund (GEFFEN), which is intended to promote the development of projects, and it defined an Operational Manual focused on aspects relative to financial sources, destination of resources, organizational structure, and methodology for the selection of projects and their execution.

At the end of 2017, the analysis, development and consolidation of the draft Single Resolution of the Electricity Sector was performed. This compiles the regulation of the sector, with the purpose of facilitating the consultation of current regulations of a general nature.

As regards matters related to the regulatory framework for natural gas, the development and analysis was aimed at: i) adjustments to the gas wholesale market, new types of contracts and definition of new terms and conditions for contracting (CREG Resolution 114/17), ii) regulation associated with the development of natural gas transport infrastructure and investor selection mechanisms such as: calls, Open Season (CREG Resolution 155/17), tariff methodology for Transporters, iii) signs associated with the reliability and supply of natural gas, in particular the regulation on the development of the Pacific regasification plant and the Buenaventura-Yumbo transport connection (CREG Resolution152/17), iv) consolidation of the Market Manager function, and the development of the primary gas market indicators, seeking transparency in the structuring of prices, and finally the CREG is still working in the definition of the remuneration methodology for the distribution and marketing activity.

Environment

In 2017, the management of environmental regulation focused on the regulation by the environmental authorities of issues related to: environmental licensing, conservation incentives, environmental benefits associated with energy efficiency, delimitation of moors, quality of air and climate change, whereby the following Administrative Acts were issued:

> As regards the development of projects, works or licensed activities, regulatory changes were made relative to the regulation of the 1% mandatory investment through Decrees 2099 and 075, which changed the base for calculation and the general lines of the investment plan.
> Resolution 1670 relative to the terms of reference for the preparation of the Environmental Impact Assessment (EIA), required for the process of environmental licensing of solar energy projects.
> Resolution 1519, by means of which the reference terms are set out for the preparation of the Environmental Impact Assessment (EIA) of the construction and operation projects of hydroelectric power generating plants.
> Resolution 1910 that establishes the Terms of Reference for the preparation of the environmental diagnosis of alternatives - DAA (for its acronym in Spanish) in projects for the use of biomass for power generation.
> Creation of the Single Registry of Ecosystems and Environmental Areas in which conservation schemes can be implemented and those that can be applied in the 1% investment lines, as well as in compensation schemes and other conservation initiatives, were regulated.
> Resolution 470 that creates the "Forests of Peace" Program as a model of sustainable management of the territories that seek to integrate the conservation of biodiversity and productive projects for the benefit of the organized communities.
> Decree 870 and Resolution 1051 related to payment schemes for environmental services and habitat banks, respectively.
> Resolution 2000 associated with the issuance of PROURE, updated the procedure for accessing tax benefits.
> Resolution 2254, whereby the ambient air quality standard is adopted, establishing the maximum permissible limits of contaminants, which will govern from the year 2018 and the year 2030

Tail of the Guavio reservoir, Cundinamarca

Additionally, actions were taken concerning the proposal of tools for the mitigation of emissions as related to compliance with environmental commitments in COP 21; specifically, issues such as the diversification of the generation matrix, signs of stability in long-term investment and harmonization with current expansion schemes were addressed.

In relation with Climate Change, the Government regulated the procedure to effectively implement the non-causation of the national tax to carbon as defined in the tax reform. Furthermore, the Climate Change Policy and the third communication on national GHG mitigation were published.

Institutional engagement

The institutional relations division is progressing on the consolidation of its processes, aimed at achieving the strategic positioning of the Enel Group and its companies among the different institutional audiences, contributing to the building of reputational value through the appropriate management of public affairs, in accordance with the Group's guidelines on transparency and the fight against corruption.

In this context, the year 2017 represented the starting point for the implementation of the institutional relations policy and its procedures, as well as for the socialization of processes associated with the information system, the methodology for identification and prioritization of our stakeholders, and the structuring of the corporate position on each item of the Company's institutional agenda.

Thus, through the management of institutional relations, the construction of reputational value and the coordination of the Company's action vis-à-vis external audiences of an institutional nature, the following facts stand out:

> Implementation and development of good practices related to transparency and Corporate Governance within the framework of institutional relations of the Company, transcending compliance with ethical and legal requirements.

- With respect to legal matters, the creation and consolidation of the legislative management process in Acolgen and Andesco; the analysis and monitoring of 40 legislative initiatives with an impact on the development of the Company's activities; and the union and direct management related to the processing of 10 legislative initiatives.
- Support from the Institutional Relations Division within the framework of relations with institutional actors for renewable projects.
- Building and inter-sectoral promotion of a governance model of water resources, through reservoir management plans.
- Opening of a space for institutional dialogue with the Government of Huila, materialized in the development of more than 24 working groups focused on 6 relevant topics.
- Institutional support for the management of sensitive situations related to the territories of operation.

Communication management

Relations with the media

During 2017, Emgesa directed its efforts to continue strengthening its position as a leading company in the energy sector, based on an open and timely communication policy.

Various topics related to the operation of its power plants, energy management and financial results were managed with the local and national media.

The management focused on maintaining the relationship with the local media of Huila, providing timely information on the management of El Quimbo Hydroelectric Plant and maintaining its own means of communication.

Result presentation, Financial Sector, Bogotá

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Generation Cascade

Within the area strategy in 2017, the close and permanent engagement with regional journalists and specialized sources was of the utmost importance. An innovation within the strategy of the year was the creation of the digital newscast News with Energy, broadcast by Facebook and Whatsapp, through which the main news of the Company are conveyed in a short and precise manner.

Themes that were well received by the media include the improvement of educational facilities, the provision of spaces for social recreation, partnerships with governmental and academic entities to improve the regional ecosystem in the area of influence of the El Quimbo power plant, the opening and closing of floodgates of the Betania Hydroelectric plant, and various strategies that promote entrepreneurship in the area of influence.

Likewise, the award received from ARL Sura to EMGESA for its technological innovation to improve safety, was reported to national media, which enabled strengthening, among different audiences, the message of a responsible company that has innovation and knowledge as pillars to secure human integrity

Digital communication

In 2017, work was done to strengthen the digital strategy, through the dissemination of corporate projects and initiatives in social networks. The communication was framed in the management carried out by the Company through its Power Generation Plants, informing users about the generation process, as well as the main sources of power generation in the country. Further, environmental sustainability initiatives and projects contributing to the progress of the communities in the areas of influence were communicated.

From the implementation of the content strategy and the inclusion of the stories section (editorial content - *storytelling*) on the website, social networks achieved an important performance over the previous year:

- **Facebook:** The community reached growth of 61%, reaching a total of 8,313 followers at the end of the year.
- **Twitter:** The profile of the El Quimbo Hydroelectric Project was migrated to Emgesa, which allowed the contents to have more dynamic contents and share them with other segments and audiences, increasing its community by 21% from one year to the next. This social network also enabled us to carry out live coverage of events and sponsorships where the brand was present, such as: # WOBIBogotá, 1st sustainability summit and Enercol, among others.

- **Linkedin:** Currently it is the largest community in the social networks of Emgesa, with more than 17,000 professionals from different areas and sectors, located in Bogotá, Cundinamarca, Antioquia, Santander and Bolívar.

In the second semester of the year for the first time, a "Marketing On Line" campaign was implemented in order to leverage knowledge and increase opportunities for selling company products and services offered to the Unregulated market. Strategy that managed to increase visits to the website by 10% vis-a-vis the previous year.

Brand identity management

Brand strategy, events and sponsorships

To keep on positioning Emgesa as the best benchmark in the sector in terms of energy generation and marketing, participation and support was promoted in relevant external scenarios to share experiences, good practices and achievements of projects that show our leadership in innovation, electric mobility and sustainability.

Our communication actions are aimed at reflecting a human, innovative company open to people and technology.

The messages and interventions were focused on positioning the Company as a creative company of energy solutions, which is committed to face current and future challenges to positively transform the lives of people, through the development of their communities, companies and cities.

The company was present in more than 40 scenarios through sponsorships and public projection events in the business and energy sector, among which the following stand out:

Sponsorships:

> World Business Forum Bogotá (WOBI)
> VII International Fair of the electrical sector FISE
> ANDESCO XIX Congress Public Utility Services, ICT and TV
> 23rd Version MEM Congress of the Wholesale Energy Market in Colombia
> XX NATURGAS Congress
> X Annual meeting of the Colombian energy sector ACOLGEN

Public projection events:

> 2017 XM Forum - The future of electric energy in Colombia
> I Sustainability Congress
> *One Young World* Bogotá
> Colombia Genera 2017 ANDI
> R 2017
> XXXIV Annual meeting of the Colombian energy sector
> ENERCOL

Electricity Sector Ethics Forum

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Participation *One Young World* Bogotá

On the other hand, over 40 events were carried out, which generate value in all corporate areas and contribute to the achievement of their goals, including the celebration of Emgesa's 20th anniversary in the country. This type of initiative enables us to keep our stakeholders informed, aligned and inspire our continuous strategies, plans, projects and challenges, with a firm look towards the future.

As part of the corporate programs, we continued implementing the Energy Explorers program to bring our generation operations closer to various stakeholders. This year eight activations were arranged, which affected 384 people among investors, customers of the Unregulated Market, employees, and their families.

In 2017, the brand reputation monitoring process was initiated with the support of the Reputation Institute. With this initiative we seek indicators that will enable us to create a plan for contributing to the building and protection of our reputation, analyze risks and obtain competitive advantages over the management of our brand.

Advertising

The institutional campaign to commemorate the 20 years of the Enel Group Companies in Colombia was developed, which included a radio advertising plan covering the main stations in the Huila department, Cundinamarca, and Bogotá. The campaign, which was developed under the slogan "20 years transforming lives with energy", sought to reflect how through two decades of history and thanks to the drive and motivation from our clients, partners, and communities, we have worked to bring technology, progress and opportunities to our areas of operation.

Likewise, during 2017 efforts were made to fulfill communication needs associated with the generation business and the stakeholders through initiatives such as advertisement, inserts and other material for use of the sales team with the Unregulated Market, added to image alignment and inauguration of Emgesa headquarters in Bogota and Barranquilla.

Lastly, the communication and information plan of the El Quimbo Hydroelectric Plant was maintained with institutional radio ads, which was active over the year, representing 87% of Emgesa's total advertising investment.

Internal communication

Our efforts were aimed at making visible the values of the strategic concept called Open Power in the projects and undertakings performed by the Enel Group Companies in our country.

Over the year, through five internal communication channels, our employees were informed about important news of the companies in Colombia and the Enel Group in the world, positioning their business strategic projects. In total, 217 electronic bulletins were issued with 700 news on average.

Likewise, five programs were carried out Live; this is a virtual space in which our General Director conveyed to all employees the most relevant facts about Emgesa and the Enel Group in Colombia.

A relevant milestone was the launching of the new intranet, a modern, functional, friendly channel with the possibility of being customized by each worker, in line with the latest trends. This launching was accompanied by a dissemination and training plan to socialize new functionalities of the tool among our workforce. Consequently, the utilization rate of Intranet reached 89% amount the workforce of the companies in Colombia, which is one of the Group's highest indicators in Latin America.

To celebrate 20 years of Emgesa in the country, actions were carried out with the employees, which highlighted the company's milestones by means of special news, trivia, photo galleries and interventions in corporate headquarters. These actions highlighted achievements in these years and strengthened the sense of belonging and pride towards the companies.

The Happiness and Diversity strategy implemented by the Company was also supported. From Internal Communication, significant work carried out to align the expectations of the workers with respect to these two initiatives and also to socialize the approaches for contributing to their individual commitments and the strengthening of the working environment.

20-Year Celebration

"En Directo" Meeting

Country Cascade

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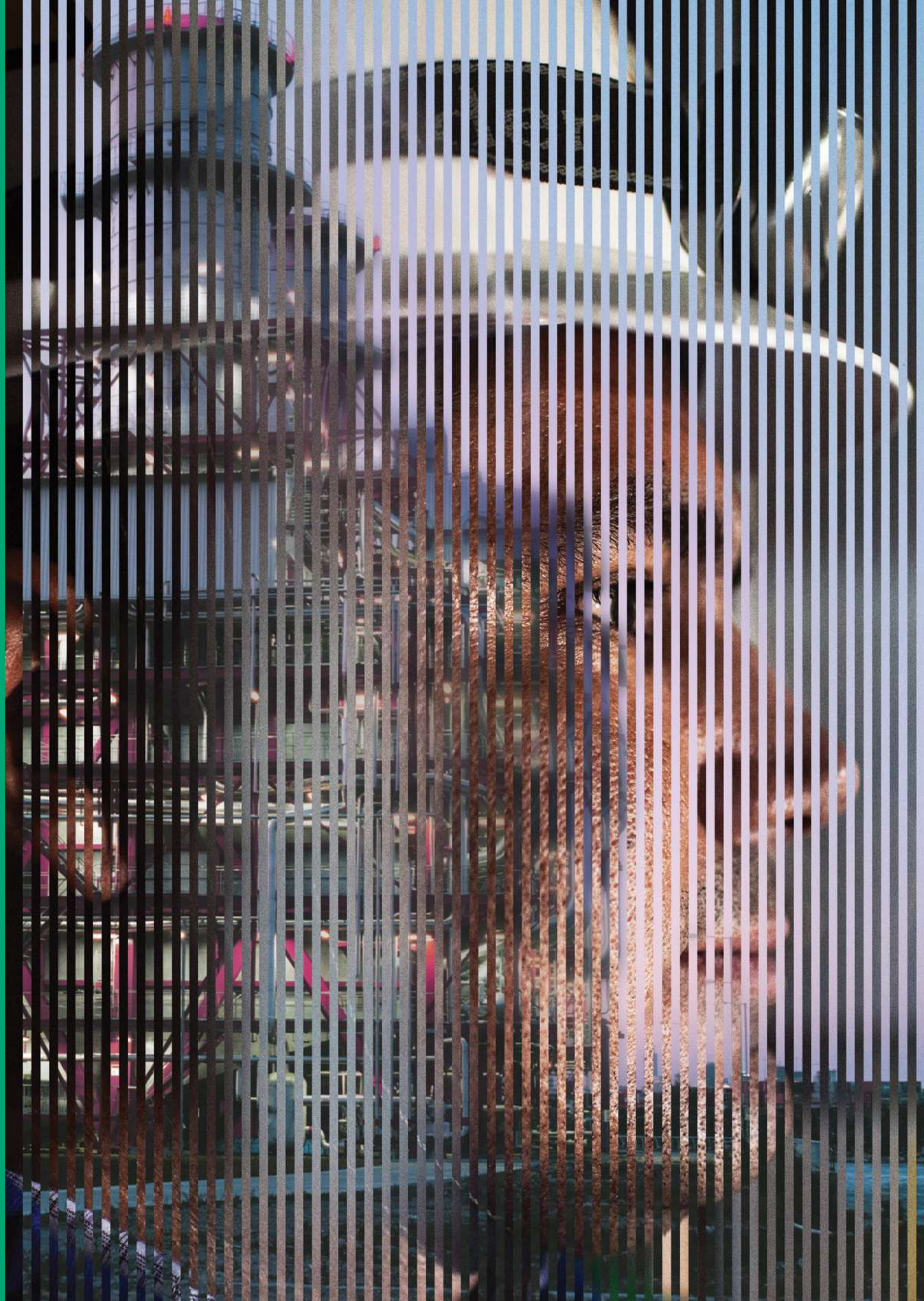
04

An internal management that leverages results

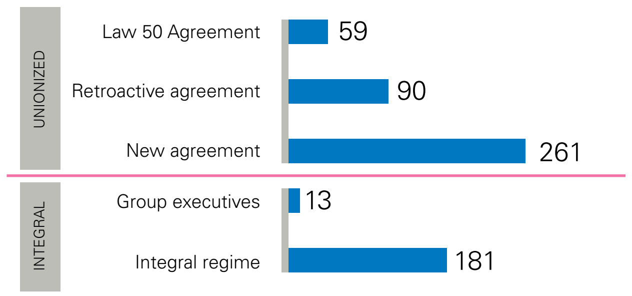


Personnel management

Planning, organization and compensation process

The total direct workers of Emgesa at the close of 2017 was 593, 7.6% above that of the immediately previous year, and 96.6% of those workers had an indefinite term standard contract. The classification according to the type of agreement is detailed below:

Direct staff as of Dec 31, 2017



Additionally, at the end of 2017, Emgesa had a total of 20 apprentices (regulated by Sena's quota) and 16 university trainees (agreements with universities) at the end of 2017.

Compensation

In accordance with the compensation policy of the Company, and seeking to improve wage competitiveness, internal equity and personnel retention, 79 salary levels of direct personnel were upgraded, 37 for the unionized personnel and 42 for non-unionized personnel (integral regime) directors, middle management, and professionals.

Organizational Structure

Between January to December 2017, the application of the Enel group organizational model continued, which is calledMatrix at the Colombia level, in the different areas of staff, services and business lines. The main changes in the different organizational levels at country level, which were supported by the respective organizational managements, were the following:

Energy Management Colombia Business Line

The structure of the business line of Energy Management Colombia was modified, to increase the profit margin and sales in each segment. The creation of the *Power & Fuel Portfolio Management unit stands out,* which is aimed at securing optimized production of the generation plants in the medium term. On the other hand, emphasis is placed on the function of Gas & Fuels in order to increase sales in this segment.

Renewable Energy Colombia Business Line

The structure of the business line of Colombia Renewable Energies was modified, highlighting the creation of the Colombia Solar Operation and Maintenance unit in order to manage the operation and maintenance of solar power plants.

In addition, the layered-structure, Division and Department of the existing assistant managements was created, based on the global model and the specific needs of this business line.

Thermal Generation Business Line

In the current structure of this business line, the Technical Service units were created at the Thermal Power Generation plants, in accordance with the corporate model.

Areas *Staff* & Services

In the Legal Affairs and Corporate Affairs Management, the Legal Affairs Unit, Energy Management & Generation was established. Staff in: Renewable Energy Legal Matters, Energy Management &Staff and Thermal Generation Legal Matters, to be consistent with existing business lines at country level.

Procurement Management Colombia modified its structure by creating organizational units consistent with the business lines and existing functions at country level.

Selection Process

An average effectiveness was achieved in selection processes by December 2017 of 100%, which means that the 2016 indicator is upheld.

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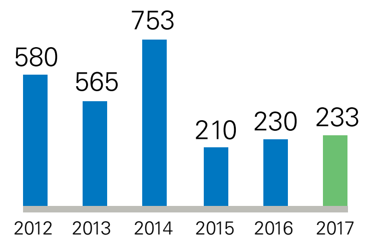
The following chart shows the number of selection processes so far in 2017, compared to previous years:

Emgesa selection processes



Revenue history

EMGESA	Type of contract		
	Direct	**Students /Trainees**	**Temporary**
2012	151	211	218
2013	150	148	267
2014	173	225	355
2015	34	73	103
2016	55	90	85
2017	88	72	73

Internal Job Postings

Up to December 2017, the opportunity for growth was provided to the Group's employees, covering 16% of the vacancies internally.

Job Postings History

EMGESA	Covered vacancies	
	Internal Level	**External Level**
2012	4	51
2013	26	78
2014	21	50
2015	14	20
2016	35	55
2017	14	74

33 people were directly promoted to positions of greater responsibility and, likewise, there were 14 promotions of personnel through internal job postings. Further, the personalized feedback process was continued with 100% of internal candidates in order to raise awareness about the strengths and aspects to be improved by each of the candidates, allowing to strengthen the transparency of the competition.

Employer Brand

In 2017 we worked on digitizing the selection process using two tools:

- Taleo: this platform was set up that, starting in 2018, will be used to manage the resumes database and for traceability of the selection process from a single global system

- Magneto: this system will support the initial phase of the recruitment process from the initial contact, being mostly focused on socializing the brand profile of the brand as an employer and progressing virtually in the selection process, reducing time and improving the productivity of the selection team

Disclosures were made according to the strategy of the employer brand, in the universities of interest for the business, the National University of Colombia, the Colombian School of Engineering Julio Garavito, the Los Andes University and the EAN University, through the development of personal branding workshops, attended by 700 students from the last semesters of Industrial Engineering, Electrical Engineering, Civil Engineering, Electronic Engineering, Systems Engineering, Environmental Engineering, Business Administration, Psychology, Accounting and Law courses, achieving the goal of being positioned as an employer brand, loyalty to the universities and long-term assurance of the recruitment of students for subsequent semesters.

Development and training processes

Development

During 2017, different training, events and programs were carried out, all aimed at managing the talent of the workers, as well as providing the necessary tools and knowledge to develop the skills of a leader.

This contributes to strengthen the work climate and manage the talent of our workers, focusing our actions mainly on the deployment of methodologies and workshops for development, talent management and recognition. Included below is the detail of each of the activities:

Leadership School

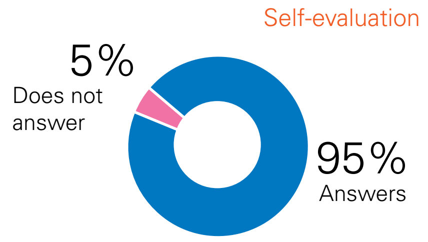
With the aim of providing knowledge and tools in line with the latest trends, the Corporate University includes an exclusive school for the leaders of the Enel Group in Colombia. This year we selected specialized leadership programs to strengthen the skills of managing teams among our leaders

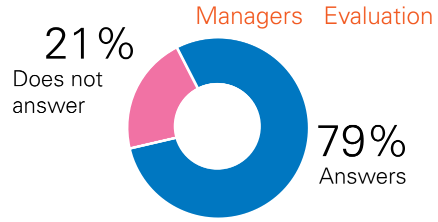
Course	Participants
Managing my Team Workshop	13 leaders
Situational Leadership Workshop	18 leaders
Workshop on 13 leadership principles	4 leaders
Management skills program	8 high potential employees
Performance AppraisalWorkshop	28 Employees

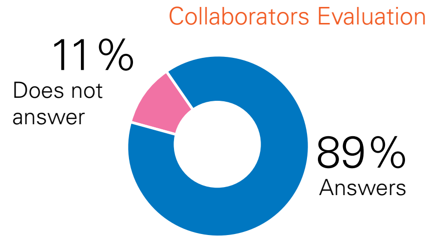
13 Principles of Leadership Evaluation

The "13 Principles of Leadership Evaluation" is a survey that seeks to know the level of applicability of the 13 principles by Enel leaders in Colombia.
The survey obtained 88% participation of the population. It should be noted that the principles with the best qualifications were: daily greeting, support and disclosure of the company's decisions, I fulfill my commitments. Similarly, the principles with the lowest qualifications were: I build together with my team an annual climate plan; I build and monitor the PDI of each worker; I promote the use of virtual tools. This year, the following were evaluated:

- **Self-evaluation:** it is the evaluation carried out by leaders regarding the application of the 13 principles in the management of their teams.
- **Manager evaluation:** It is the assessment made by the boss of each leader with respect to the 13 principles.
- **Collaborator evaluation:** It is the assessment that team members perform about the application of the 13 principles by the boss.







Digitization of the Leader's Guide

Beginning in 2018, leaders will have virtual access to the leader's guide. Through this guide, leaders will have first-hand information available on the 13 principles of leadership and practical advice to improve their performance as leaders.

Performance AppraisalWorkshop

This workshop, intended for all the workers of the group, are intended to disseminate the behavior assessment model of the Enel group. For 2017 the Performance Appraisal included a new performance quadrant, for which workers can be evaluated in quadrants: Valuate, Expand, Develop, Support or Redirect. The training makes clear the functioning of the Oracle system and explains again the behaviors - Open Power - from which all workers are evaluated. There was a total of 28 workers who registered and participated.

Leaders Workshop

Female Leadership Workshop

A women's leadership workshop was held, with participation of women in managerial or leadership roles, or expert professionals. The workshop was divided in 4 modules and sought to provide women with tools for their development and promotion within the organization. The workshop content included: the value of equity and the benefits for organizations with women in leadership roles, deconstruction of stereotypes, and internal and external barriers.

Climate and Security Survey

n 2016, the climate and safety survey was conducted with the entire Enel Group. In 2017, the results obtained were disclosed to each management and improvement action plans were defined for areas where low scores were obtained. In total, 68 actions were defined to be developed in Colombia; each management executed actions aimed at strengthening key aspects that may be affecting the work climate. The action plan was executed entirely, fulfilling 100% of the actions aimed at strengthening areas such as: knowledge in occupational safety, leadership skills, improvement in physical conditions, work overload, and team cohesion or integration.

Workshop 5 Elections for extraordinary productivity

As part of the Climate Action Plan, the workshop called 5 Elections for Extraordinary Productivity was held, whose objective was to promote the balance between the different roles of the people within the organization. In addition, tools were reviewed to work on what is most important and not on what is urgent; also, on participants learning to use technology to be more productive. In 2017, 106 people from the company attended, including leaders and professionals

Coaching

This methodology seeks that workers can strengthen behaviors defined by the Enel Group, enabling them to set the best goals, assess objectively the resources they have, and take actions using their strengths as a lever to improve their aspects to be developed. In 2017, 9 Coaching processes with Emgesa workers were carried out, which is equivalent to 84 hours of development processes.

Mentoring

This methodology is intended primarily for company leaders and seeks that new leaders to strengthen leadership skills and team management through a mentor or guide. Emgesa carried out 8 processes throughout 2017. In total, 109 hours of mentoring were completed.

Leaders Community

A community was created in the Yammer corporate social network with the aim of sharing and establishing a communication channel with company's leaders, sharing content and information of interest with them. Weekly, exclusive and current Wobi content, GetAbstract Articles, TED Talks and relevant information, dates of evaluation processes and performance management were published.

Outdoor

In order to continue strengthening teamwork, different Outdoor activities were carried out , which with outdoor exercises seek to encourage teamwork, values and behaviors - Open Power -, leadership and social commitment. During 2017 we conducted 8 workshops in which 305 workers participated.

Performance Appraisal

This year we continued with the evaluation model implemented in 2016, which focused on development, assessing the 10 behaviors defined by Enel.

It also has a new scale due to the introduction of a new quadrant, the Expand quadrant.

Reorientate 1 to 1,99	Support 2 to 2,99	Develop 3 to 3,49	Expand 3,5 to 3,99	Valuate 4 to 5
Rarely acts according to the required behaviors	Acts only partially according to the required behaviors	In practice, behaves according to the required behaviors, achieving the expected results	Effectively acts according to the required behaviors, often exceeding expectations	Acts efficiently according to the required behaviors, exceeding expectations and encouraging others to do the same. New challenges in and out of his /her unit.

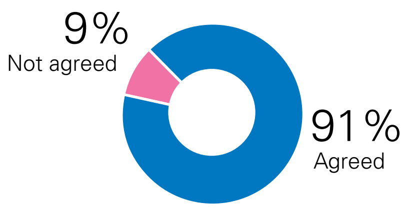
The entire process was carried out through the Oracle platform and all Company workers participated.

2017 Objectives

For the year 2017, full-time workers were provided with the objectives defined for executives, taking into account the management scope of each worker. In accordance with the foregoing, 100% of the workers have Oracle defined objectives.

For workers in the unionized regime, objectives were agreed using the Performance Management tool, whereby workers included objectives that were subsequently approved by the boss. 91% of Emgesa's unionized workers agreed on objectives.

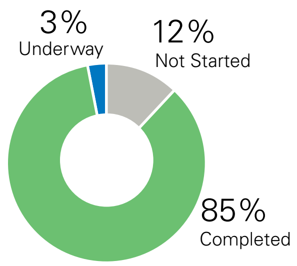
Concentration of objectives



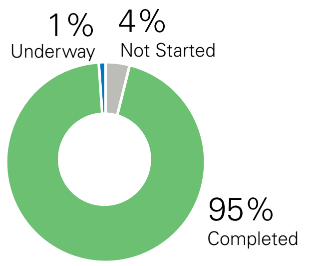
Feedback

Feedback is the process by which leaders give and receive feedback with each person in their teams. 85% of the workers included their comments, perception and opinion about the feedback provided by their boss. 95% of the leaders included comments relative to the feedback provided to each worker during the process. The Oracle tool was used for this purpose.

Feedback of the worker



Feedback of the boss



Get Abstract

Given the success of the management update platform with the leaders community, in 2017 access was opened to all workers so that they can update their knowledge with the Get Abstract tool. According to use habits, 82% of the leaders use the tool frequently. With respect to workers, 237 of them make regular use of the tool. It is emphasized that the person who uses it the most has entered 383 times to download content. According to the testimonies gathered, people use it to keep up on issues related to leadership, management, business knowledge and, in some cases, technical knowledge.

Líder to coach

The workshop entitled "Leader to coach" sought to develop a new form of leadership through the coaching methodology, so that managers develop their effectiveness and impact with their work teams and can build a more efficient communication to minimize conflicts, optimize times, and facilitate effective quality conversations.

In the workshop, which lasted approximately 16 hours, and was attended by 32 managers, topics related to the strengthening ofOpen Power values, diversity and inclusion, innovation, and humanism were discussed among others.

Professionalization Program

The purpose of the Emgesa Professionalization program was contributing to the higher education of employees through academic benefits to cover university costs, facilitate access to undergraduate programs, add value to the business, and contribute to professional growth of each of the beneficiaries.

The Company has an agreement with the Politécnico Gran Colombiano University, for the Industrial Engineering degree, in which the beneficiaries first register in Logistics Technology and after obtaining the Technologist title, they continue with the professional career. In 2017, thanks to this type of benefit, the Company had the first graduate, César Alberto Bello Pinzón, from the Termozipa Power Plant operation.

In 2017, there are 9 workers studying Logistics Technology and 2 enrolled in Industrial Engineering, for a total of 11 beneficiaries.

In 2017, academic programs were reviewed with other universities, in order to expand the offer to workers and meet the business needs.

Requirements for application to the professionalization program

Loans and sponsorships

Sponsorships and educational loans are intended for employees at all levels of the organization, who have professional qualification and development potential. This benefit applies to higher education specialization, after-graduate, MBA, masters, top management programs and specialized technical certifications provided by universities or national or international entities duly constituted and recognized as educational entities.

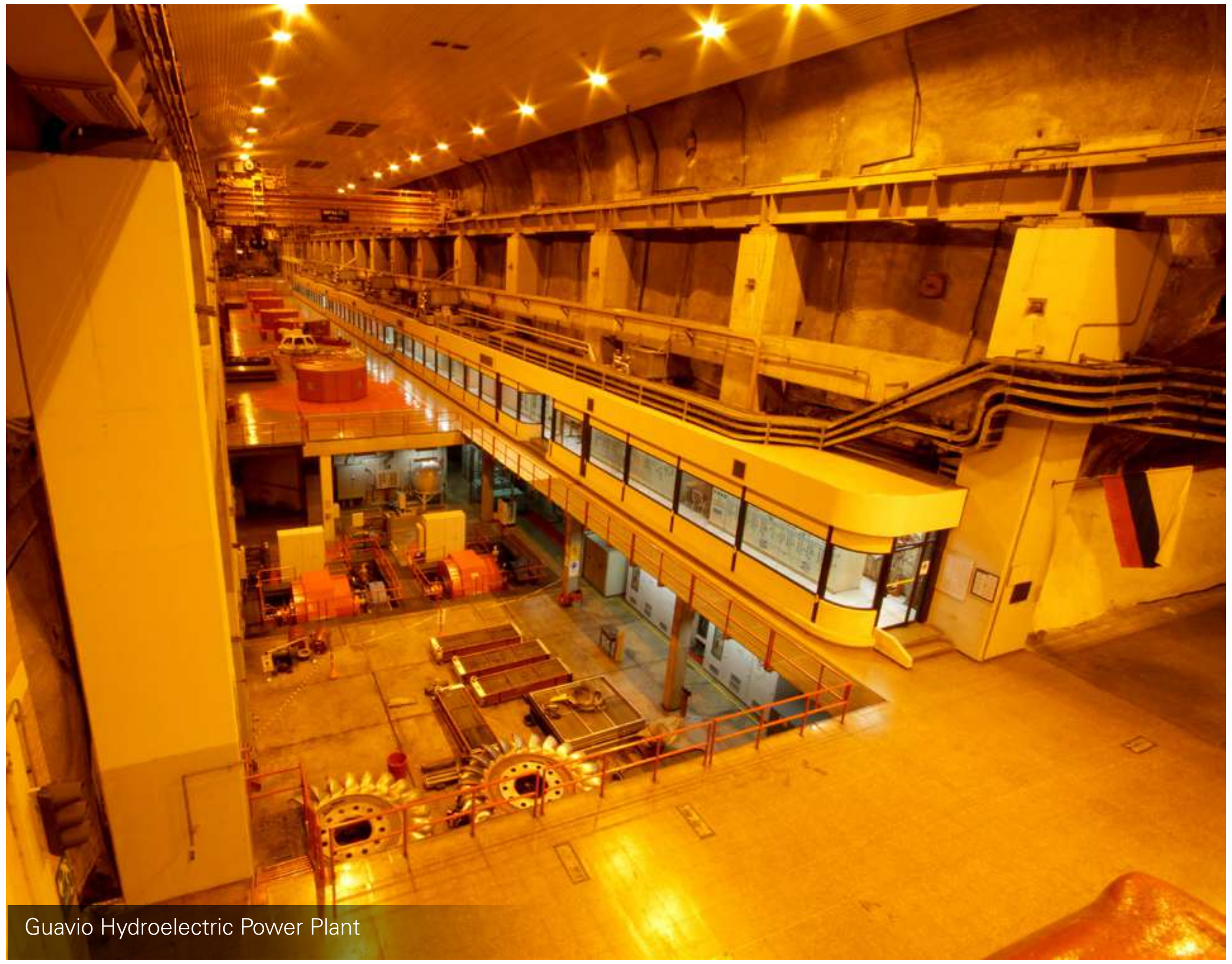
In 2017 Emgesa granted the loan and sponsorship benefits to seven professional employees in different national universities such as Universidad Libre, El Bosque, EECI, as well as in international universities such as the University of Barcelona, Eude Bussiness School, and other thus contributing to personnel professional and personal development.

Sponsorship and loan process

Application	Validation of Data	Type of Benefit	Approval	Documentation	Registration	Payment
Complete the training application form	Verify if employee meets the requirements	Determine the type of benefit, whether loan and sponsoring or only loan	Communication is issued and sent via email	Permanence clause and Promissory Note are signed	Minimum average grade of 3.8 is confirmed	Conformity is processed in case of sponsorship and PDP in case of loan

Contract diploma course and short courses

For contributing to performance, learning, efficient work, and updating of the employees, two Diploma courses on Contract Management were developed, which consist in 13 modules, addressing topics of importance such as: Audit, labour Regulations, Contractual Legal Risks, Budget Management, and others. In-house teachers contributed to the execution of the diploma courses. In 2017, five employees participated.



Guavio Hydroelectric Power Plant

As a complement to the diploma course, 5 short courses of "Contract Management Update" were completed, which were attended by 49 employees.

Training in power plants

In 2017 a total of 34,047 hours were completed, with the participation of 598 employees, and a total of 237trainin-g,with average grades of 4.5, having a training budget of approximately 572 million.

The Development and Training Division conducted the training set out in the Individual Development Plans, which are intended to close the gap in some employee soft and technical skills to thus contribute to the personal and professional development, according to their needs. Most of the soft skill trainings were carried out with the EAN University and the Chamber of Commerce of Cartagena and the technical training with Siemens, without leaving aside the strengthening of the community of the knowledge with 8,855 hours of in-house training.

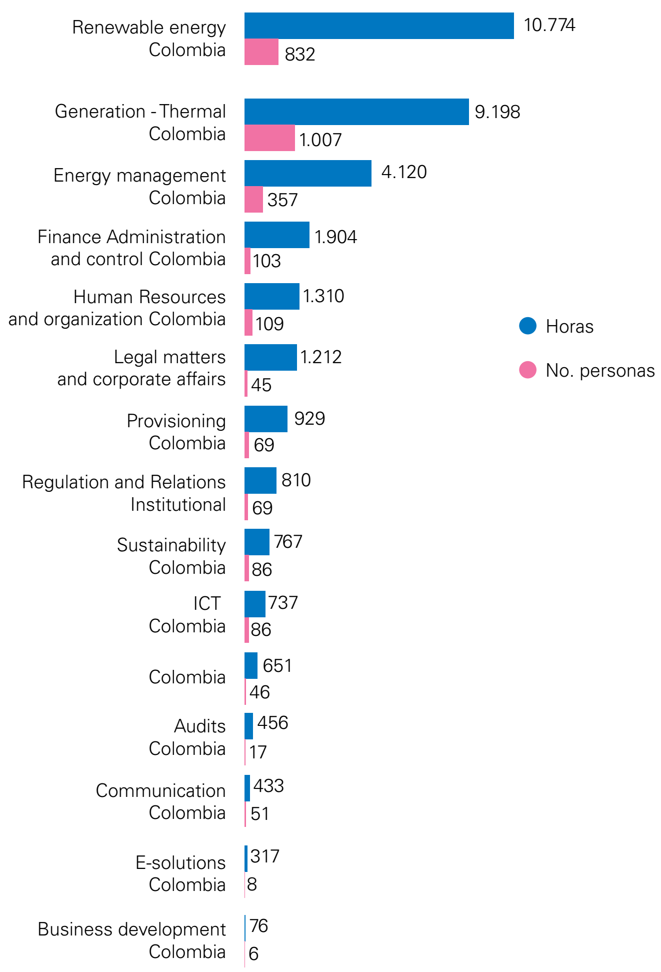
Within the framework of the Organization's training at the power plants, with the support of the EAN University, courses intended for the development of staff skills and abilities, different training in the plants, thus facilitating access to workers who usually can not attend training activities due to having to leave the work sites.

Guavio Power Plant: Two workshops were held aimed at the effective management of time and the development of strategies to deal with change.

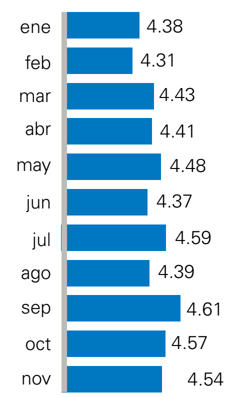
Cartagena Power Plant: In partnership with the Cartagena Chamber and Commerce, the following trainings were provided: Effective Communication Strategies, Role Management and Work Organization, Emotional Intelligence, Effective Decision Making. Approximately 25 workers participated in these trainings.

The following graphs show the hours of training and the participation of personnel for each management and the average grade for each month:

No. of hours and participation by Management



Grading average



Based on the results obtained in the evaluations completed by the participants, the training was rated an average as 4.5 out of 5.0 with respect to facilitators, content and logistics.

Management of Change Office

In 2017, the Management of Change Office was created in order to leverage the Company's strategic projects, by mobilizing culture and accompanying processes through different activities that allow for the adaptation of workers in the differente the projects to be implemented.

Management of Change Center

The projects that have been developed in the Management of Change office are:

E4E Project

Training for Emgesa end users was carried out in the modules pending from 2016. 13 courses were completed in exclusively financial modules (Orders, Contracts, Petty Cash, PDP'S, MM PUR, MM LOG, etc,), where 78 people participated, for total training of 329 hours.

The training was carried out on Work Permits This training aims to complement the competence on work permit management, which works hand in hand with the management of maintenance orders, the different operations of the power generation plants, equipment, and technical locations techniques established from operation and maintenance. Over 250 people from all power generation plants participated, accumulating more than 2,000-hour training

RHO Online Project

RHO Online is a new tool of the Human Resources Management that will enable employee to manage HR processes in a more agile, efficient and accessible manner.

The Digital Transformation challenge extends to Human Resources processes to improve efficiency and response times related to employee services, for which the Time Management portal was implemented, which meets the following objectives:

- Design the Management of Change strategy in the BPO - RHO Online project to facilitate its rapid adaptation and implementation.
- Management of Change should help RHO Online to be perceived as a platform that allows managing Human Resources processes in a more agile, efficient, accessible manner
- Generate involvement and commitment in different populations to ensure project success.
- Promote the project and its benefits.
- Empower workers to learn about new ways of doing things and the use of tools that support digitization.

In the projects described above, different change management strategies have been carried out, which were implemented according to the particular features of each project. The following table summarizes them.

Type of strategy	Definition
DIRECTORS **Effect: Acquisition of knowledge**	Focused on knowledge **News:** News were published in Entérate and on the bulletin boards at the power plants. **Talks:** briefings about the tool and its use for target audiences such as: support personnel, administrative staff, administrative heads, business partners, Human Resources Management, Management Committees and union, **Expectations and communication campaign:** In November, the expectations and communication campaign commenced by means of Enterate, mailings and bulletin boards. **Information manual:** a Q & A document was prepared, which will be shared with the leaders as input to answer questions they can be asked by their work teams. .
OPTIONAL **Effect: Acquisition of knowledge**	Focused on Doing **Instruction:** Step by step explanation on how to use the tool **Training:** it commenced for all personnel on the use of the tool and its advantages
ADAPTIVE **Effect: evidence behaviors**	Focused on knowledge These actions will start next year with the implementation of strategies such as mentoring and accompaniment so that theworkers internalize the benefits of the tool and promoteits use.

In 2018, the main challenge of the Management Office will be focused on accompanying the implementation of Digital Transformation, which implies significant changes in the organizational culture, work style and data analyses.

Training Approach virtual - Kiosks Relaunch

It is vital for Emgesa to ensure that all workers have access to the different services provided through the network at all the power plants, where some workers do not have a fixed work station. Hence, the re-launch of the Kiosks was carried out;these are specially designed stations at the power plants to be used by the workers, where they are provided with access to the Internet, so that they can access the Company's virtual training and digital contents.

During the re-launch days, power plant workers were able to solve their doubts regarding online services.

The re-launch has been carried out at the power plants of the Bogotá River. Termozipa and Guavio. In the first half of 2018, it will be carried out in the Betania, El Quimbo and Cartagena power plants.

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Chain of the Bogotá River
50 workers who know how to consult Nostrum

Termozipa
30 workers who learned how to navigate in Intranet

Guavio
30 workers who can consult their email

Digitization training evaluations

The training team for the Zero Paper campaign digitized all the evaluations through an online application called Typeform. The application is used by the entire RHO Management. Now at the end of the course, the teachers include a link in the presentation so that each worker can complete it online. Based on the results, reports are obtained in Excel including the grading summary and feedback from the participants of each training.

Procedural Law Diploma Course

The General Procedural Code Diploma Course was developed for the Legal Management lawyers, with 80-hour duration and the participation of 30 officials.

The course was developed through theoretical lectures in which the content and regulatory scope are linked, with practical workshops and problem resolution based on real life cases.

The professors in charge of this course are well-known professionals who work in the procedural law branch and are active members of the Colombian Institute of Procedural Law, an Institute that participated in drafting the new General Process Code.

Happiness

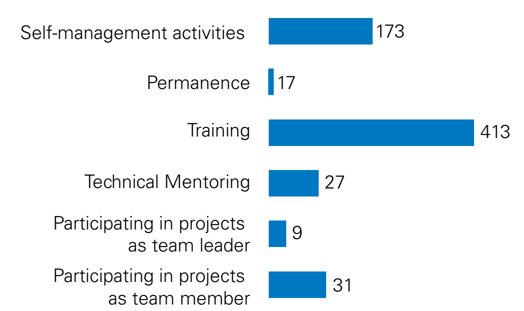
The Happiness Program was implemented, as part of which workshops were developed, building agreements on culture and happiness by teams.

There were 25 workshops and meetings held in the power plants of Bajo Rio Bogotá, Cartagena, Termozipa, Betania - Quimbo and Guavio, in venues outside the Company, with an approximate attendance of 40 workers to each workshop. 0 The average satisfaction rating among participants was 4.5/5.

Individual Development Plan

The *feedback* is the closing stage of the *Performance Appraisal process*, in which the leaders and their team members design the Individual Development Plan (IDP), considering their strengths and weaknesses. Within the PDI it is possible to include activities aimed at strengthening technical skills, soft skills, occupational health and safety prevention, languages, special projects, management systems, organizational culture and innovation as a factor of competitiveness, business knowledge, etc. There are 5 types of actions that the PDI can include: self-management actions for which the worker is 100% responsible; permanence in other areas for some time; technicalmentoring, in which the worker relies on another person to gain technical knowledge; participation in projects as a member or team leader; and finally, training courses offered and developed by the training and development division.

Emgesa number of actions by category



Languages

For training in the English language, partnerships have been established with the EAN University and Language Lounge, for 2017, 2,903 hours were taught in this language. For training in the Italian language, there is an MJSC provider Associazione Di Professori Di Italiano; in 2017, 907 hours were completed in this language

Development and Training challenges for 2018

- Continue working on leaders' training
- Provide tools to leaders to respond to digital transformation challenges.
- Re-launch the internal tutors program.
- Provide timely information on performance evaluation visa-a-vis potential changes.
- Identify the leaders development needs according to current priorities.
- **Management of Change office:** a communication campaign will be held focused on the most relevant aspects of the Management of Change office to promote strategic business projects.
- **Digital Transformation:** Training in agile methodologies, user experience and tools for decision making will be carried out, aimed at supporting the digital transformation of the Enel Group in Colombia.
- **New Training Management Model:** in 2018, the holding company has been working to unify the training management model in all countries. This model will be accompanied by a new platform for training management. Likewise, some processes of the training area will be improved via digitization, such as the systematization of attendance lists, thus optimizing the process times.
- **Seed Plan:** The profiles required to establish a technical program with the National Apprenticeship Service (SENA) will be evaluated with the contractors in order to meet the needs of the Generation business.
- **Professionalization:** the program content of the proposals received from the Universities will be adjusted, in order to establish a new professionalization program.
- **Knowledge Community:** training update of the community members and redesign of the course contents, which will secure the know how of each business line.

Life Quality

We continue to strengthen Emgesa as a more humane company, open to our people, their families and the technology, under the umbrella of the Family Responsible Company (EFR) and Equality at Work Certification (Equipares - Silver Seal). Through the development of the following programs and projects, we continue to care for and to promote the welfare of out people and their families:

Organizational Happiness Project

When working on organizational happiness, we seek to establish action lines towards a coherent work climate, where the satisfaction and well-being of workers and teams are reflected in the results of the Organization. This initiative arises as a complement of the entire People Care strategy on which we have been working as a Company, understanding that everything we do for the well-being of workers has positive effects for all of us, our families and, obviously, on the sustainability of the business.

The purpose of this project is for happiness to be the driver of our organization to continue as sustainable source of energy over time, by managing the following DNA elements of Happiness:

- **Coherence:** avoid conflict between what I say, think, feel and do, that is, seek the harmony of these 4 elements. Organizationally, it is fundamental in the language and creation of healthy relationships.
- **Gratitude:** Happiness is not to have everything but to be thankful for everything. It is an individual decision and it adds value to what I have today.
- **Service:** ability to deliver our talents to other. Serving is about giving.
- **Compassion:** ability to get into the shoes of the other; it is about understanding and feeling what another human being feels without judging.
- **Resilience:** It stems from physics when the bodies before a stimulus recover and return to their normality and, in human beings, it is our ability to face adversity and become stronger, that is, to learn from our past.

Diversity: labour Equality Gold Seal - Equipares

In 2017, we continued our efforts towards gender equality in each of the 8 dimensions of the equality seal:

- Recruitment and Selection
- Promotion and Development
- Training
- Salaries
- Reconciliation
- Workplace and Sexual Harassment
- Work Environment and Health
- Non-sexist Communication

We participated in an internal audit with the United Nations Development Program (UNDP) and the Ministry of labour to evaluate internally the new Gold Seal norm. A satisfactory result of 86.4 points out of 100 was achieved.

This result motivates us to continue working for gender equality and closing gaps in each of the aforementioned dimensions to achieve the Gold Seal certification in 2018.

Emgesa is ranked 10th in the ranking of the most equitable companies in Colombia organized by Aequales and CESA.

The conciliation understood as level of freedom for the organizations and the people who work for them; further, in addition to improving results, it allows for people to have better lives, as well as to grow with respect to maturity, commitment and responsibility.

In 2017, from the Quality of Life program, 35 conciliation measures were managed, classified into 3 types of measure: labour flexibility, activities and benefits.

58.8% of Emgesa's employees used at least one measure of flexibility over the year 2017.

Described below are the details of the reconciliation measures managed:

Type of measure	No. Measure	Flexibility measures	Annual Use
labour Flexibility	1	Balance Day	586
	2	Flexible hours	39
	3	Flexible Remote Work	35
	4	Work at home due to extraordinary situations	23
	5	Birthday of the worker	138
	6	Graduation Day	18
	7	Volunteer Day and Balance	11
	8	Compressed Day at Christmas	31
	9	Additional Non-Paid Maternity Leave	0
	10	Mother gradual postnatal return	1
	11	Postnatal parents	0
	12	First School Day	13
	13	Halloween with the children	58
	14	Assistance to sick family member	65
Activities Worker and family	15	Celebration of Women's Day	200
	16	School and sports activities: swimming, tennis, athletics, bowling, karts and beach volleyball and basketball, volleyball and soccer 6 flash	204
	17	Good Living: Ecological Walk and Wellness Day	435
	18	Activities for singles: Only for Me	36
	19	Creole evenings at power plants	305
	20	Power Plant Cultural Lunches	85
	21	End of the year party	338
	22	Christmas lunch at power plants	104
	23	Cultural Programs: Art Route	168
	24	*Celebration of Mother's and Father's day "Studying for Happiness Conference"*	106
	25	Recreational holidays for children	105
	26	Cultural Program: Flight days	70
	27	Junior Energy Explorers	20
	28	A day at work with Mom and Dad	34
	29	Cultural Program: San Pedro	115
	30	Children's Party	324
	31	New Year´s Eve Dinner Party at power plants	322
	32	32 Christmas Show	270
Benefits	33	Excellence Scholarship	3
	34	Life Insurance	640
	35	Prepaid Medicine	211
	36	Complementary Health Plan	116
	37	Psychological Counseling	1
	38	Birthday gift	641
	39	Assistance at special times: Birth, death and prolonged disability	13

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Celebration of Women's Day

Diana Uribe, one of the best historians of the country, gave a lecture on the role that women have played in the cultural revolution of recent times.

Mother and Father's Day Celebration

Workers, fathers and mothers were invited with their partners to the conference Educating for Happiness led by Andrés Ramírez, expert in organizational happiness, who provided us with tools to raise happier children.

A Workday with Mom and Dad

The pilot of this activity that took place in Bogotá and Cartagena generated much happiness and sensitivity among the workers. Through fun, playful and experiential activities, the development of psycho-motor, social and affective skills in children during the visit to the Company and their parents' jobs was fostered. This event seeks to strengthen the relationship between parents and children and project the potential to develop their talent for their future life.

Junior Explorers

It is an event that gathers the children of workers between the ages of 13 and 17 who wish to know about the Company's business through a direct exploration of the Company's facilities. In 2017, we took 50 workers with their children to the Central Betania Quimbo, where they had the chance to visit the plants, the operations center and obtain direct knowledge from specialists in the hydroelectric generation business.

Children's Party: Application for the gift selection

In 2017, the workers had the chance to select the Christmas gift together with their families, through an application that allowed them to choose from several options online the gift that best suited their needs and tastes.

Program E Bike to Work

In 2017, the program continued as a transportation alternative that contributes to the care of the environment and mobility in the city.

A day at work with Mom and Dad

Some relevant figures of the program in 2017.

Loans	Occupancy rate	Savings ($)	CO2 savings
6.019	72% average	165.097.000	18,048 Kg

In 2017, an initiative was launched for workers to access an electric bicycle loan, which benefited 45 employees. For this program an investment of approximately 96 million was made.

Parental Program "Being Mom" and "Being Dad"

The program was launched, where workers and supervisors conduct interviews that seek to support the Company's workers in their process of becoming mothers and fathers. Its objective is to encourage the balance between their role, and their professional and work life; also, knowing their motivations and projections to create or identify support networks at this point in life. Four mom workers benefited from this program in 2017.

Life Quality Challenges for 2018

- Second phase of implementation of the organizational happiness project
- Project benefits on demand
- External audit to obtain the Equipares gold seal (labour equality)
- EFR re-certification
- Redesign of recognition program for workers

Labour Relations

Conflict of Interest Policy

Trust is one of the values of the Company, which permeates all corporate processes in a cross-cutting manner. In 2017 the conflict of interest policy was updated in line with this value.

Although the policy had already been published, the need was defined for this year 2017 to include some particular processes and to make even more explicit the inclusion of some areas of the Company.

Likewise, following the path towards the application of technologies in internal processes, an on-line conflict of interest reporting system was launched that allows automating the process to analyze this type of declarations and managing databases in real time safely and without using paper.

Training on the conflict of interest report application was provided to key personnel, through informative emails, face-to-face talks and continuous assistance through the communication channels designed by the Company for that purpose.

On the other hand, the work of the Company on prevention matters and management of corruption and other crimes encouraged the Veeduria Distrital (District Overseeing Office) to request our support for implementing a pilot plan on this policy, for servers of this agency, which will be extended throughout the country. We were also invited to participate in task teams of this Veeduría, where the Company socialized the process of creation and disclosure of our Conflict of Interest Policy.

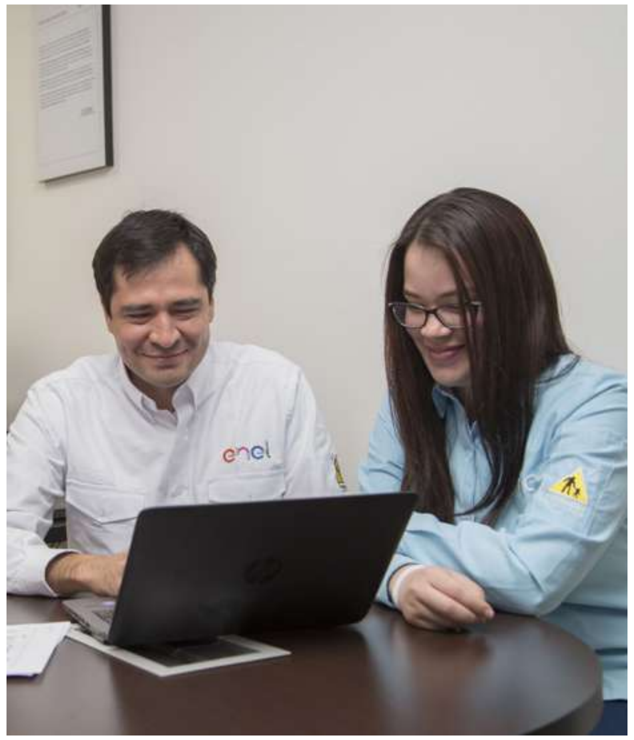
Study Center Social and labour - Cesla

In our search for research spaces and constant learning, the Company participated as a founding company in the launch of the Center for Social and labour Studies (CESLA). As one of the founding companies, it has participated in the editorial board of Cesla, which allows it to be an active part in the whole process of generation of discussions and decision making that will have future high social impact in the country.

This study center will be devoted to the analysis of relationship between entrepreneurs and employers, in order to offer scientific evidence that affects the transformation of public labour policies in favor of promoting employment and social development of the labour market.

Policy for the treatment of complaints of workplace and/or sexual harassment

Taking into account the Company's commitment to maintain a good work environment for all workers, and the rejection of any conduct that generates eventual situations of labour and / or sexual harassment, the issuance and dissemination of the Policy was carried out. 283 regarding



the"Treatment of Complaints of Labour and/or Sexual Harassment", in which the concepts of harassment and its modalities are included, reference is made to the behaviors that do and do not constitute harassment. Likewise, the action protocol is included in case a worker is involved in any of the harassment modalities.

In accordance with the foregoing, the format "Presentation of Requirements before the Labour Community Committee" was issued, which will activate the cooperation committees arranged by the Company pursuant to Colombian regulations for the treatment of complaints of workplace and/or sexual harassment. In addition, with the aim of making our processes more digital every day and of informing the workers about the Community Coexistence Committee, its functions and members, a space was created on the intranet where workers can make inquiries easily and use the On-Line complaint forms.

Additionally, it developed an On-Line course intended to provide a more agile, effective and dynamic training to all Company employees, aimed at generating awareness of the Company's rejection in situations of workplace and/or sexual harassment, and reiterating the commitment to maintain harmonious spaces at the workplace.

Human Resources management

Payroll

The HR Administration Division obtained an indicator of quality and timeliness of the payroll process of 115% thus ensuring efficiency and effectiveness of the payroll calculation process, and compliance with legal and union, tax and social security obligations for 907 people, including active and retired workers.

Loans

The Company contributed financial resources for loans adding up to $ 6,935,456,159, which were granted to 197 EMGESA employees in the following lines of credit.

Loan Line	Loans disbursed	Grand Total
Unionized personnel loans	40	3.737.596.905
Integral regime housing loans	8	1.359.011.087
Training loan	13	136.920.340
Vehicle loan	23	973.063.312
Higher education loan	67	501.399.591
Free investment loan	27	139.572.320
Dental loan	6	13.622.604
Calamity loan	3	13.000.000
Guaranteed university loan	1	30.000.000
Bicycle loan	9	21.270.000
Totales	**197**	**5.935.456.159**

Employees Portfolio Management

The balance of the portfolio as of December 31, 2017, as a result of loans from active and retired personnel of the Company, amounts to $ 22,238,753,041.

Project Launching *Time Management*

In 2017, a new computer system came into operation that allows us to register novelties related to absences and life quality benefits.

Time Management is a tool to identify the times allocated to work activities, allowing the worker and the manager access to the information in an appropriate manner, in addition to efficient time management.

Internal audit management

In 2017, the internal audit management was mainly focused on strengthening and updating practices and methodologies of corporate governance, compliance and risk assurance in the Company. Thus, it was possible to reinforce the internal control system in the Company, with the aim of improving quality, transparency, service, competence and leadership in both the sector and the country.

Some of the main actions developed in 2017 are

Corporate Behavior

As part of the compliance model - Enel Global Compliance Program, different activities were carried out with the aim of strengthening workers' commitment to transparency and the fight against corruption, including updates and issuance of relevant documents (Institutional Relations, Donations, Privileged Information Management, among others), the planning and review of the Matrix of the Criminal Risk Prevention Model was continued (updating the matrix, testing controls and monitoring of criminal risks present in the Company's processes), and continued with external and internal dissemination and training activities (workshops, Forums, among others).

The Internal Compliance Committee of Emgesa is operating actively, with the responsibility of monitoring the implementation and adaptation of compliance programs using tools, protocols and control systems to ensure transparent, honest, fair and transparent actions in performing Emgesa's activities.

During the year, the face-to-face and virtual training program on anti-corruption, ethics, compliance, intended for Company employees and contractor companies, aimed at reinforcing the values that are part of Emgesa's corporate profile, and to encourage transparency in all actions of those who have relations with the Company (employees, contractors, suppliers, customers, government).

Emgesa's training program was carried out according to schedule; 37 training courses were attended by more than 420 people, among which the following stand out: the Ethics week " Doing things the right way", in which internal and external information activities were carried out based on the Company's compliance and ethical culture model, as well as the "Ethics and Compliance Encounter, which was attended by external parties such as the Secretary of Transparency of the Presidency of the Republic, Dr. Gabriel Cifuentes, representatives of the Global Compact, UNODC, and various international executives of the Enel Group.

Ethics and Compliance meeting

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An ethics and compliance module was completed in the Contract Management Diploma course, attended by officials who assume the role of managers or contract coordinators. This module was intended to guide those who have this role in identifying criminal and unethical behavior risk, and to disseminate and reinforce the principles and values that should prevail in the contractual relationship with third parties.

Likewise, other training courses were carried out with the purpose of disclosing policies and principles of criminal risk prevention, complianceand prevention of corruption in processes such as government contracting, institutional relations, competition in the electricity sector, contracting and management of consultancies, and minor purchases.

Additionally, the internal communication campaign "I do things the right way" continued in force in 2017, with more than 70 pieces of communication conveyed, reaching more than 2000 people, through different interactions in internal media such as interactive mails, space intervention, reminder material and symbolic actions of commitment with the aim of raising awareness about doing things well in the work performed by employees. Within the actions developed in 2017, the commitment to fight corruption and prevent unethical situations on social networks such as Facebook, Twitter or LinkedIn was also promoted.

Updates and disclosures of risk prevention policies were made, highlighting the Conflict of Interest Policy that was updated, and the official launch of the application for reporting this type of situation.

On the other hand, the communication channels that have been set up as consultation or denunciation mechanisms (ethical channel, emails, calls, among others) were monitored and managed, with the aim of protecting the claimants against reprisals or discriminatory treatment, ensuring the confidentiality of their identity and conducting an adequate analysis and closing of the reported facts.

As a relevant milestone to highlight, as a result of the second measurement of Active Anti-corruption Companies (AAC), the Secretariat of Transparency of the Presidency recognized Emgesa for having compliance programs in place that meet the standards established by the initiative, which is aimed at improving the capacity of the private sector to prevent acts of corruption; in this way, Emgesa was

included in the AAC List. To this end, the company voluntarily accepted to be evaluated in ten key categories, which includes the evaluation of corruption risks, internal control and accounting records, review and monitoring of the compliance program, prevention policies and procedures in areas of risk such as political contributions, sponsorships, gifts, representation expenses, and conflicts of interest.

Emgesa continued its active participation in the commitment of the Collective Action for the Ethics and Transparency of the Electric Sector that seeks to promote healthy competition, trust and sustainability of companies and the sector, considering the best practices and global guidelines on transparency, anti-corruption and regulatory compliance. In this collective action, we worked on raising awareness and closing gaps in the sector and the company against the principles of international transparency and the corruption risk map of the electricity sector.

Finally, Emgesa is part of and promotes among its stakeholders the initiative Towards Integrity, led by the United Nations Office on Drugs and Crime
- UNODC, as a collective action that promotes public-private dialogue and knowledge exchange, with a view to strengthening the development and application of measures for the prevention, repression and criminalization of corruption, related to the United Nations Convention against Corruption.

The challenges for the future include continuing with the updating and implementation of best practices, obtaining international certifications on actions carried out and consolidating as benchmark in the country in terms of corporate governance, compliance, ethics, transparency, and fight against corruption.

Audit and risk assurance

During 2017, work continued to align the guidelines of the function with respect to best practices, using as a tool the information system that supports the management of the audit and compliance function.

The Annual Audit Plan was completed in a satisfactory manner, which included 11 audits, focused on reviewing control architecture, compliance with internal procedures and external legislation. Also, it reviewed risk management in liquid fuel purchasing processes, recovery and sales of ashes, management of delegated purchases, management of minor and representation expenses, purchasing process in thermal generation, among others.
Likewise, the progress and compliance of the action plans resulting from previous audits were monitored, to correct weaknesses and improve in-house processes.

Legal management

The mission of the Legal Advice and Corporate Affairs Management is to provide constant support and advice to all areas of Emgesa to leverage the company's results, through the accompaniment of the business lines and the staff areas in the development of all corporate projects, ventures, and objectives.

Its management focuses on the early detection of risks and legal opportunities for risk prevention and the correct direction and adequate advice for decision making within the organization.

In order to provide better advice, for this Management training is highly important, and that is why during the year 2017 the Legal Management lawyers attended a diploma course on the General Procedural Code with the aim of deepening on and learning about the main novelties introduced in the General Procedural Code in areas of greater transcendence and relevance for the Emgesa civil servants, in a scenario of active lectures and practice where ideas were exchanged allowing.

We are well prepared to face the new challenges of the procedural law. Likewise, the Colombia winner team in the Legal Game, an event organized by the Legal Director of the Enel Group, participated in the renowned Negotiation Program, offered by Harvard University.

Described below are the main milestones for the year 2017:

Environmental matters

The extension of the term was achieved by the Autonomous Regional Corporation of Cundinamarca for an additional twenty years, that is, until the year 2038, of the Bogotá River Water Concession. The concession was granted for the Bogotá, Tominé and Muña rivers and the El Rodeo, Obasas, Vitelma, Santa Marya and La Junca creeks. This concession had been managed by the area with the environmental authority since 2011.

Milestones related to the Renewable Energy Management and with the Staff

The legal management of the Company also focused on providing support for the structuring and marketing of electric power and natural gas. In general, legal support and security was provided as part of fulfilling its corporate purpose, providing the necessary legal advice for the continuous improvement of activities, operations and global functions.

From the regulatory perspective, active efforts were made for the structuring of new businesses for the commercialization of electric power and natural gas, as well as on the analysis of the regulatory proposals of the Energy and Gas Regulating Commission (CREG) and in tracking of legislative initiatives that affect the activities of the Company. Likewise, timely response was provided to the requirements of various monitoring and control bodies.

From the perspective of corporate social responsibility, permanent legal advice was provided in the various agreements, programs and activities performed by the Company, either directly or through its foundation, in order to support social, economic, cultural and educational development of the communities that inhabit the areas of influence of the Company's operation.


Guavio Reservoir, Cundinamarca

Key milestones in terms of Litigation

Within a popular action being carried out by the Fishermen of Betania (COMEPEZ and others) against EMGESA, supported by the Huila Governor's Office, a strict defense was undertaken to prevent the suspension of operations in the El Quimbo Hydroelectric Plant. The signing of a compliance agreement with the fishermen that will allow the reservoir to be sustainable with its activity was achieved. This will result in the completion of the process and will guarantee the generation of energy in this plant.

On the other hand, it responded to more than 1,469 actions for the protection of people's rights (filed by more than 1500 people), associated with the violation of fundamental rights such as work and decent life, for not having been included in the census or seeking additional compensation besides that offered by the Company for the El Quimbo Project, 96% of which have been favorably ruled, and with 1% that have not been served; this means only 3% unfavorable rulings; however, the great majority of these unfavorable rulings do not order granting an economic compensation or any other management measure.

Within the expropriations carried out by the Company to acquire the properties necessary for the El Quimbo Hydroelectric Power Plant, expert opinions are issued to appraise the properties and the losses the result of which is avorable to the Company, inasmuch as it is ordered therein to pay two or three times more the value that was offered at the time. With regard to these procedures, it has been possible to challenge the exaggerated appraisals, so by means of a rigorous defense in 2017, the Company avoided having to pay nearly $20 billion on such accounts.

Another relevant milestone corresponds to the management of 108 actions to protect peoples' rights filed against Emgesa, related only to the El Quimbo Hydroelectric Power Plant, which have a 96% success rate of favorable rulings.

Regarding the arbitration process filed by the contractor Consorcio Obras Quimbo, it was requested, among other claims, to declare that the Contractor is not obliged to grant the bank guarantee of quality and stability of the works. That the obligation be substituted by an insurance policy, declaring the clauses of the contract that contained said obligations to be abusive; in the arbitration award, it was determined that the Consortium's requests were inadmissible and that the latter should have adopted, since the offer, the provisions, precautions and determinations to deal with the economic effects derived from the contractual requirement to guarantee the stability. of the works through a bank guarantee pursuant to that provided for in the legal business subject of the litigation. Regarding the settlement of the contract, the Consortium demanded $ 4,400million; however, it was proven that the amount owed (for greater amounts of work and material) was close to$ 2,600 million, thus achieving savings of $ 1,800 million.

Key milestones related to Corporate

The legal support and preparation of the meetings of company governing bodies, and their support committees, such as the Audit and Good Governance and Evaluation committees, are worth to be highlighted.

Additionally, legal support was provided on matters of Compliance. This has enabled the company to have a robust compliance system which was recognized by the Secretary of Transparency of the Presidency of the Republic.

Work has been intensively carried out to prepare the Data Protection Policy, together with the Information Security Division, further to the development of the Company's Confidential Information Protection Policy.

Internal training sessions were also held on prevention of corruption, consumer protection and competition law, as well as on insolvency matters.

Support was provided in various areas of law such as competition right, insolvency law, consumer protection law, intellectual property law, financial law, port law, all of which are necessary for the implementation and execution of diverse projects on behalf of Emgesa.

Systems and telecommunications management

In 2017, we became active players in digital transformation in the different business lines through the implementation of projects that support the digital strategy and the evolution of the value of our services.

Over this year, significant progress was made in the effective implementation of transforming processes through the execution of projects framed by three pillars: our customers, our assets, and our people.

Our customers

The main objective is to make Emgesa a leading digital company in the energy sector, with a differentiating value offer focused on the customer, improving its experience, creating value to gain his loyalty, developing and incorporating new capabilities that represent a differential competitive advantage in our relationship with the customer. In this strategic pillar, we developed the following projects:

Encounter E4E - Evolution for Energy

Ludycommerce Nomination and Billing

Pre-calculation, calculation and billing for fuel gas clients were performed, including functions to make corrections in each stage of the process, as well as the generation of reports. After this implementation, we can upload and calculate customer consumption information, nominate clients and suppliers, project customer nominations, calculate the margin daily, create and edit information on suppliers and customers, and generate reports requested by the business areas.

Our assets

We seek 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 the operational performance of the assets.

In this strategic pillar, we developed the following projects:

Roles E4E - Evolution for Energy

Continuing with its implementation, the process of optimizing the roles and profiles of the E4E began. In the first phase, conflict resolution was carried out exclusively within each role, based on the rules defined for Governance, Risk and Compliance readings(GRC). This work will continue in 2018 extending its reach to all system users.

Security Table - Permit to Work GEN / REN

To comply with regulatory issues and have a tool that provides traceability of information and integration with the SAP PM module (Maintenance Plan), the "Safety Table" for Emgesa was implemented, focused on the management of work permits in the companies of maintenance and operations area. This tool is the own development of the Enel Group under SAP, which provides control and monitoring of the activities underway, in the context of the operation for the power plants *Large Hydro and Thermo.*

Veliq Spot Billing

The conceptualisation was completed for creating a solution to verify the settlement of spot market transactions, using primary sources of information, or sources other than those reported by the market operator XM, consisting in the following aspects:

- Monitoring the verification of settlements of spot market transactions by the market operator, and management of comments, claims and adjustments.
- Calculate every day the daily sport transactions, on days d + 2, d + 5 and on days 5 and 10 of the following month. The foregoing, making use of information from primary sources to compare it with the information reported by the market operator.
- Alert and create standard templates for reporting deviations in the calculations made by the market operator, versus those made by the new application solution.

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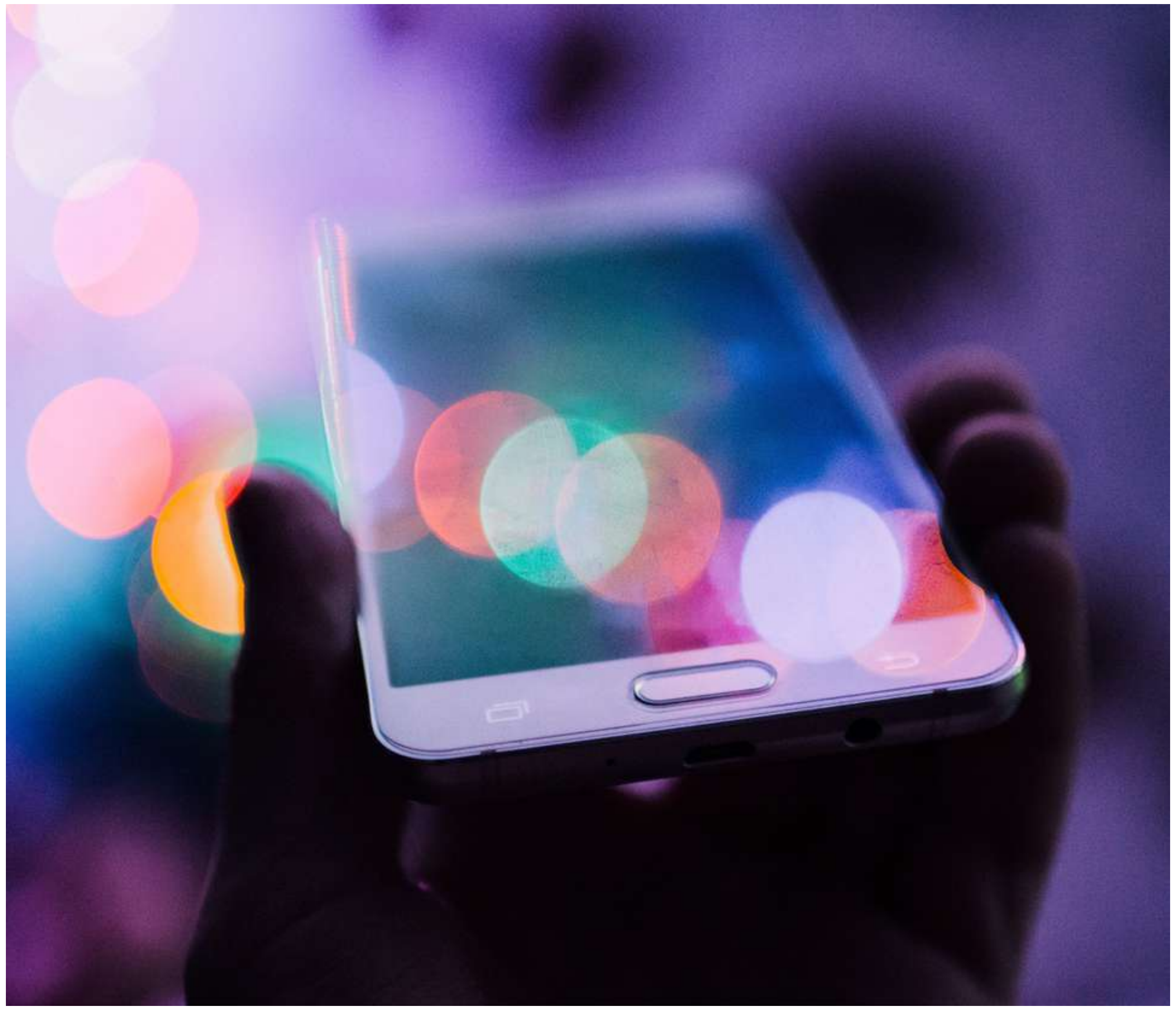


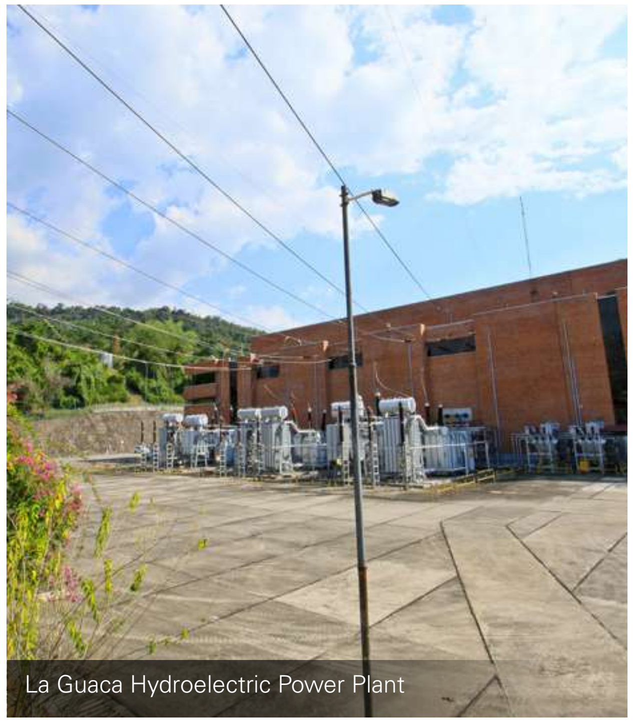
Icoms Margin by Power Plant
A set of improvements to the current system was implemented -ICOMS- through which the process of calculating the variable margin is performed, allowing disaggregation of margin information by account, so as to make it extensive each Emgesa generation power plant and knowing in depth their gains or losses.

Gesdoc Migration
The migration to the cloud of Amazon Web Services of the Document Management System (Gesdoc) infrastructure for the implementation of a safe depository of current and relevant information on energy sale contracts for both the Wholesale Market (MM) and the Unregulated Market (MNR) such as: contracts, commercial offers, policies, bidding processes, and other.

Integrator / Converter Project MHT-SDDP
The Operational Planning area has energy planning models such as the Dual Stochastic Programming Model (commercial model used by all agents) and the Hydrothermal Model, which is the property of the Group. In 2017, improvements were made to the MHT model, which resulted in:
- Greater reliability in the analyses due to reduction of the difference of model inputs.
- Better decision making derived from the standardization and equalization of entries of the input models.
- Greater opportunity in the analysis and processing of outputs so that the information is used in the different processes of the division (Recruitment Policy, Forward, Rolling).
- Reliability in the data since it will be stored in a relational and standardized database.
- Access to the application in the Cloud so it will not depend on installing additional products or applications.

BIP CxC Market Management
With this project, some modules of the market management system were developed Galileo, reinforcing information security, timeliness of information and reliability in the execution of models that consider the approach of different scenarios for the valuation of impacts whose results support the decision-making process. A matrix of real offices was created to test the behavior of energy exchange under conditions of activation of the scarcity price, considering that the vast majority of active contracts in the secondary market have conditional clauses in case of shortage conditions and activation of the scarcity price.

Corporate telephony renewal
Within the digitization strategy, the migration of the telephony service to IP telephony technology of the Guaca and Paraíso power plants was carried out. The telephony service in these locations is now supported by a redundant solution based on state-of-the-art equipment called call manager, which provides a more efficient communication from and to the power generation plants. This migration is added to the locations already migrated to this technology such as Betania and Cartagena.



La Guaca Hydroelectric Power Plant

Renewal Proxies of Internet Exit
contribution to Enel's strategy for accessing digital content, the project to renew the Internet access infrastructure has been deployed. This platform allows the browsing of colleagues over the Internet in a safe manner, controlling their access, as well as the filtering of content that is not allowed, and protection of the network with the anti-virus tool.

Our People and the in-house processes

Through digital transformation, we automate work flows, to improve quality, transparency and monitoring, translating into increased productivity.

In this strategic pillar, we developed the following projects:

Operating model
A new governance model of the Operation Service of the applications was implemented, achieving the adoption of the existing global processes for incidents, requirements and changes. Adjustment was also achieved on the infrastructure capacity of the applications and the maintenance of the databases of critical applications.

Cybersecurity
Cybersecurity is part of the strategic pillars and we have, therefore, equipped ourselves with new technologies capable of facing new challenges in the digital era, not only related to data protection but also to the logic of information management. In this line, the change of the anti-spam and mail anti-virus was completed, a solution was implemented to protect applications published on the Internet, and the Enel CERT (cyber-incident response team) was implemented.

Incident Management - SAP EHSM REN
To support the tracking, monitoring and statistics of Emgesa's Safety incidents, the SAP Safety and Occupational Health module was implemented under the SAP Hana platform in the cloud. This platform has an intuitive, dynamic and user-friendly interface.

Within the training scheme used in the framework of the project, over 50 users were reached, giving coverage to personnel from all of the hydroelectric generation plants.

Facility Management Project (General Services)

This project was developed as part of the technological renewal strategy defined by the Enel Group at the regional level, with the aim of optimizing the management of the services offered by the Services and Security Management. The Administrative Service Center (CASA), was changed to the new Global Corporate Technology platform One Click, which is a modern technological tool defined by the Company for internal customer services globally.

Institutional Engagement System

This initiative makes it possible to manage the relationship with government institutions, communities and diverse stakeholders of the Companies in Colombia and to strengthen the company's institutional agenda by managing a repository of dynamic and traceable information with all the benefits of digitization, which enables users (employees) to update the information on the topics defined within the institutional agenda. All of the foregoing is aimed at sharing relevant and valuable facts in the management of engagement with the stakeholders in terms of progress, positions, context, commitments, contacts, among other relevant data, from any device and anywhere.

Time Management

This project, implemented for the management of the working time of all Company employees, will ensure the execution of homogeneous processes for the simplification, automation and digitization of activities related to the presence of employees, contributing improvements for productivity and personnel cost management.

Global Active Directory - GLAD

100% of the company's employees' accounts were migrated to a single Enelint global directory, which allows for the authentication of people to enter the corporate network. This unique domain will simplify the creation of new global ervices, allowing for digitization of the company and greater security; furthermore, in case of transfer of country, colleagues may continue to authenticate with their access code and use all applications regardless of their location.

The new domain is part of the large digital transformations that the Group has defined as one of the pillars of its strategy.

Management Administrative and Safety Services

Within the focus areas for service management, safety, quality and environmental management, processes were revised and the internal customer service scheme and technological tools were implemented

Health and Safety

The zero accidents rate among our employees and contractors was maintained for the second consecutive year.

Internal Customer Service

The Administrative Services Channel CASA was upgraded with the new corporate tool- Service Now - and the back office service operation migration was consolidatedwith a new service operator.

The operation of the service portfolio was unified: Security, General Services and Facilities, Real Estate Management and Contractors Control, with 25 Services, 69 Processes, and 32 collaborating companies that provide services to 604 direct collaborators. In 2017, 4,446 requests were answered with a service level of 92%.

Continuous Improvement

The project for the continuous improvement of the Corrective Maintenance service was implemented with the Six Sigma methodology, optimizing service timeliness from 86.7% to 91%. The analysis of physical security and risk management processes was performed also, identifying the action plans necessary to improve the quality of the service.

Significant progress was made in the updating of operating procedures and instructions for the General Services, Real Estate Management and Contract Control processes.

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Technological Map

The solutions foreseen in the technological map for 2017 were implemented, with Service Now (management of requests from internal clients), Archibus (preventive, corrective maintenance, equipment inventory, space management and transfers), Isolution (Risk Management and Information Security).

Progress was made in the definition, development and testing of the applications that will be in production in the first semester of the year 2018: Gestor.com (contract management), C Cure (Security operations in the new Command Center for access control, intrusion and surveillance), and database for risk management and fraud prevention.

Zero Paper Project

90 proposals were received to achieve the purpose of becoming a Zero Paper Company, 72 of which were approved for different projects: digitization and virtual media, technological devices and/or ecological and environmental awareness campaigns.

The Company reduced the use of paper by 30% vis-à-vis the consumption registered in 2016

Security

In order to minimize the risks and to provide security to Company people and strategic assets, the following activities were performed:

Management of critical incidents

The "Critical Incident Management Policy" was updated, which establishes decision, communication and action flows relative to incidents that may compromise the integrity of the people, the public services and business continuity, the environment, the protection of assets, the image and reputation of the companies, to thus minimize the impact on the stakeholders, securing the rapid restoration of Emgesa's operating conditions.

A crisis simulation exercise was carried out with those responsible for dealing with operational incidents. The work plan for 2018 includes the updating of protocols and operational plans to enable preparation, education, training, coordinated communication and relations with stakeholders.

Information Security

The information is a strategic value asset for the provision of the service and efficient decision making for the Company. Regarding compliance with Law 1581 of 2012 for the protection of personal data, the annual review of the principles of the personal Data Protection Policy, which allowed to determine the improvement in relevant procedures of the company, accompanied by awareness actions in the areas of customer service.

Infrastructure Security Management

An electronic security integration system was selected and acquired to centralize Security operations in the new Command Center, which will allow for monitoring, management and control of the Access Control, Intrusion (Alarms) and Video Surveillance sub-systems. In line with this integration tool, the acquisition of a new access control system and new recording and management systems for the video surveillance system for the Company's facilities was completed. The new technological tools will result in modular growth of the existing systems, ensuring the facilities and the people and corporate assets at large, facilitating the expansion of coverage to new locations.

The consolidation of the new Security Command Center will allow centralized monitoring and management of security events, facilitating timely response to incidents, and risk management.

Real Estate Management

Bogota River Power Plants

The characterization of the population occupying the Company's properties, which correspond to priority zones for the operation of the Power Plants, was completed. As a result, it was defined that out of 113 characterized occupations, 54 are located in round areas of the load pipes, so work in 2018 will be focused thereon.

Guavio Hydroelectric Power Plant

The analysis and physical characterization of the round areas of the reservoir and the existing occupations began, having identified 100 occupations, 30 of which were characterized. Work will continue in 2018 on the rest to start the recovery of the lands.

Betania Hydroelectric Power Plant

The occupation by third parties of Company's premises decreased by 7% as compared to 2016.

El Quimbo Hydroelectric Power Plant

Twenty properties were described, seven of which correspond to the collective resettlement deed program and ten to expropriation processes. Purchases of
508 hectares were made, which were required to compensate for extraction in the Amazon Forest Reserve in the reservoir area and the collective resettlement and Irrigation Districts

Tequendama Hydroelectric Power Plant, Cundinamarca

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Hydroelectric Power Plant Betania, Huila

The mapping and property information was delivered to achieve the registration of 918 hectares as a Natural Reserve Zone of the Civil Society, through resolution 092 of July 5, 2017 and the inclusion of 3,115.8 hectares was registered to submit a new application with Parques Naturales (Natural Parks).

With the execution of the Property Planning and Sanitation Project, 41 apportionments were made to reach the correct calculation of the property tax and compensations: A total of 267 property registry updates and registration applications were filed. Four expropriation judgments were registered and 41 correction requests were filed in the land tax settlement for properties destined to the conservation and protection of the forest zone. Additionally, the public deed for three properties that are part of the substitute roads was achieved.

General Services, Works and Maintenance

In order to improve the response times in energy backup in the event of failures in the power supply of the company's main administrative buildings, such as Calle 82 headquarters, repairs were made to the low voltage transfers and the replacement of the Medium Voltage cell.

Renovation and adaptation works were carried out in the Calle 93 and Torre 93 corporate buildings, which included changing the floor, lighting, ceiling, carpentry, changing kitchenettes, work stations, headquarters, common areas and improving collaborative spaces as a result of the new Corporate Organizational Structure. Massive transfers of people were made in all the operative and administrative headquarters, which allowed for space optimization.

Works and repairs were carried out at company's facilities, seeking to minimize occupational and environmental health and safety risks in the operation of the plants, as well as the remodeling of offices and bathrooms in the administrative areas of the Termozipa and Muña power plants, as well as the way to consolidate these areas for the operation of the Quimbo power plant.

The Asbestos Restitution project was continued with the change of façade in the back of the powerhouse of the Termozipa power plant to then start the Life Extension project in 2018.

Contractor Monitoring

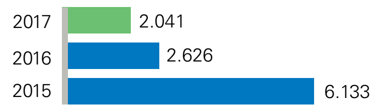
With the purpose of mitigating the legal-labour risks derived from the contracting of services, ensuring compliance with contractual obligations and in turn strengthen relations with the contractor, the following actions were developed:

- For the most relevant contracts, 14 labour inspections and comprehensive audits were conducted with the purpose of validating compliance with legal-labour obligations, Health, Safety, Environment and Quality (HSEQ), information security and requirements Contractual Based on the findings, action plans were established by the contractors, and 83% of the plans were already implemented at the end of the year, minimizing the identified risks.
- The performance evaluation was conducted quarterly Vendor Rating for more than 35 contracts in that related to the fulfillment of legal labour obligations, which seeks continuous improvement in the provision of their services for these companies.
- Involvement in 20 materialization, validating compliance with labour-legal obligations of the new contracts.

Information Management - Statistics

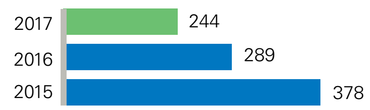
Information as of December 2017

Contractor workers



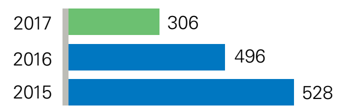
Average of contractor workers over the year

Number of contractor companies

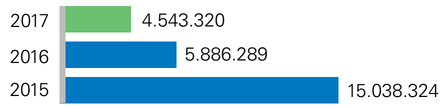


Average of contractor workers over the year

Service Contract



HHT's Accumulated over the year



Let's connect with the HSEQ week

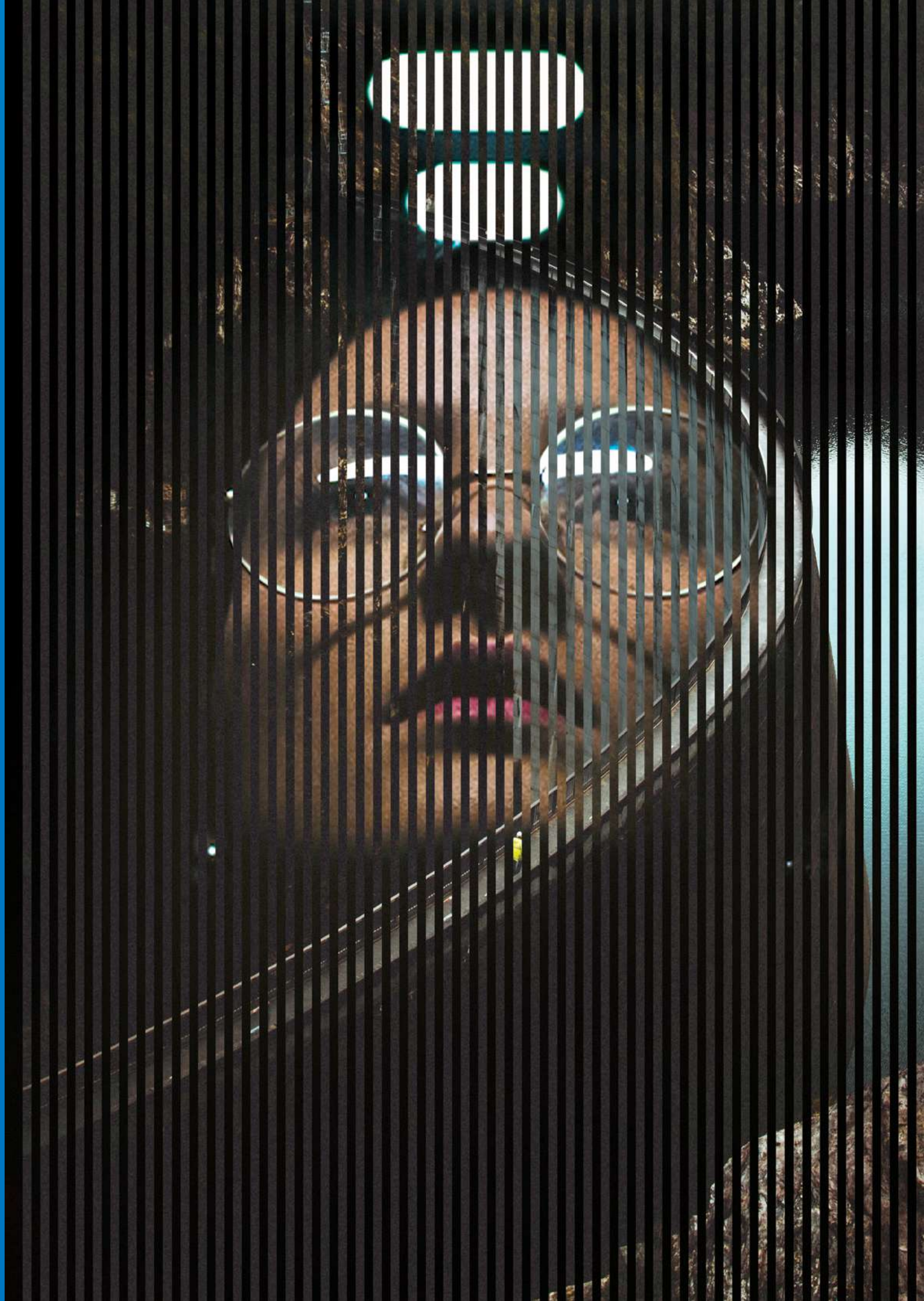
Thermal power Termozipa, Cundinamarca

The challenges for 2018 will be focused on:

- Strengthening the service culture among the work team and collaborating companies.
- Start up of the new Data Processing Center - CPD.
- Prepare a plan for the digitization of documents in the Company.
- Start up the new Security Command Center, which will integrate the systems and the security control.
- Implement a system for management of major civil works and completion of Gestor.com for cross-cutting management of contracts.
- Structure a real estate operation that enables the integration of administrative offices in a single, exclusive corporate building.
- Continue with the modernization of customer service centers in Bogotá and Cundinamarca.
- Expand and remodel the operational headquarters of the Infrastructure and Networks Business line.
- Socialize and enforce the policy of managing critical incidents throughout the Company.
- Advance in the conversion of fleets of vehicles for internal use in electric vehicles.

05

Financial results

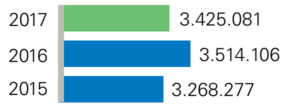


Financial Management

The most relevant figures and indicators are presented below:

Liabilities and equity	2016	2017	Variation
Current liabilities	1.281.730	1.202.031	-6,22%
Non-current liabilities	4.259.544	3.978.053	-6,61%
Total equity	3.495.962	3.848.287	10,08%
Total liability and equity	**9.037.237**	**9.028.371**	**-0,10%**

Operational Income



Amounts in million pesos

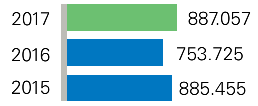
On the other hand, the cost of sales was $ 1,170,360 million, 11.53% lower than the previous year, mainly explained by a lower use of thermal assets for generation and, consequently, a decrease of 82% in fuel consumption. Similarly, a reduction in the cost of energy purchases of 18% was observed, due to a decrease in both purchase volumes and spot prices.

Administrative expenses in the amount of $ 209,443 million, represented an increase of 1.31% with respect to the previous year, mostly due to higher personnel costs.

Due to the foregoing, the EBITDA was consolidated at $ 2,045,277 million, which represents an increase of 3.06% compared to the 2016 result, achieving an EBITDA margin of 59.71% over operating revenues.

Finally, the Company's net profit was for 2017was $ 887,057 million, which represented an increase of 17.69% with respect to the previous year, mostly explained by a reduction of 20.58% in net financial expenses visa-vis the previous year, from $ 443,191 million in 2016 to $ 351,997 million in 2017. The decrease in financial expenses was caused by a) lower average Consumer Price Index (CPI) throughout 2017 compared to the previous year, an indicator to which 66% is indexed of the debt as of December 31, 2017, ii) a lower balance of average debt compared to 2016 due to the leverage reduction strategy implemented and iii) a significant reduction in the Withholding Tax applicable to the International Bond of the Company.

Net Profit



Amounts in million pesos

As of December 31, 2017, the Company's total assets added up to $ 9,028,371 million, of which the property, plant and equipment item represented 88.03%,with a value of $ 7,947,512 million pesos, and cash in pesos, equivalent to 5.94% of total assets. Compared to the cut off date of December 31, 2016, total assets showed a slight reduction of 0.10%, mainly due to a slight reduction in non-current assets other than property, plant and equipment

Assets	2016	2017	Variation
Current Assets	872.491	977.031	11,98%
Non-current Assets	8.164.745	8.051.340	-1,39%
Total Assets	**9.037.237**	**9.028.371**	**-0,10%**

Amounts in million pesos

Emgesa's total liabilities at the end of 2017 were $ 5,180,084 million pesos, decreasing by 6.52% compared to the close of 2016, mainly due to the amortization without refinancing of debt maturities presented so far this year:

Lliability and equity	2016	2017	Variation
Current liabilities	1.281.730	1.202.031	-6,22%
Non-current liabilities	4.259.544	3.978.053	-6,61%
Total equity	3.495.962	3.848.287	10,08%
Total liability and equity	**9.037.237**	**9.028.371**	**-0,10%**

Amounts in million pesos

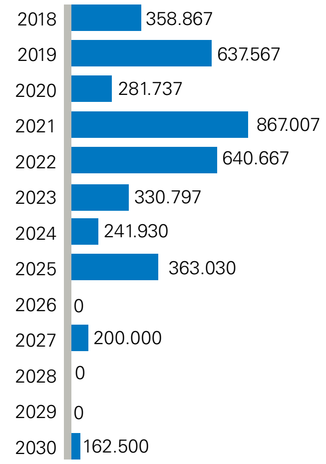
Regarding the level of indebtedness, at December 31, 2017, Emgesa recorded a financial debt, including interest payable, of $ 4,185,765 million, 5.89% lower than the debt registered at the close of 2016 that was $ 4,447,545

During 2017, COP 387,475 million corresponding to maturities of local bonds (COP 170,000 million), international loans (COP $ 130,000 million), local credits (COP 40,667 million) and inter-company loans (COP $ 46,808 million) were amortized, of which only COP $ 100,000 million were refinanced through a one-year synthetic loan with Banco de Credito del Peru.

Thus, the financial debt as of December 31, 2017 was divided in bonds issued in the local capital market for $3,003,340 million, bonds indexed to Colombian pesos issued in the international market for $736,760 million, and bank loans for $344.000 million.

Emgesa at the end of 2017 held 100% of its debt in pesos and 91% of the long-term financial debt (remaining due date of more than one year). 66% of the debt had interests indexed to the CPI, 6% to IBR, and the remaining 28% to fixed rate.

Maturity Profile



Amounts in million pesos

In turn, the Company's equity amounted to $ 3,848,287 million at the end of 2017, representing a positive variation of 10.08%, mostly explained by a higher profit for the year and an increase in retained earnings.

Dividends

On March 28, 2017, the General Shareholders' Meeting in its ordinary session approved the distribution of profits for the period January to December 2016, net of the Accelerated Depreciation Reserve (Article 130 of the Tax Statute) for a total amount of $527,607 million.

In 2017, Emgesa paid a total of $ 597,439 million in dividends to its shareholders corresponding to the last installment of the dividends decreed against the net income of 2015 and the first two installments of the dividends on the net profit of 2016, equivalent to 70% of the total dividend decreed with charge to said profits

Current ratings

On April 28, 2017, Fitch Ratings Colombia ratified in 'AAA (col)' and 'F1+ (col) Long-Term and Short Term ratings respectively for Emgesa S.A. E.S.P. Likewise, it ratified in 'AAA(col)' the rating of the Bonds Program for $3,715 billion of Emgesa with a stable outlook.

Similarly, the international rating of Emgesa as issuer of long-term corporate debt in local and foreign currency was ratified at BBB by Standard & Poor's on August 31, 2017 and by Fitch Ratings on April 28 of 2017. As regards S & P, the outlook was raised from negative to stable with the expectation that its controlling parent Enel Americas would support Emgesa in a sovereign stress scenario.

As regards Fitch Ratings, the rating reflects a sound business model, supported by a strong competitive position and a conservative business strategy. The firm stated that the Company maintains material generation of cash flow, which suggests that it will uphold a sound financial profile in the medium term. It also highlighted that the ratings incorporate the positive effect of an adequate liquidity situation, as well as the strategic importance of Emgesa for its shareholder.

Investor Relations *Recognition*

On September 22, 2017 Emgesa was awarded for the fifth consecutive year with the Investor Relations recognition by the Colombian Stock Exchange (BVC), for voluntarily raising its management models for disclosure of information and investor relations, exceeding requirements of local regulations, and for providing the investors with quarterly and annual information in English and Spanish on its website.

Tax Management

The Management of Tax Consulting in 2017 focused on active participation in the Company's operations as described below:

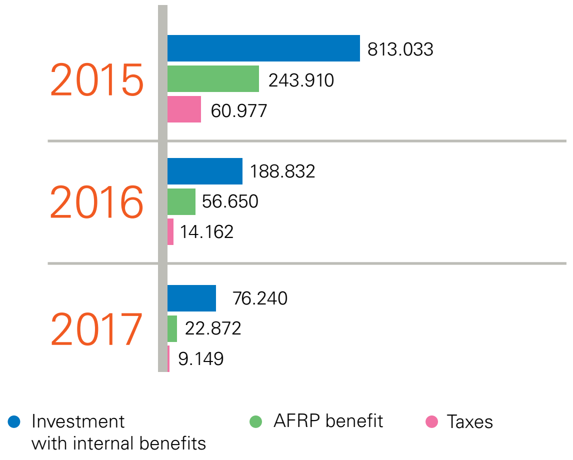
In relation with the process that was carried out by the Industry and Commerce Tax against the Municipality of Yaguará, Cauca for the years 1998 to 2002 for an amount of $ 10,641, whereby a favorable ruling was obtained in the second instance. This lawsuit is an antecedent positive for the lawsuit that is being carried on Industry and Commerce Tax against the same municipality for the year 2003 for an amount of $ 29,269.

Likewise, in the administrative discussion with the DIAN for the income tax of 2013, the DIAN resolved the appealfor reconsideration exposed, and although it confirmed the rejection of part of the deduction in productive real fixed assets, it reduced the initial sanction imposed from $ 21,259 million to $ 13,912 million. The lawsuit is currently being prepared to discuss the remaining value before the contentious-administrative jurisdiction.

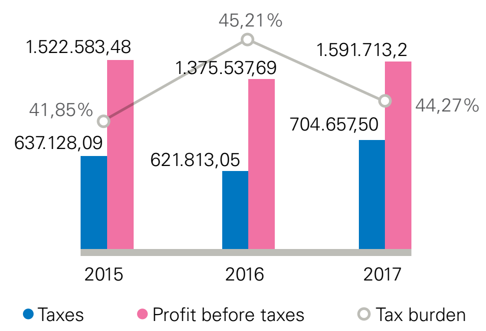
An opinion without qualification was obtained from the external auditor on the fulfillment of the obligations set out in the legal stability contract, which allowed to maintain the special deduction benefit in real fixed productive income assets for the El Quimbo Hydroelectric Project.

Also, given that said assets are covered by the benefit of the legal stability contract, the company's income tax was optimized with a greater tax deduction, as a result of being able to apply the fiscal useful lives, established before the 2016 tax reform came into effect.

In the last 3 years, the investment in the El Quimbo Hydroelectric Project has led to the special deduction in real productive fixed assets, generating savings in taxes as indicated below:



The tax burden of Emgesa, including all national and local taxes, for the last 3 years, is as follows:



Internal Control

Those responsible for controls and the Company's executives carried out the biannual assessment and certification process of the Internal Control model in compliance with the United States Sarbanes Oxley (SOX) Act of2002 and Italian Law 262 of 2005 considering its responsibility to establish, maintain and evaluate the effectiveness of the Internal Control System.

In response to the internal monitoring responsibility for the Internal Control Model, Deloitte & Touche executed this process without identifying significant issues, thus concluding that the Internal Control Model for Financial Information works in an effective manner

Furthermore, the firm EY as fiscal auditor and external auditor reviewed the relevant processes and controls of the Company and no significant design and operational deficiencies were identified regarding the internal control model on financial information.

For improvement matters identified in the semi-annual self-evaluation process or in the audit, action plans were designed, executed and completed at the close of the year.

Access Policy

In 2017, the access to the relevant information systems under the internal control scheme of financial information in accordance with the control policies was performed.

Evolution for Energy (E4E)

In January 2017, the new financial system came into operation Evolution for Energy (E4E) version SAP 6.0, which included the sales, logistics, purchasing, fixed assets, accounts payable, accounting, finance, bankmanagement, controlling and projects; the convergence to the new SAP system startedwith a structured work plan from the year 2016 where each of the stages of construction, testing, migration and training for end users were fulfilled

E4E benefited 613 users who currently have a more efficient tool, with greater and better functional possibilities and open to the permanent updating of SAP. This project is an initiative in which innovation, proactivity, trust and respect, were the key values for success.

Additionally, to guarantee an adequate segregation of functions in the new E4E system, the analysis and debugging of the roles and profiles of each user was performed.

Entry into force of new IFRS standards

As of January 1, 2018, the following new rules integrated into the accounting framework accepted in Colombia will enter into force:

- IFRS 9 "Financial Instruments, which replaces the NIC IAS 39 "Financial Instruments: Recognition and Measurement" of financial instruments: Classification and Measurement, Accounting for Coverage and Impairment.
- IFRS 15 "Revenue from Ordinary Activities Derived from Contracts with Customers", which replaces IAS 11" Construction Contracts " IAS 18 "Revenues from Ordinary Activities" and interpretations IFRIC 15.18 and SIC 31. The purpose of IFRS 15 is to provide a single model for recognition of revenues for for all contracts with customers except for leases, financial instruments and insurance contracts.

For the implementation of these standards, the company started a corporate project since early 2017 to determine the possible impacts of the entry into force of the aforementioned norms.

Faced with the current recognition of both financial instruments andrevenues from ordinary contracts with customers, the company does not expect a significant impact on the current financial situation.

The effects of the transition, if any, will be reflected in the initial accumulated earnings for the 2018 period.

06

Financial Statements

SEPARATE FINANCIAL STATEMENTS

Emgesa S.A. E.S.P.

For the years ended at December 31 of 2017 and 2016
with the report of the External Auditor

Building a better working world

Report of the External Auditor

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

Report on the Financial Statements

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

Responsibilities of the Management in Relation to Financial Statements

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

Responsibilities of the Auditor

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

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

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

emgesa
Grupo Enel

Building a better working world

Opinion

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

Other Issues

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

Other Legal and Regulatory Requirements

Based on the scope of my audit, I have no knowledge with regards to situations indicating non-compliance with the following obligations of the Company: 1) Keep books of Minutes, shareholders registration and accounting, according to the legal standadrds and accounting technique; 2) Develop operations according to bylaws and decisions of the Shareholders' Assembly and Borad of Directors, and the regulations on integral social security; and 3) keep mailing and accounts vouchers. Furthermore, there is agreement between the attached financial statements and the accounting information included in the management report prepared by the Management of the Company, which includes the constancy of the Management regarding the free circulation of endorsed invoices issued by vendors or suppliers. The report corresponding to the requirements of article 1.2.1.2 of Decree 2420 of 2015 was issued separately on February 14th of 2018.

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

Bogotá, Colombia
February 14th 2018

Emgesa S.A. E.S.P.
Separate Financial Statements
(Figures in thousand pesos)

	Note	At December 31 of 2017	At December 31 of 2016
ASSETS			
Current Assets:			
Cash and Cash Equivalent	4	$ 563.551.759	$ 620.077.944
Other current financial assets	5	60.701.499	15.293.732
Other current non-financial assets	6	24.637.010	22.182.777
Commercial accounts receivable and other current accounts receivable, net	7	274.644.719	169.494.993
Current accounts receivable from related companies	9	2.733.906	1.449.427
Inventories, net	10	50.761.757	43.992.321
Total current assets		**977.030.650**	**872.491.194**
Non-Current assets:			
Other non-current financial assets	5	3.266.532	5.698.661
Other non-current non-financial assets	6	7.413.298	6.397.436
Commercial accounts receivable and other non-current accounts receivable, net	7	17.663.575	31.280.609
Non-current accounts receivable from related companies	9	1.136.816	1.071.150
Investments in subsidiaries, joint ventures and associated companies	8	568.629	563.065
Intangible assets different from added value, net	11	73.778.504	100.032.188
Properties, plant and equipment, net	12	7.947.512.389	7.922.553.413
Deferred taxes assets	13	-	97.148.803
Total non-current assets		**8.051.339.743**	**8.164.745.325**
Total Assets		**$ 9.028.370.393**	**$ 9.037.236.519**
Liabilities and Equity			
Current liabilities:			
Other current financial liabilities	14	462.582.103	464.271.277
Commercial accounts payable and other current accounts payable	15	216.871.528	331.173.838
Current accounts payable to related companies	9	156.864.411	218.853.888
Other current provisions	16	92.361.840	84.023.026
Current taxes liability	18	161.314.896	144.491.393
Current provisions for benefits to employees	17	30.525.546	28.769.379
Other current non-financial liabilities	19	81.510.422	10.147.646
Total current liabilities		**1.202.030.746**	**1.281.730.447**
Non-current liabilities:			
Other non-current financial liabilities	14	3.723.182.711	3.983.273.676
Other non-current provisions	16	143.695.710	195.955.262
Benefits to employees non-current provisions for	17	77.059.947	80.315.258
Deferred tax liability	13	34.114.979	-
Total non-current liability		**3.978.053.347**	**4.259.544.196**
Total liability		**$ 5.180.084.093**	**$ 5.541.274.643**

emgesa
Grupo Enel

Emgesa S.A. E.S.P.
Separate Financial Statements (Continued)
(Figures in thousand pesos)

	Note	At December 31 of 2017	At December 31 of 2016
Equity			
Issued capital	20	$ 655.222.313	$ 655.222.313
Issuance Premium		113.255.816	113.255.816
Other reserves	20	569.595.764	504.263.280
Other integral result (OIR)		(20.716.160)	(13.592.147)
Profit of the period		887.055.685	753.724.640
Withheld profits		171.194.366	10.409.214
Profits as effect of conversion to IFRS		1.472.678.516	1.472.678.760
Accrued earnings		2.530.928.567	2.236.812.614
Total Equity		**3.848.286.300**	**3.495.961.876**
Total liability and equity		**$ 9.028.370.393**	**$ 9.037.236.519**

See attached notes.

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

Bruno Riga
Legal Representative

Alba Lucia Salcedo
Public Accountant
Professional Card 40562–T

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

Emgesa S.A. E.S.P.
Income Statement, as per Nature – Separate
(Figures in thousand pesos, except for share earnings)

	Note	12 months period from January 1st to December 31 of 2017	12 months period from January 1st to December 31 of 2016
Ordinary activities income	21	$ 3.400.005.643	$ 3.485.206.750
Other operating income	21	25.075.258	28.899.697
Total income from ordinary activities and Other operating income		**3.425.080.901**	**3.514.106.447**
Supplies and services	22	(1.170.359.622)	(1.322.897.576)
Contribution margin		**$ 2.254.721.279**	**$ 2.191.208.871**
Works for immobilized		2.688.671	3.485.460
Personnel expenses	23	(80.533.005)	(72.015.890)
Other fixed operating expenses	24	(131.600.438)	(138.197.902)
Gross Operating Result		**2.045.276.507**	**1.984.480.539**
Depreciation and amortization	25	(210.256.564)	(191.851.456)
Losses for impairment (reversals)	25	429.180	(102.320.470)
Operating Result		**1.835.449.123**	**1.690.308.613**
Financial income	26	27.050.275	46.596.004
Financial expenses	26	(384.347.545)	(497.074.198)
Capitalized financial expense	26	5.745.998	5.062.047
Exchange differences	26	(445.537)	2.225.296
Financial results		**(351.996.809)**	**(443.190.851)**
Result of other investments			
Result from other investments		59.141	403.797
Results in assets sales	27	(30.200.139)	(11.366.645)
Results before taxes		**1.453.311.316**	**1.236.154.914**
Income tax expense	28	(566.255.631)	(482.430.274)
Profits of the period		**$ 887.055.685**	**$ 753.724.640**
Profits per basic share			
Profits per basic share in continuing operations (*)	29	5.910,35	5.014,73
Weighted average number of outstanding ordinary shares		**148.914.162**	**148.914.162**

See attached notes.

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

Bruno Riga
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(See my report of February 14th of 2018)

emgesa Grupo Enel

Emgesa S.A. E.S.P.
Integral Income Statement – Separate
(Figures in thousand pesos)

	Note	12 months period from January 1st to December 31 of 2017	12 months period from January 1st to December 31 of 2016
Profits of the Period		**$ 887.055.685**	**$ 753.724.640**
Elements of another integral result of the period, before taxes:			
Profits (losses) in new measurements of financial instruments assessed at the reasonable value with changes in OIR	30	(2.432.129)	2.966.983
Profits (losses) for new measurements of defined benefit plans	30	145.401	(14.803.751)
Profits (losses) for coverages of cash flows	30	(5.288.417)	(2.822.410)
Other result of the period, before taxes		**(7.575.145)**	**(14.659.178)**
Profits (losses) for new measurements of defines benefit plans	30	226.749	4.869.522
Income tax related with coverage of cash flows of another integral result	30	224.383	1.198.822
Income tax related with elements of another integral result of the period		451.132	6.068.344
Other integral result		**(7.124.013)**	**(8.590.834)**
Total integral result		**$ 879.931.672**	**$ 745.133.806**

See attached notes.

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

Bruno Riga
Legal Representative

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

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

	Note	Issued capital	Issuance Premium	Otras reservas: Legal Reserve	Otras reservas: Statutory Reserve	Otras reservas: Occasional Reserve	Otro resultado integral: Profits and losses for new measurements of financial instruments measured at a reasonable value and coverage of cash flow	Otro resultado integral	Nota	Issued capital
Initial Equity at December 31st of 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										
Integral result										
Profit of the period		-	-	-	-	-	-	-	753.724.640	753.724.640
Other integral result	30	-	-	-	-	-	1.343.395	(9.934.229)	-	(8.590.834)
Integral result		-	-	-	-	-	1.343.395	(9.934.229)	753.724.640	745.133.806
Dividends recognized as distributions to owners	-	-	-	-	-		-		(807.284.041)	(807.284.041)
Increases (decreases) for other changes, 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 at December 31 of 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**
Changes in equity										
Integral result										
Profit of the period		-	-	-	-	-	-	-	887.055.685	887.055.685
Other integral result		-	-	-	-	-	(7.496.163)	372.150	-	(7.124.013)
Integral result		-	-	-	-	-	(7.496.163)	372.150	887.055.685	879.931.672
Dividends recognized as distributions to owners	-	-	-	-	-		-		(527.607.248)	(527.607.248)
Increases (decreases) for other changes, equity		-	-	-	-	65.332.484	-	-	(65.332.484)	-
Total increase (decrease) in equity		**-**	**-**	**-**	**-**	**65.332.484**	**(7.496.163)**	**372.150**	**294.115.953**	**352.324.424**
Final equity at December 31 of 2017		**$ 655.222.313**	**$ 113.255.816**	**$ 327.611.157**	**$ 178.127**	**$ 241.806.480**	**$ (2.653.016)**	**$ (18.063.144)**	**$ 2.530.928.567**	**$ 3.848.286.300**

See attached notes.

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

Bruno Riga
Legal Representative

Alba Lucia Salcedo
Public Accountant
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Ángela María Guerrero Olmos
Main Statutory Auditor
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Appointed by Ernst & Young Audit S.A.S. TR–530
(See my report of February 14th of 2018)

Emgesa S.A. E.S.P.
Separate Cash Flows Statements, direct method
(Figures in thousand pesos)

		Period of twelve months from January 1 to December 31 of 2017		Period of twelve months from January 1 to December 31 of 2016
Cash flows derived from (used in) operation activities				
Collection classes for operation activities				
Collections derived from sales of good and service provision	$	3.418.222.843	$	3.715.501.350
Collections derived from royalties, quotas, commissions and other income from ordinary activities		26.237.779		23.282.542
Collections derived from premiums and benefits, annuities and other benefits of subscribed policies		-		31.392.385
Classes of payment in cash derived from operation activities				
Payments to providers for the provision of goods and services		(1.286.241.265)		(1.480.266.628)
Payments and/or on account of employees		(91.474.668)		(79.662.951)
Payments for premiums and benefits, annuities and other liabilities derived from subscribed policies		(20.445.048)		(26.001.460)
Other payments for operation activities		(72.561.552)		(67.763.716)
Net cash flows derived from operation		**1.973.738.089**		**2.116.481.522**
Paid income tax		(416.402.077)		(464.394.713)
Oher cash outflows		(51.994.852)		(71.178.897)
Net cash flows derived from operation		**1.505.341.160**		**1.580.907.912**
Cash flows from (used in) investment activities:				
Cash flows used to gain control of subsidiaries or other businesses		53.577		(98.633)
Other payments to acquire equity or debt instruments of other entities		(130.500.000)		-
Other charges for equity sale or debt instruments of other entities		83.500.000		-
Loans to related entities		-		(55.000.000)
Purchases of property, plant and equipment		(321.505.445)		(312.210.168)
Cash advances and loans granted to third parties		-		(69.313.598)
Payments derived from contracts of futures, forward contracts, options and swap agreements (swaps)		-		-
Collections to related entities		-		55.000.000
Collections from contracts of futures, forward contracts, options and swap agreements		-		224.323
Interest received Investment Activities		20.779.720		40.756.656
Net cash flows used in investment activities		**(347.672.148)**		**(340.641.420)**
Cash flows from (used in) financing activities:				
Amounts derived from loans		100.000.000		825.000.000
Loans from related entities		46.808.489		-
Loan repayments		(340.666.667)		(487.852.747)
Dividends paid shareholders		(597.438.747)		(795.166.218)
Interest paid financing		(373.212.968)		(450.133.821)
Payments of liabilities for financial leases		(1.993.499)		(719.865)
Payments of loans to related entities		(46.808.489)		-
Other cash outflows financing		(883.316)		(10.494.409)
Net cash flows used in financing activities		**(1.214.195.197)**		**(919.367.060)**

Emgesa S.A. E.S.P.
Separate Cash Flows Statements, direct method (Continuación)
(Figures in thousand pesos)

		Period of twelve months from January 1 to December 31 of 2017		Period of twelve months from January 1 to December 31 of 2016
Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate	**$**	**(56.526.185)**	**$**	**320.899.432**
Net increase (decrease) in cash and cash equivalents		**(56.526.185)**		**320.899.432**
Cash and cash equivalents at the beginning of the period		620.077.944		299.178.512
Cash and cash equivalents at the end of the period	**$**	**563.551.759**	**$**	**620.077.944**

See attached notes.

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

Bruno Riga
Legal Representative

Alba Lucia Salcedo
Public Accountant
Professional Card 40562–T

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

Índice

1. General Information

Economic entity

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

The Company was incorporated by public deed No.003480 of Notary 18 of Bogotá D.C. of October 15th of 1980 and registered with the Chamber of Commerce on August 17th of 2007 under the number 01151755 of book IX, commercial registration No. 01730333, with contribution of generation assets of Grupo Energía de Bogotá S. A. E.S.P. with 51.51% of shares (ordinary and preferential) and cash contributions of other investors with 48.49% of shares.

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

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

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

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

(In thousand pesos)

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

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

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

Gas Marketing

In 2017, the Company continued its consolidation in the natural gas marketing market in Colombia, achieving the entry of two new industrial customers, in Cartagena and in Mosquera opening a new market in Cundinamarca, the new customers began consumption in December 2017. In the same way, it was possible to continue with the attention of two industrial clients whose agreements expired on November 2017, the agreements were signed with validity between one and three years. Total sales were 72.9 Mm3, with which a variable margin of $3,420,220 was obtained, which meant a contribution of 0.15% of the Company's variable margin, while in 2016 sales were 87.9 Mm3 and variable margin of $1,515 .111.

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

Legal and regulatory framework

For the establishment of the new framework ordered by the Constitution, the Law on Residential Public Services (Law 142 of 1994) and the Electricity Law (Law 143 of 1994) were issued, whereby the general criteria and the policies that must govern the provision of domiciliary public services in the country and the procedures and mechanisms for its regulation, control and surveillance. The main institution of the energy sector is the Ministry of Mines and Energy, which through the Mining and Energy Planning Unit (UPME), draws up the National Energy Plan, the Generation - Transmission Reference Expansion Plan and the Natural Gas Supply Plan. The Energy and Gas Regulation Commission (CREG) and the Superintendency of Public Services (SSPD) are responsible, respectively, for regulating and supervising companies in the sector, furthermore, the Superintendence of Industry and Commerce is the national authority for competition protection matters.

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

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

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

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

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

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

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

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

2. Bases for submission

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

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

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

2.1 Accounting Principles

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

The Company belongs to Group 1 of implementation according to the definitions of Decrees 2784 of December 28, 2012 and 3024 of December 27, 2013, in accordance with the requirements the Company issued the first comparative financial statements under the AFIS at December 31 of 2015.

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

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

2.2 Basis of accrual accounting

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

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

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

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

IFRS 9 Financial Instruments

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

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

The Company plans to implement the new standard on the required effective date, with retrospective application and will not re-formulate comparative information; impact of transition will be reflected in the initial accumulated earnings of the annual reporting period that includes the date of the initial application.

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

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

(a) Classification and measurement

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

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

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

(b) Impairment

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

(c) Hedge accounting

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

IFRS 15 Income of Ordinary Activities Arising from Agreements with Customers

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

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

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

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

IFRS 15 replaces the following international accounting standards and interpretations: IAS 11: Construction Contracts, IAS 18: Revenue from Ordinary Activities, IFRIC 13: Customer Loyalty Programs, IFRIC 15: Agreements for the Construction of Real Estate, IFRIC 18: Transfer of Assets from Customers and SIC 31: Revenue - Swaps of Advertising Services.

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

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

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

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

Portfolio Approach:

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

The practical solution of paragraph 4 of IFRS 15 allows this standard to be applied to a portfolio of contracts; for this reason, the Company, through the identification of income flows, defined the sets of agreements with customers that have similar characteristics in the contractual terms and conditions (cluster).

The clusters were determined using the following typifications: a) Type of goods or services offered (electricity, value-added services); b) Market typology (regulated, not regulated); or c) Type of client (size, type, sector); which following the model of 5 steps and special topics of the IFRS 15 allow the identification of goods or services promised in contracts.

Contracts with multiple goods and/or services:

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

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

> **Wholesale Market Energy Sale:** Only one performance obligation associated with the customers of this market, which is the sale of electricity, occurs. Consequently, there are no contracts with multiple goods and services associated with this market. In the Wholesale Market, where Emgesa provides goods and/or services, the company acts as principal.

> **Sale of Energy Non Regulated Market:** For this service a performance obligation was identified, which is the sale of electric energy to customers in this market. Therefore, there are no agreements with multiple goods and services associated with this market. The company acts as principal in the non-regulated market, in which Emgesa supplies goods and/or services.

> **Exchange Market Energy:** Three performance obligations are recorded: Power sale, Security clearance and other complementary services, which represent a promise to transfer a series of goods and/or services that are substantially the same and that have the same pattern of transfer to the customer. Therefore, it is not considered that the contract in the stock market presents multiple goods and services to customers. In the stock exchange market in which Emgesa supplies its goods and/or services, the company acts as principal.

> **Sale of fuels:** Depending on the contract, one or two performance obligations can be recorded, which are:

- Gas supply.
- Supply of gas and transport:

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

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

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

Satisfaction of performance obligations:

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

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

Variable considerations:

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

> **Sale of Wholesale, Non-regulated and Fuels Energy Market:** Negotiation of transaction prices are fixed and indexed to the producer price index (PPI), or according to the regulation framed in each of the contracts in the case of fuels. There are no variable considerations because there are no discounts, reimbursements, incentives, performance bonuses or other types of benefits that affect the amounts to be received established in the agreements, for the supply of goods and/or services to customers.

> **Stock Exchange Energy Market:** Negotiation of prices in this market is regulated and fixed by the market (supply and demand) for the system administrator execute, liquidate and collect the monetary values to the agents intervening in this market. There are no variable considerations since there are no changes in regulated prices of supply and demand established in this market.

> **Other Income:** In the assignment of prices in the reliability charge a market mechanism is used that tends to the efficiency of the auction of final energy obligations. The foregoing does not imply variable considerations since in the determination of the price there are no modifications by variables such as discounts or rebates in prices that are not established by the market.

Agreements with modifications:

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

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

Consideration as Principal or as Agent:

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

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

Contract costs:

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

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

Grant agreements

Once clusters defined by the Company were analysed, no impacts arising from concession agreements were identified in the implementation of IFRS 15.

IFRIC 22: Transactions in foreign currency and prepaid consideration

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

Amendments to IAS 7 - Disclosures

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

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

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

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

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

IFRS 16 Leasings

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

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

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

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

IFRIC 23 Uncertainties with Income Tax Treatment

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

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

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

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

Transfer of Investment Property Amendments to IAS 40

These amendments make some clarifications for cases in which a company must transfer properties, including properties under construction or investment properties. These amendments establish that a change in use occurs when the property begins to meet or fails to meet the definition of investment property and there is evidence of such change. A simple change in the intention to use the property by the Administration does not constitute evidence of a change in use. Companies must apply amendments prospectively on changes in use that occur from the period in which these amendments begin to be applied. Companies must re-assess the classification of the property maintained at that date and, if applicable, reclassify it to reflect conditions existing at that time. This amendment is included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 1, 2019. The Company will apply the amendments when they are effective, however, taking into account that the Company is currently in line with these clarifications, they are not expected to have an effect on their financial statements.

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

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

Amendment to IAS 1: Initiative on information to be disclosed

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

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

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

Improvements to IFRS (Cycle 2014-2016)

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

Amendment to IFRS 10 and NIC 28: Sale and Contribution of Assets

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

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

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

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

IFRS 17 Insurance Agreements

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

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

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

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

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

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

A Company may choose the overlay approach when it implements IFRS 9 and apply this approach retrospectively to financial assets designated in the transition to IFRS 9. These amendments should be applied retrospectively and have not been introduced in the Colombian accounting framework through any decree until this date. These amendments are not applicable to the Company.

2.5 Estimates and relevant accounting criteria

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

The estimates basically refer to:

- Assumptions used in the actuarial calculation of liabilities and obligations with employees, such as discount rates, mortality tables, salary increases, among others.

- Useful life of properties, plant and equipment and intangible property (See Notes 3.7 and 3.6).

- Assumptions used to calculate the fair value of financial instruments (See Note 3.13).

- The income and expenses derived from the generation activity derived mainly from the sale of energy through bilateral contracts to the regulated and unregulated market, of energy exchange, of the secondary frequency regulation service (AGC) and the reliability charge, as well as the energy purchases necessary to meet said agreements.

- Probability of occurrence and amount of liabilities of uncertain or contingent amount (See Note 3.10).

- Future disbursements for environmental commitments arising from the environmental license, mainly for new projects, as well as the discount rates to be used (See Note 3.7).

emgesa
Grupo Enel

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

- The fiscal results, which will be reported to the respective tax authorities in the future, which have served as the basis for recording the different balances related to income taxes in these financial statements (See Note 3.11).

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

3. Accounting Policies

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

3.1 Financial Instruments

3.1.1. Cash and other equivalent cash means

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

3.1.2. Financial Assets

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

3.1.2.1 Debt Instrument

(a) Financial assets at amortized cost

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

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

(b) Financial assets at fair value

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

3.1.2.2. Equity Instrument

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

3.1.2.3. Financial instruments derived and hedge activities

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

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

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

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

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

(a) Fair value hedges

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

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

(b) Cash flow hedges

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

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

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

(c) Hedges of net investment abroad

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

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

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

3.1.3. Debts (Financial Obligations)

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

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

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

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

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

3.1.4. Financial Assets and Financial Liabilities with Related Parties

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

3.1.5. Trade accounts payable

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

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

3.1.6. Recognition and measurement

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

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

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

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

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

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

3.1.7. Compensation of financial instruments

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

3.1.8. Investments fair values

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

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

3.2 Inventories

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

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

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

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

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

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

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

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

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

3.3 Non-current assets held for sale and discontinued activities

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

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

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

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

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

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

3.4 Investments in Subsidiaries

A subsidiary is an entity controlled by the Company, control exists when it has the 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 returns thereof.

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

The dividends received from these companies are recorded reducing the value of the investment and the results obtained thereof, which correspond to the Company in accordance with their participation, are recorded in the item "Share in profit (loss) of associates accounted for by the method of participation ". The measurement of the participation method is evaluated according to the importance of the figures and taking into account the participation in each subsidiary.

3.5 Investments in associated companies and joint ventures

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

Joint ventures are those entities in which the Company exercises control thanks to the agreement with third parties and jointly with them, that is, when the decisions on their relevant activities require the unanimous consent of the parties that share control. Joint agreements are classified as:

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

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

Joint control: is the contractually agreed distribution of 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 of the jointly controlled operation type represented in trusts. A joint operator will recognize in relation to its participation in a joint operation: (a) its assets, including its share of the assets held together; (b) its liabilities, including its share of liabilities incurred jointly; (c) your income from ordinary activities arising from the sale of your interest in the proceeds arising from the joint operation; (d) its share in the income from ordinary activities derived from the sale of the product that performs the joint operation; and (e) its expenses, including its share of expenses incurred jointly.

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

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

3.6 Intangible assets

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

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

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

(a) Research and development expenses

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

(b) Other intangible assets

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

Lives used for the amortization are:

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

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

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

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

3.7 Property, plant and equipment

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

> Costs for general and specific interests directly attributable to the acquisition, construction or production of eligible assets, which are those that necessarily require a substantial period of time before being prepared for the intended use or sale, are added to the cost of those assets, until the time comes when the assets are substantially prepared for the intended use or sale. The Company defines substantial period as one that exceeds twelve months. The interest rate used is that corresponding to the specific financing or, if not existing, the average financing rate of the company making the investment.

> Personnel expenses directly related to the construction in progress.

> Future disbursements which the Company must undertake in connection with the closing of its facilities are included in the asset value at the updated value, recognizing the corresponding provision for dismantling or reinstatement. The Company annually reviews its estimate of the aforementioned future disbursements, increasing or decreasing the value of the asset based on the results of said estimate.

> Spare parts are property, plant and equipment components when they meet the characteristics of recognition of assets, these parts are not part of the inventory of materials.

(In thousand pesos)

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

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

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

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

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

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

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

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

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

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

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

3.8 Assets impairment

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

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

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

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

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

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

Impairment losses recognized in an asset in previous years are reversed when there is a change in the estimates of the recoverable amount, increasing the value of the asset with a credit to results with the limit of the book value the asset would have had if the accounting adjustment had not been made. In the case of capital gain, the accounting adjustments made are not reversible.

(In thousand pesos)

As of the date of the financial statements, the Company has no impairment record for property, plant and equipment and Intangibles

3.8.2. Financial Assets

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

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

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

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

Energy and Gas Portfolio

% Impairment	Portfolio class and seniority
100%	Portfolio with more than 360 days in arrears
Percentage determined according to the analysis	A monthly assessment will be carried out individually to the energy and gas portfolio individually significant and presenting impairment indicators. In the case of portfolio not individually significant, impairment of value will be assessed collectively based on the historical behavior. **Individual Portfolio Analysis from 0 to 30 days:** The analysis on an individual basis will be based on objective evidence of impairment, which is generated as a result of one or more events occurred after the initial recognition of the asset, including the following observable information: 1. Amount at risk greater than $100 Million. 2. Analysis of financial impairment of the following aspects: • Assessment of Credit Risk Factor (frc) less than 5 in the last two years: this index seeks to reflect the ability of a client to respond with its payment obligations. This evaluation measures the credit risk that corresponds to the possibility of default or inability to pay of a counterpart. It is determined through an evaluation of the financial, accounting and performance backgrounds of the counterparty. • Qualification of portfolio classified as consecutive D in the last 6 months. • Reports in early warnings in the last 6 months. 3. Customer observable criteria such as the following: Guarantees held by the company. • Admission in processes such as concordat, restructuring agreement, reorganization, causes of dissolution due to losses or private, compulsory or judicial liquidation. • Legal processes, filed lawsuits, concepts of lawyers, etc. • Resolutions or administrative acts of regulatory bodies that resolve and compel the Company to freeze collections. Based on the analysis carried out previously, the percentage to be provisioned will be determined. **Individual Portfolio Analysis greater than 30 and less than 360 days:** An individual process of monthly evaluation will be carried out of the energy and gas portfolio over 30 days and less than 360 days, based on objective evidence that takes into account observable information from our clients, such as: • Annual Assessment of Credit Risk Factor (CRF): The credit risk assessment is based mainly on quantitative aspects from the balance sheets and financial statements of the clients. Said balances and states will allow calculating financial indexes, which are weighted in such a way that a single value is obtained that measures a client's ability to respond to their payment commitments. Credit Risk Factor (CRF): is equal to the weighted amount of several indexes: "acid liquidity, interest hedge, indebtedness, ROI, business seniority, payment behaviour, judicial antecedents), each of them measures financial, accounting or performance attributes of a company. The CRF varies in a range of -2 to 10 and according to its values, it implies the guarantees requirements to the client company. • Guarantees held by company. • Admission in processes such as concordat, restructuring agreement, reorganization, causes of dissolution due to losses or private, compulsory or judicial liquidation. • Legal processes, filed lawsuits, concepts of lawyers, etc. • Resolutions or administrative acts of regulatory entities, which resolve and force Emgesa to freeze collections. Based on the analysis made above, the corresponding provision will be recorded. All portfolio over 360 days is provisioned.

(In thousand pesos)

Other debtors

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

Provision	Seniority
100%	Portfolio greater than 360 days

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

3.9 Lease

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

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

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

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

3.10 Provisions, liabilities and contingent assets

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

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

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

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

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

3.11 Taxes

It includes the value of mandatory general taxes in favor of the State and by the Company, for the concept of private settlements determined on the tax bases of the fiscal period, in accordance with the tax regulations of the national and territorial order governing where the Company operates.

3.11.1. Income and complementary tax and deferred tax

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

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

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

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

(a) It is not a business combination and;

(b) at the time it was made, it did not affect either the accounting profit or the tax profit (loss).

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

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

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

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

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

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

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

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

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

3.11.2. Wealth tax

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

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

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

3.11.3. Tax on Sales

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

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

1. Equipment leased that provides maintenance service is of median as: meters and modems.

2. The properties that are leased are:

- Via Central Cartagena.
- Ubalá Lot- Guadualito
- Hydrological stations lot
- Suíte D115 Campamento Mambita

3.12 Benefits to employees

a. Pensions

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

b. Other obligations subsequent to the employment relationship

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

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

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

The defined benefit obligation is calculated by independent actuaries using the projected credit unit method.

c. Long Term Benefits

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

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

d. Benefits for credits to employees

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

3.13 Estimation or fair value

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

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

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

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

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

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

Level 3: Input data for assets or liabilities not based on observable market information (unobservable input data). When measuring fair value the Company takes into account the characteristics of the asset or liability, in particular:

> For non-financial assets, a fair value measurement takes into account the market participant's ability to generate economic benefits by using the asset at its maximum and best use, or by selling it to another market participant who would use the asset at its maximum and best use;

> For liabilities and own equity instruments, the fair value assumes that the liability will not be settled and the equity instrument will not be cancelled, nor will they be extinguished otherwise on the measurement date. The fair value of the liability reflects the effect of default risk, that is, the risk that an entity does not fulfill an obligation, which includes, but is not limited to, the Company's own credit risk;

> In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the counterparty, it is allowed to measure the fair value on a net basis, in a manner consistent with the way in which market participants would put a price to the net risk exposure on the measurement date.

3.14 Conversion of foreign currency

3.14.1. Functional currency and presentation currency

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

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

3.14.2. Transactions and balances in foreign currency

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

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

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

3.15 Classification of balances in current and non-current

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

3.16 Recognition of income

Income is charged based on the accrual criterion.

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

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

The following criteria are followed for its recognition:

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

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

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

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

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

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

3.17 Recognition of costs and expenses

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

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

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

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

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

3.18 Social capital

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

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

3.19 Reserves

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

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

> The Commercial Code requires the Company to appropriate 10% of its annual net profits determined under local accounting standards as a legal reserve until the balance of this reserve is equivalent to 50% of the subscribed capital.

The mandatory legal reserve is not distributable prior to the liquidation of the Company, but can be used to absorb or reduce annual net losses. The balances of the reserve in excess of 50% of the subscribed capital are freely available to shareholders.

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

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

3.20 Profit per share

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

3.21 Distribution of dividends

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

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

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

(In thousand pesos)

3.22 Operation segments

An operation segment is a component of an entity:

(a) that develops business activities from which it can obtain income from ordinary activities and incur expenses (including income from ordinary activities and expenses from transactions with other components of the same entity).

(b) whose operating results are reviewed on a regular basis by the highest authority in the operational decision making of the entity, to decide on the resources that should be assigned to the segment and evaluate its performance; and

(c) on which differentiated financial information is available.

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

4. Cash and cash equivalent

	At December 31 of 2017	At December 31 of 2016
Balance at banks	$ 440.296.978	$ 456.308.124
Short term deposits (1)	64.500.000	101.100.000
Other cash and cash equivalent (2)	58.753.003	62.620.564
Cash	1.778	49.256
	$ 563.551.759	**$ 620.077.944**

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

The equivalent detail in pesos by currency type of the previous balance is as follows (see note 31):

Detail for Currency	At December 31 of 2017	At December 31 of 2016
Colombian Pesos	$ 563.300.535	$ 618.365.887
American Dollars	228.521	1.706.072
Euros	22.703	5.985
	$ 563.551.759	**$ 620.077.944**

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

At December 31, 2017, the balance corresponds to:

Bank	Amount	Rate EA	Days	Beginning	Expiration	Concept
Itaú	$ 22.000.000	4.97%	78	27-oct-17	15-ene-18	Shareholders Dividends Shareholders
Av Villas	16.000.000	5.3%	86	16-nov-17	12-feb-18	Debt, bonds
Sudameris	20.000.000	5,6%	90	17-oct-17	15-ene-18	Shareholders Dividends
AV Villas	6.500.000	5,3%	90	16-nov-17	16-feb-18	Debt, bonds
Total	**$ 64.500.000**					

At December 31, 2016, the balance corresponds to:

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

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

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

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

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

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

At December 31, 2017, the Company has restricted cash (see note 35 - Energy Derivatives Market).

5. Other financial assets

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

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

	At December 31 of 2017	At December 31 of 2016
Trust Embalse Tominé	$ 4.750.516	$ 7.478.016
Trust Quimbo Project	2.496.986	2.384.752
Trust Embalse Muña	1.111.229	1.639.524
	$ 8.358.731	**$ 11.502.292**

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

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

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

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

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Notes to Financial Statements – Separate
(In thousand pesos)

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

At December 2016, the Company had no CDTs greater than 90 days, the balance of $ 1,466,899 was related to domestic investment returns.

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

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

(4) Financial investments in unlisted companies are:

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

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

(In thousand pesos)

6. Other Non-financial assets

	At December 31 of 2017		At December 31 of 2016	
	Current	Non- Current	Current	Non-Current
Other debtors (1)	$ 12.199.239	$ -	$ 14.885.824	$ -
Advanced payment for goods acquisition (2)	11.852.022	-	6.921.428	-
Benefits to employees for loans (3)	555.621	7.413.298	349.722	6.397.436
Insured accounts receivable	25.803	-	25.803	-
Expenses paid in advance	4.325	-	-	-
	$ 24.637.010	**$ 7.413.298**	**$ 22.182.777**	**$ 6.397.436**

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

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

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

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

(In thousand pesos)

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

7. Commercial accounts and other accounts receivable, net

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

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

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

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

Portfolio of generation and transmission at December 31/16	Current Portfolio	Past Due Portfolio		Total Current Portfolio
		1-180 days	>360 days	
Commercial accounts, gross	**$ 155.501.199**	**$ 38.042.568**	**$ 2.464.078**	**$ 196.007.845**
- Great clients	145.516.459	38.032.567	2.464.078	186.013.104
- Institutional clients	9.984.740	-	-	9.984.740
- Other	-	10.001	-	10.001
- Provision impairment	(8.620.111)	(34.683.157)	(2.464.078)	(45.767.346)
Commercial Accounts and Financed Portfolio, net	**$ 146.881.088**	**$ 3.359.411**	**$ -**	**$ 150.240.499**

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

As of December 31, 2017, the commercial accounts portfolio shows a variation that corresponds mainly to the increase of the portfolio for the wholesale market during this period for the following customers: Emcali S.A. E.S.P. for $ 10,994,252, Electrificadora de Huila S.A. E.S.P. for $ 8,715.377, Compañía Energética del Tolima $ 8,116,205, Empresa Energía de Boyacá S.A. E.S.P. for $5,688,259 additionally, a higher estimate is shown in sales of energy and gas to be invoiced for $72,852,355, the general increase of the portfolio is derived mainly due to the invoicing of 29 contracts for consumption in November and December 2016, collected during the same period.

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

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

(In thousand pesos)

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

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

Portfolio Impairment

The movements in the provision for impairment of current commercial accounts and other accounts receivable as of December 31, 2017 are as follows:

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

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

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

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

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

Guarantees granted by debtors:

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

8. Investments in subsidiaries, joint ventures and associated companies

Article 2.1.2. of part 1 of book 2 of Decree 2420 of 2015 added by Decree 2496 of 2015, sets forth the application of Art. 35 of Law 222, which provides that shares in subsidiaries must be recognized in the separate financial statements by the method of participation; under this guideline the Company applied the participation method as of 2016; in January 2017, the amendment to IAS 27 came into force, which allows investments to be recognized using the equity method in separate financial statements, eliminating the exception to IFRS existing in the local framework with respect to the standards issued by the IASB. This also according to the defined policy (see notes 3.4 and 3.5).

The detail of the investments recognized is the following:

Securities in Shares	Economic Activity	Relationship	Ordinary Share	% Participation	Value 31/12/17	Value 31/12/16
Sociedad Portuaria Central Cartagena S.A.(1)	Docking Services	Subsidiary	55.071	94,95	$ 568.629	$ 491.772
Emgesa Panamá (2)	Energy	Subsidiary		100,00	-	71.293
					$ 568.629	$ 563.065

(1) The Company recorded an assessment in Sociedad Portuaria Central Cartagena for $76,857.

Sociedad Portuaria Central Cartagena S.A. sent a formal request to the National Infrastructure Agency (ANI) on November 1, 2016 to submit the investment schedule for two years in order to be able to carry out studies of alternatives to allow substitution of the support of the Reliability Charge of the Central Cartagena de Emgesa (main client and majority shareholder of the company) with liquid fuels and to evaluate options that allow both the viability of Central Cartagena and the company in the long term. Subsequently, on November 1, 2017, it filed with the same entity, a communication reminding of the request made one year prior to the submission of the contractual investment plan for the start of a construction work in August 2018 and completion thereof in January 2019.

(2) By public deed No. 10.849 of June 26, 2017 of the Fifth Notary Public of the Notarial circuit of Panama was formalized and registered in the Public Registry the dissolution of the Company Emgesa Panama, a joint stock company owned by Emgesa S.A. E.S.P. in a percentage equivalent to 100%. The dissolution was made under the terms of the Panamá Law for such acts and the accounting recognition of the investment settlement was made in September 2017.

(In thousand pesos)

9. Balances and transactions with related parties

Accounts receivable to related entities

Name of Related Company	Relationship	Country of origin	Type of Transaction	At December 31 of 2017 Current	At December 31 of 2017 Non- Current	At December 31 of 2016 Current	At December 31 of 2016 Non-Current
Sociedad Portuaria Central Cartagena S.A. (1)	Subsidiary	Colombia	Payable/recievabl loans from company of another group	$ -	$ 1.136.816	$ -	$ 1.071.150
Sociedad Portuaria Central Cartagena S.A.(2)	Subsidiary	Colombia	Advanced payment	738.931	-	1.018.221	-
Sociedad Portuaria Central Cartagena S.A	Subsidiary	Colombia	Other services	-	-	107.256	-
Codensa (3)	Related	Colombia	Other services	1.601.676	-	202.479	-
Codensa	Related	Colombia	Energy sale	-	-	-	-
Enel Green Power Colombia (EGP) (4)	Related	Colombia	Other services	315.704	-	80.865	-
Enel Chile S.A (5) (*)	Related	Chile	Other services	24.176	-	24.176	-
Energía Nueva Energía Limpia México (5)	Related	México	Other services	51.215	-	14.226	-
Endesa Energía SAU (5)	Related	España	Other services	2.204	-	2.204	-
			Total	**$2.733.906**	**$ 1.136.816**	**$ 1.449.427**	**$1.071.150**

(*) Enel Chile formerly called Enersis

(1) The balance at December 2017 corresponds to credits of long-term suppliers, which were agreed to 7 years; these loans were made to cover obligations with the National Institute of Concessions - INCO today National Infrastructure Agency - ANI and suppliers.

(2) The balance at December 2017 corresponds to an advanced payment for the maintenance of a barge belonging to Sociedad Portuaria Central Cartagena.

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

(4) Variation of 2017 with respect to 2016 occurs upon the new collaboration agreement between the Company and EGP Colombia which purpose is the provision of services and assistance in the management and operation of administrative processes for $245,704 and a decrease in the wind prospectiionproject after October 31, 2015 for $(10,865).

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

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Accounts payable to related entities

Name of Related Company	Relation	Country of Origin	Tyoe of Transaction	At December 31 of 2017 Current	At December 31 of 2016 Current
Enel Américas S.A(1)	Chile	Related	Dividends	$ 63.129.075	$ 96.986.181
Codensa (2)	Colombia	Related	Purchase of Energy	11.253.832	10.801.224
Codensa (3)	Colombia	Related	Other services	892.078	-
Enel Italia Srl (4)	Italy	Related	Studies and projects	5.613.784	3.547.333
Enel Produzione Spa (5)	Italy	Related	Studies and Projects	4.645.192	1.779.948
Enel Produzione Spa (6)	Italy	Related	Other services	220.623	-
Enel SPA (6)	Italy	Related	Other services	405.063	663.644
Enel SPA	Italy	Related	Studies and projects	-	318.750
Enel Trade (6)	Italy	Related	Other services	319.320	457.254
Enel Latinoamérica	Spain	Related	Other services	-	415.969
Enel Iberoamérica (6)	Spain	Related	Other services	623.804	383.130
Enel Ingegnieria e Ricerca	Italy	Related	Other services	-	166.088
Enel Generación Chile S.A. (7)	Chile	Related	Other services	1.457.107	134.334
Enel Chile S.A.	Chile	Related	Other services	-	59.698
Sociedad Portuaria Central Cartagena S.A	Colombia	Subsidiary	Other services	72.088	38.616
Grupo Energía de Bogotá S. A. E.S.P. (*) (8)	Colombia	Shareholder	Dividends	67.076.921	103.051.317
Grupo Energía de Bogotá S. A. E.S.P.	Colombia	Shareholder	Other services	-	50.402
C.G. Term. Fortaleza (6)	Brazil	Related	Other services	382.754	-
Enel Green Power Brasil Participações(6)	Brazil	Related	Other services	362.575	-
Enel Fortuna (6)	Panamá	Related	Other services	171.834	-
Enel Green Power SPA (6)	Italy	Related	Other services	238.361	-
			Total	$ 156.864.411	$ 218.853.888

(*) Grupo Energía de Bogotá S. A. E.S.P. is a shareholder of the Company (See note 20)

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

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

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

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

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

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

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

(8) Corresponds to the balance payable of dividends of Grupo Energía de Bogotá S.A. E.S.P.

(In thousand pesos)

Transactions with related economic, effects corresponding to results:

Income/ Company	Concept of Transaction	At December 31 of 2017	At December 31 of 2016
Codensa	Sales of energy	$ 790.584.601	$ 642.784.272
Codensa	Other services	-	435.272
Codensa	Sale of fixed assets	-	202.479
Codensa	Financial income	-	195.109
EEC (Ahora Codensa)	Sale of Energy	-	27.691.953
Grupo Energía de Bogotá S. A. E.S.P.	Operation Services	577.755	730.196
Sociedad Portuaria Central Cartagena SA	Operation and interests	187.944	181.564
Enel Ingeneria E Ricerca S.P.A	Difference in change	-	41.069
Enel Generación Chile S.A	Difference in change	-	28.287
Energía Nueva Energía Limpia México	Other services	36.900	14.226
Energía Nueva Energía Limpia México	Difference in change	176	-
Enel Chile S.A (1)	Difference in change	-	11.504
Enel Latinoamérica	Difference in change	-	10.924
Emgesa Panamá	Difference in change	-	6.940
Enel Iberoamérica	Difference in change	5.375	1.720
Enel Green Power Colombia	Other services	206.474	-
Enel Generacion Chile	Difference in change	2.016	-
		$ 791.601.241	**$ 672.335.515**

Costs and expenses/Company	Concept of Transaction	At December 31 of 2017	At December 31 of 2016
Codensa	Transport of energy	$ -	$ 119.339.729
Codensa	Energy and lighting	133.552.134	468.369
Codensa	Other services	597.999	319.985
Codensa	Financial expenses	-	-
EEC (Ahora Codensa)	Transport of energy	-	3.819.886
EEC (Ahora Codensa)	Other services	-	456
Enel Produzione SPA	Other services	976.137	989.546
Enel Produzione SPA	Difference in change	87.091	-
Sociedad Portuaria Central Cartagena S.A.	Management and operation	854.500	803.417
Enel SPA	Other services	345.373	629.425
Enel SPA	Studies and projects	-	318.750
Enel SPA	Difference in change	9.618	-
Enel Italia SRL	Studies and projects	2.210.114	589.096
Enel Italia SRL	Difference in change	119.868	-
Enel Trade	Other services	-	457.254
Enel Iberoamérica	Computer Services	-	388.328
Enel Iberoamérica	Difference in change	-	8.493
Enel Iberoamérica	Other services	437.537	-
Enel Latinoamérica	Other services	-	388.152
Junta Directiva	Fee	-	327.546
Enel Ingeneria E Ricerca S.P.A	Other services	-	166.088
Enel Ingeneria E Ricerca S.P.A	Studies and projects	-	41.435
Enel Ingeneria E Ricerca S.P.A	Difference in change	-	13.879
Enel Trade	Other services	601.832	-
Enel Generación Chile S.A.	Difference in change	-	19.333
Enel Generación Chile S.A.	Other services	-	422
Enel Chile S.A (1)	Difference in change	-	7.801
Enel Chile S.A (1)	Other services	-	195
Emgesa Panamá	Difference in change	-	3.810
Enel Fortuna	Other services	171.834	-
Enel Green Power S.P.A	Other services	238.361	-
C.G. Term. Fortaleza	Other services	382.754	-
		$ 140.585.152	**$ 129.101.395**

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Sales and purchases between related parties are made under conditions equivalent to those that exist for transactions between independent parties (see note 18).

Board of Directors and key Management staff

Board of Directors

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

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

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

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

Position	Main	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	Camila Merizalde Arico
Fifth	Diana Margarita Vivas Munar	Alejandro Botero Valencia
Sixth	Luis Fernando Alarcón Mantilla	Rodrigo Galarza Naranjo
Seventh	Luisa Fernanda Lafaurie	Vacant (*)

(*) In an extraordinary session of the General Assembly of Shareholders number 97, held on December 18, 2017, the Meeting was informed that Mr. Andrés López Valderrama submitted his resignation as alternate and independent member of the seventh line of the Board of Directors of the company, designated as such in session No. 96 of the General Shareholders Assembly of March 28, 2017; therefore and provided that no proposal for the designation of the new substitute member was received, the position will remain vacant until the new appointment is made; therefore the composition of the Board of Directors on December 31 is as follows:

(In thousand pesos)

The fees paid to the Board of Directors:

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

Management Key Personnel

Below is the list of key Management personnel:

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

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

	At December 31 of 2017	At December 31 of 2016
Remuneration	$ 2.917.029	$ 2.406.348
Benefits at short term	946.231	498.746
	$ 3.863.260	$ 2.905.094

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Plans of incentives to Management key staff

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

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

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

10. Inventories, net

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

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

(2) The elements and accessories are composed:

	At December 31 of 2017	At December 31 of 2016
Spare parts and materials (a)		
Supply of Materials (b)	(155.108)	(277.706)
Total Other Inventaries	**$ 10.633.014**	**$ 10.460.814**

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

Balance at December 31 of 2016	**$ (277.706)**
Use of provision	153.578
Provision supply	(30.980)
Balance at December 31 of 2017	**$ (155.108)**

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

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

11. Intangible assets different from capital gain value, net

Intangible assets	At December 31 of 2017	At December 31 of 2016
Rights (1)	$ 46.304.834	$ 58.099.975
Development costs (2)	3.406.634	24.384.010
Licenses	9.207.658	11.904.716
Computer programs (3)	9.262.531	825.714
Other intangible identifiable assets	5.596.847	4.817.773
Constructions and advances of works	5.266.910	4.405.324
Other intangible resources	329.937	412.449
Intangible assets, net	**$ 73.778.504**	**$ 100.032.188**
Cost		
Rights (1)	83.322.027	83.322.027
Development costs (2)	5.335.542	34.555.565
Licenses	20.699.883	20.712.441
Computer Programs (3)	21.189.390	12.211.180
Other Identifiable Intangible Assets	9.136.324	8.274.738
Constructions and advances of works	5.266.910	4.405.324
Other intangible resources	3.869.414	3.869.414
Intangible Assets, Gross	**$ 139.683.166**	**$ 159.075.951**
Amortization		
Rights (1)	$ (37.017.193)	$ (25.222.052)
Development costs (2)	(1.928.908)	(10.171.555)
Licenses	(11.492.225)	(8.807.725)
Computer Programs (3)	(11.926.859)	(11.385.466)
Other Identifiable Intangible Assets	(3.539.477)	(3.456.965)
Accumulated Amortization of Intangible Assets	**$ (65.904.662)**	**$ (59.043.763)**

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

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

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

Composition and movements of intangible asset is as follows:

Movements in intangible assets at December 31 of 2017	Development Costs	Rights	Other Identifiable Intangible Assets: Licenses	Computer Programs	Other Identifiable Intangible Assets: Constructions and work progress	Other Identifiable Intangible Assets: Other intangible resources	Intangible Assets
Initial balance at Dec/31/16	**$ 33.695.031**	**48.788.954**	**$ 11.904.716**	**$ 825.714**	**$ 4.405.324**	**$ 412.449**	**$ 100.032.188**
Movements in intangible assets							
Additions (*)	-	-	-	551.411	9.288.386	-	9.839.797
Transfers(**)	-	-	-	8.426.800	(8.426.800)	-	-
Withdrawals (***)	(29.220.023)	-	-	-	-	-	(29.220.023)
Amortization	(1.068.374)	(2.484.120)	(2.697.058)	(541.394)	-	(82.512)	(6.873.458)
Other increases (decreases)	-	-	-	-	-	-	-
Total movements in identifiable intangible assets	**(30.288.397)**	**(2.484.120)**	**(2.697.058)**	**8.436.817**	**861.586**	**(82.512)**	**(26.253.684)**
Final Balance 31/Dec/17	**$ 3.406.634**	**$ 46.304.834**	**$ 9.207.658**	**$ 9.262.531**	**$ 5.266.910**	**$ 329.937**	**$ 73.778.504**

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

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

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

The composition and movements of the intangible asset during 2016:

Movements in intangible assets at December 31 of 2016	Development Costs	Rights	Patents, Trademarks and other rights: Licencies	Computer Programs	Other Identifiable Intangible Assets: Constructions and work progress	Other Identifiable Intangible Assets: Other intangible resources	Intangible Assets
Initial balance at Dec/31/15	**$ 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)	-	-
Withdrawals (**)	(3.610.692)	-	-	-	-	-	(3.610.692)
Amortization	(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 identifiable intangible 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**

(In thousand pesos)

12. Property, plant and equipment, net

	At December 31 of 2017	At December 31 of 2016
Plants and equipment (1)		
Construction in progress (2)	204.451.802	159.306.414
Land	268.950.793	268.950.793
Buildings	42.607.220	44.219.117
Fixed premises and other	13.696.557	18.359.418
Financial leases (3)	5.416.218	6.772.669
Properties, plants and equipment, net	**$ 7.947.512.389**	**$ 7.922.553.413**
Cost		
Plants and equipment	10.466.449.156	10.286.726.643
Hydroelectric generation plants	9.637.395.064	9.485.351.764
Thermoelectric generation plants	829.054.092	801.374.879
Construction in progress	204.451.802	159.306.414
Land	268.950.793	268.950.793
Buildings	75.886.663	76.135.326
Fixed premises and other	71.187.972	86.910.076
Fixed premises and accessories	31.227.127	34.514.429
Other premises	39.960.845	52.395.647
Finance leases	8.001.351	8.093.197
Properties, plants and equipment, gross	**$ 11.094.927.737**	**$ 10.886.122.449**
Depreciation		
Plants and equipment	(3.054.059.357)	(2.861.781.641)
Hydroelectric generation plants	(2.727.648.589)	(2.578.856.343)
Thermoelectric generation plants	(326.410.768)	(282.925.298)
Fixed premises and other	(57.491.415)	(68.550.658)
Fixed installations and accessories	(24.615.468)	(26.761.086)
Other facilities	(32.875.947)	(41.789.572)
Buildings	(33.279.443)	(31.916.209)
Finance leases	(2.585.133)	(1.320.528)
Accumulated depreciation	**$ (3.147.415.348)**	**$ (2.963.569.036)**

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

THERMAL POWER STATIONS
At December 31 of 2017

Plant	Gross Cost	Accumulated Dep.	Net Cost
CC – Termozipa	$ 632.686.052	$ (237.911.732)	$ 394.774.320
CF – Cartagena	196.368.040	(88.499.036)	107.869.004
Total Thermal Power Stations	**829.054.092**	**(326.410.768)**	**502.643.324**

Hydraulic Power Stations
At December 31 of 2017

Plant	Gross Cost	Accumulated Dep.	Net Cost
CH – Quimbo	$ 3.395.646.700	$ (96.972.369)	$ 3.298.674.331
CH – Guavio	3.228.891.843	(1.080.052.585)	2.148.839.258
CH – Betania	1.898.484.542	(972.936.095)	925.548.447
CH – Pagua	821.193.029	(437.835.832)	383.357.197
CH – Centrales menores (Rio Bogotá)	293.178.950	(139.851.708)	153.327.242
Total Hydraulic Power Stations	**9.637.395.064**	**(2.727.648.589)**	**6.909.746.475**
Total Plants and Equipment	**$ 10.466.449.156**	**$ (3.054.059.357)**	**$ 7.412.389.799**

CH – Hydraulic Central CC – Coal Central CF – Central Fuel Oill

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

THERMAL POWER STATIONS
At December 31 of 2016

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

Hydraulic Power Stations
At December 31 of 2016

Plant	Gross Cost	Accumulated Dep.	Net Cost
CH – Quimbo (*)	3.337.543.174	(50.011.295)	3.287.531.880
CH – Guavio	3.201.766.211	(1.039.487.422)	2.162.278.789
CH – Betania	1.902.584.348	(950.666.904)	951.917.444
CH – Pagua	791.566.867	(415.792.866)	375.774.001
CH – Centrales menores (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 Stations	**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 Central CC – Coal Central CF – Central Fuel Oil

(In thousand pesos)

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

Plant	At December 31 of 2017
CC – Termozipa	$ 101.061.910
CH – Quimbo	35.080.641
CF – Cartagena	35.295.800
CH – Guavio	8.147.644
CH - Centrales Menores (Rio Bogotá)	8.719.325
CH – Betania	7.337.423
CH - Pagua	6.446.107
Otras Inversiones	2.362.952
Total ongoing constructions	**$ 204.451.802**

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

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

Plant	At December 31 of 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 - Centrales Menores (Rio Bogotá)	7.246.849
Otras Inversiones	3.532.947
CH - Betania	3.527.337
Total ongoing constructions	**$ 159.306.414**

CH- Hydraulic Central CT- Thermoelectric Central

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

Movement in property, plant and equipment at December 31, 2017				**Plants and Equipment**		**Fixed premises and accessories**			
	Ongoing Construction	**Land**	**Buildings**	**Hydroelectric Generation Pants**	**Thermoelectric Generation Plants**	**Fixed premises and accessories**	**Other Premises**	**Financial Leases**	**Property, Plant and Equipment**
Initial Balance 31/dec/2016	**$ 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									
Additions	230.386.962	-	-	-	-	-	-	-	230.386.962
Transfers	(185.241.574)	-	-	156.321.652	28.790.670	-	-	129.252	-
Withdrawals			(67.757)	(1.300.955)	(139.409)	(143.962)	(340.027)	(52.771)	(2.044.881)
Depreciation expense	-	-	(1.544.140)	(151.769.643)	(44.457.518)	(997.722)	(3.181.150)	(1.432.932)	(203.383.105)
Other increases (decreases)	-	-	-	-	-	-	-	-	-
Total movements	45.145.388	-	(1.611.897)	3.251.054	(15.806.257)	(1.141.684)	(3.521.177)	(1.356.451)	24.958.976
Final Balance 31 / dec / 17	**$ 204.451.802**	**$ 268.950.793**	**$ 42.607.220**	**$ 6.909.746.475**	**$ 502.643.324**	**$ 6.611.659**	**$ 7.084.898**	**$ 5.416.218**	**$ 7.947.512.389**

Movement in property, plant and equipment at December 31, 2016				**Plants and Equipment**		**Fixed premises and accessories**			
	Ongoing Construction	**Land**	**Buildings**	**Hydroelectric Generation Pants**	**Thermoelectric Generation Plants**	**Fixed premises and accessories**	**Other Premises**	**Financial 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**	**$7.878.232.087**
Movement in property, plant and equipment									
Additions	229.113.238	302.363	222.550	1.392.365	1.439.109	45.466	471.434	6.546.073	239.532.598
Transfers	(225.681.887)	(7.031.985)	1.478.378	141.016.182	88.077.892	126.472	2.014.948	-	-
Withdrawals	-	-	(1.355)	(3.755.273)	(4.136.100)	(104.064)	(4.696)	-	(8.001.488)
Depreciation expense	-	-	(1.922.662)	(150.355.673)	(29.937.999)	(1.298.941)	(3.339.338)	(355.171)	(187.209.784)
Other increases (decreases)	-	-	-	-	-	-	-	-	-
Total movements	3.431.351	(6.729.622)	(223.089)	(11.702.399)	55.442.902	(1.231.067)	(857.652)	6.190.902	44.321.326
Final Balance 31 / dec / 16	**$ 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**

Additional information on property, plant and equipment, net

Main investments

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

(In thousand pesos)

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

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

Main transfers to operation

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

From January 1 to December 31 of 2017	
Plant	**Total Activation**
CH – Quimbo	$ 58.103.524
CC – Termozipa	26.724.173
CH - Minor Centrals (Rio Bogotá)	36.464.403
CH – Pagua	32.675.320
CH – Guavio	28.590.106
CF – Cartagena	2.066.498
CH – Betania	488.299
Other investments	129.251
Total	**$ 185.241.574**

CH. - Central hidroeléctrica, CC. - Central Carbón, CF.- Central fuel oíl

Fully depreciated assets in use

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

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(3) Financial leasing

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

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

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

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

Minimum mpayments for lease, liabilities for financial leasing	At December 31 of 2017			At December 31 of 2017		
	Gross	Interest	Current	Bruto	Interés	Valor presente
Below one year	Value	Gross	Interest	Current	$ 698.786	$ 2.117.063
More than one year but less to five years	Value	140.909	2.054.926	4.815.162	556.839	4.258.323
Total	**$ 4.959.911**	**$ 578.024**	**$ 4.381.887**	**$ 7.631.011**	**$ 1.255.625**	**$6.375.386**

Operative Leasing

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

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

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

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

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

- The above information does not include VAT

Insurance Policy

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

Insured asset	Covered risks	Insured value (Figures stated in thousands)	Expiration	Insurance Company
	Tort liability	USD $20.000	1/11/2018	Axa Colpatria
Company's Equity	Tort liability (coverage of USD $ 200 million in excess of USD $ 20 million	USD $200.000	1/11/2018	Mapfre Seguros Colombia
	Tort Liability (coverage of EUR 300 million in excess of EUR 200 million)	€ 500.000	1/11/2018	Mapfre Seguros Colombia
Civil works, equipment, contents, stores and loss of profits	All risk material damage, earthquake, tsunami, HMACC – AMIT, Loss of profits and break of machinery.	USD 1.047.420	1/11/2018	Mapfre Seguros Colombia
Vehicles	Tort liability	$ 900.000 per vehicle	01/01/2018	Seguros Mundial

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

Indemnities received for casualties at December 31 of 2017 are:

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

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

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13. Deferred Taxes

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

	Initial balance at December 31 of 2016	Increase (Decrease) for deferred taxes in Results	Increase (Decrease) for Deferred Taxes in other Integral Result	Final Balance at December 31 of 2107
Depreciation and adjustments for inflation of property, plant and equipment	$ 42.624.633	$ (42.624633)	$ -	$ -
Other provisions (1)	49.149.777	(15.159.884)	-	33.989.893
Defined contribution obligations	7.564.782	(65.740)	(213.345)	7.285.697
Asset deferred tax	**$ 99.339.192**	**$ (57.850.257)**	**$ (213.345)**	**$ 41.275.590**
Excess of tax depreciation on book value (2)	-	(73.716.961)	-	(73.716.961)
Forward and swap	(2.190.389)	-	516.781	(1.673.608)
Deferred tax liability	**(2.190.389)**	**(73.716.961)**	**516.781**	**(75.390.569)**
Net asset deferred tax	**$ 97.148.803**	**$ (131.567.218)**	**$ 303.436**	**$ (34.114.979)**

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

	Initial balance at December 31 of 2016	Increase (Decrease) for deferred taxes in Results	Final Balance at December 31 of 2107
Provisions of works and services			
Provision Labor Obligations	2.393.604	(1.942.468)	451.136
Provision Quality Compensation	1.535.858	947.979	2.483.837
Others	1.788.438	(1.245.386)	543.052
Provision of uncollectible accounts	37.538.764	(13.101.375)	24.437389
Provision of Industry and Commerce	76.848	(76.848)	-
	$ 49.149.777	**$ (15.159.884)**	**$ 33.989.893**

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

- Assets classified or belonging to the Quimbo project have special treatment: Assets in 2016 were depreciated according to the useful life classified as per the type of asset according to the regulations in effect until that year, for the year 2017 despite that the reform (law 1819 of 2016) established new rates for depreciation, the assets that belong to Quimbo will follow those of the regulation since this project has legal stability.
- Assets to which accelerated depreciation was applied with the balance reduction method.
- Other assets are depreciated by straight line.
- Beginning in 2017, assets acquired as new or that will be activated will take into account the accounting useful life unless this is not greater than that established in law 1819 of 2016.

(In thousand pesos)

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

	Income	2018 Surcharge	2019 Surcharge
Fixed Assets	$ (232.355.911)	$ (381.044)	$ (231.974.867)
Estimated provisions and liabilities	27.755.975	20.760.217	6.995.758
Defined contribution obligations	21.431.819	5.329.861	16.101.958
Portfolio	69.821.111	34.910.556	34.910.556
	(113.347.006)	**60.619.590**	**(173.966.595)**
CREE Rate and Surcharge		4%	0%
Income rate		33%	33%
CREE Tax and Surcharge		2.424.785	-
Income tax	**(37.404.510)**	**20.004.466**	**(57.408.976)**
Occasional earnings	8.647.462		
Rate	10%		
Tax	864.746		
Total deferred tax debit	**$ (34.114.979)**		

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

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

	Initial balance at December 31 of 2015	Increase (Decrease) for deferred taxes in Results	Increase (Decrease) for Deferred Taxes in other Integral Result	Final Balance at December 31 of 2106
Depreciation and adjustments for inflation of property, plant and equipment	$ 198.346.511	$ (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
Active deferred tax	**$ 215.398.689**	**$ (121.269.721)**	**$ 5.210.224**	**$ 99.339.192**
Excess of tax depreciation on book value	(132.710.293)	132.710.293	-	-
Forward and swap	(1.402.169)	-	(788.220)	(2.190.389)
Deferred tax liability	**$ (134.112.462)**	**$ 132.710.293**	**$ (788.220)**	**$ (2.190.389)**
Net active deferred tax	**$ 81.286.227**	**$ 11.440.572**	**$ 4.422.004**	**$ 97.148.803**

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

	Initial balance at December 31 of 2015	Increase (Decrease) for deferred taxes in Results	Final Balance at December 31 of 2106
Provisions of works and services			
Provision Labor Obligations	2.366.713	26.890	2.393.604
Provision Quality Compensation	1.793.368	(257.509)	1.535.858
Others	-	1.788.438	1.788.438
Provision of uncollectible accounts	677.815	36.860.949	37.538.764
Provision of Industry and Commerce	206.856	(130.008)	76.848
	$ 14.475.646	**$ 34.674.131**	**$ 49.149.777**

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

	Income	2016 CREE and surcharge	2017 Surcharge	2018 Surcharge	2019 Surcharge
Fixed Assets	$ 127.310.083	$ -	$19.329.489	$ 17.719.007	$ 90.261.587
Estimated provisions and 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
	269.060.088	**11.053.124**	**65.629.771**	**53.160.600**	**139.216.593**
CREE Rate and Surcharge		15%	6%	4%	0%
Income rate		25%	34%	33%	33%
CREE Tax and Surcharge		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 tax debit	**$ 97.148.803**				

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

14. Other financial liabilities

	At December 31 of 2017			At December 31 of 2016		
	Current			Current		
	Capital	Interest	Non- Current	Capital	Interest	Non- Current
Issued bonds (1)	$ 218.200.000	$ 90.247.846	$ 3.517.794.451	$ 170.000.000	$ 119.989.589	$ 3.735.015.353
Club Deal (2)	40.666.669	548.495	203.333.333	40.666.667	875.042	244.000.000
Bank loans (2)	103.926.861	1.793.078	-	130.000.000	622.916	-
Leasing liabilities (3)	2.326.960	-	2.054.927	2.117.063	-	4.258.323
Derived Instruments (4)	4.872.194	-	-	-	-	-
	$ 369.992.684	**$ 92.589.419**	**$ 3.723.182.711**	**$ 342.783.730**	**$ 121.487.547**	**$ 3.983.273.676**

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

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

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

(In thousand pesos)

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

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

Program for issuing and placing ordinary bonds of Emgesa in the local market

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

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

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

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

First Tranche:

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

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Grupo Enel

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

Second Tranche:

Total Placed Value	$265.000.000 as follows:	
	Sub–series A5:	$ 49.440.000
	Sub series B10:	$160.060.000
	Sub series B15:	$ 55.500.000
Current Balance at December 31 of 2017	$215.560.000	
Face value per bond	$10.000	
Issuance Term	Sub–series A5: 5 years	
	Sub–series B10: 10 years	
	Sub–series B15: 15 years	
Date of issue:	February 11 of 2009, for all sub-series	
Maturity Date:	Sub–series A 5: February 11 of 2014	
	Sub–series B10: February 11 of 2019	
	Sub–series B15: February 11 of 2024	
Coupon Rate	Sub–series A 5: DTF T.A. + 1.47%	
	Sub–series B10: IPC + 5,78% E.A.	
	Sub–series B15: IPC + 6,09% E.A.	

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

Third Tranche:

	$400.000.000 as follows:	
Total placed value	Sub–series E5:	$ 92.220.000
	Sub–series B9:	$218.200.000
	Sub–series B12:	$ 89.580.000
	$307.780.000	
Current balance at December 31 of 2017	$10.000	
Face value per bond	Sub–series E5: 5 years	
Issuance term	Sub–series B9: 9 years	
	Sub–series B12: 12 years	
	July 2 of 2009 for all sub–series	
Issue Date	Sub–series E5: July 2 of 2014	
Maturity Date	Sub–series B9: July 2 of 2018	
	Sub–series B12: July 2 of 2021	
	Sub–series E5: Fixed Rate 9,27% E.A.	
	Sub–series B9: IPC + 5,90% E.A.	
Coupon Rate	Sub–serie B12: IPC + 6,10% E.A.	

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

(In thousand pesos)

Fourth Tranche:

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

Fifth Tranche:

Total placed value	$565.000.000, as follows: Sub–series B6: $201.970.000 Sub–series B12: $363.030.000
Costs of transaction at December 31,2017	$314.368
Current balance at December 31 of 2017	$564.685.632
Face value per bond	$10.000
Issuance term	Sub–series B6: 6 years Sub–series B12: 12 years
Issuance date	September 11 of 2013
Maturity date	Sub–series B6: September 11 of 2019 Sub–series B12: 11 de September de 2025
Coupon Rate	Sub–series B6: IPC + 4,25% E.A. Sub–series B12: IPC + 5,00% E.A.

Sixth Tranche:

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

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Seventh Tranche:

Total placed value	$525.000.000, así: Sub–series B3: $234.870.000 Sub–series B7: $290.130.000
Transactions costs at Dec. 31 of 2017	$426.760
Current balance at December 31 of 2017	$524.573.240
Face value per bond	$10.000
Term of Issue	Sub–series B3: 3 years Sub–series B7: 7 years
Issuance Date	11 de febrero de 2016
Maturity Date	Sub–series B3: February 11 of 2019 Sub–series B7: February 11 of 2023
Coupon Rate	Sub–series B3: IPC + 3,49% E.A. Sub–series B7: IPC + 4,69% E.A.

Eighth Tranche (*):

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

International Global Funds in Pesos

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

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

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

Registration form	144 A/ Reg S
Total value of issue in pesos	$736.760.000
Transaction cost at December 31 of 2017	$2.217.761
Current balance at December 31 of 2017	$734.542.239
Use of funds	Financing of new projects as El Quimbo and refinancing of other financial obligations besides other general uses of the Company.
Face value	$5.000 each bond
Term	10 years, with amortization at mature date.
Periodicity of interest	Annual
Days count	365/365
Issuance Manager, Payment Agent, Calculation and Transfer Agent	The Bank of New York Mellon
Yield	8,75% E.A.
International rating	BBB (stable) by Fitch Ratings and Standard & Poor's

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

Description	Rate EA	Current			Non-Current						
		Less than 90 days	More than 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total non-Current
Program Second Tranche B104-10	10%										
Program Second Tranche B104-15	11%	781.280	-	781.280	-	-	-	-	55.500.000	-	55.500.000
Program Third Tranche B105-9	11%	5.380.814	218.200.000	223.580.814	-	-	-	-	-	-	-
Program Third Tranche B105-12	12%	2.252.284	-	2.252.284	-	-	89.580.000	-	-	-	89.580.000
External Bond Z47	9%	7.663.755	-	7.663.755	-	-	90.000.000	-	-	-	90.000.000
External Bond Z58	10%	55.073.450	-	55.073.450	-	-	644.390.805	-	-	-	644.390.805
Program Fourth Tranche B10	8%	1.156.213	-	1.156.213	-	-	-	-	299.800.714	-	299.800.714
Program Fourth Tranche B15	8%	800.027	-	800.027	-	-	-	-	-	199.829.656	199.829.656
Program Fifth Tranche B12	10%	1.882.952	-	1.882.952	-	-	-	-	362.771.043	-	362.771.043
Program Fifth Tranche B6-1	10%	726.897	-	726.897	152.477.065	-	-	-	-	-	152.477.065
Program Fifth Tranche B6-2	10%	235.611	-	235.611	49.423.489	-	-	-	-	-	49.423.489
Program Sixth Tranche B16	10%	1.676.594	-	1.676.594	-	-	-	-	-	162.606.712	162.606.712
Program Sixth Tranche B10	9%	1.849.758	-	1.849.758	-	-	-	-	186.257.191	-	186.257.191
Program Sixth Tranche B6-2	9%	1.233.893	-	1.233.893	-	130.993.406	-	-	-	-	130.993.406
Program Sixth Tranche B6-1	9%	1.035.540	-	1.035.540	-	109.938.193	-	-	-	-	109.938.193
Program Seventh Tranche B-3	9%	2.474.445	-	2.474.445	234.714.210	-	-	-	-	-	234.714.210
Program Seventh Tranche B-7	10%	3.534.947	-	3.534.947	-	-	-	-	289.814.914	-	289.814.914
Bond series and subseries E6	8%	303.283	-	303.283	-	-	-	299.637.053	-	-	299.637.053
Total bonds		**$90.247.846**	**$218.200.000**	**$ 308.447.846**	**$596.674.764**	**$ 240.931.599**	**$823.970.805**	**$299.637.053**	**$1.194.143.862**	**$362.436.368**	**$3.517.794.451**

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

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

Description	Rate EA	Current		Non-Current					
		Total Current Less than 90 days	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total non-Current
Program First Tranche B103	11%	$ 186.805.847	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Program Second Tranche B104-10	12%	2.588.489	-	160.060.000	-	-	-	-	160.060.000
Program Second Tranche B104-15	12%	920.897	-	-	-	-	55.500.000	-	55.500.000
Program Third Tranche B105-9	12%	6.359.811	218.200.000	-	-	-	-	-	218.200.000
Program Third Tranche B105-12	12%	2.654.290	-	-	-	89.580.000	-	-	89.580.000
External Bond Z47	10%	8.554.859	-	-	-	90.000.000	-	-	90.000.000
External Bond Z58	10%	61.477.114	-	-	-	643.936.502	-	-	643.936.502
Program Fourth Tranche B10	10%	1.460.910	-	-	-	-	299.778.726	-	299.778.726
Program Fourth Tranche B15	10%	986.269	-	-	-	-	-	199.821.890	199.821.890
Program Fifth Tranche B12	11%	2.257.780	-	-	-	-	362.755.283	-	362.755.283
Program Fifth Tranche B6-1	10%	884.099	-	152.458.663	-	-	-	-	152.458.663
Program Fifth Tranche B6-2	10%	286.566	-	49.417.296	-	-	-	-	49.417.296
Program Sixth Tranche B16	10%	2.043.600	-	-	-	-	-	162.348.899	162.348.899
Program Sixth Tranche B10	10%	2.270.438	-	-	-	-	186.244.241	-	186.244.241
Program Sixth Tranche B6-2	10%	1.529.325	-	-	130.976.019	-	-	-	130.976.019
Program Sixth Tranche B6-1	10%	1.283.480	-	-	109.923.060	-	-	-	109.923.060
Program Seventh Tranche B3-16	10%	3.061.906	-	234.634.163	-	-	-	-	234.634.163
Program Seventh Tranche B7-16	11%	4.260.625	-	-	-	-	289.782.272	-	289.782.272
Program Eighth Tranche E6-16	8%	303.284	-	-	-	-	299.598.339	-	299.598.339
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**

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

(In thousand pesos)

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

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

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

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

		Current			Non- Current					
Description	**Rate EA**	**Less than 90 days**	**More than 90 days**	**Total Current**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**5 to 10 years**	**Total Non-Current**
Banco Bogotá	9%	$ 230.083	$ 10.666.667	$ 10.896.750	$ 10.666.667	$ 10.666.667	$ 10.666.667	$ 10.666.667	$ 21.333.332	$ 64.000.000
Banco BBVA	9%	644.959	30.000.000	30.644.959	30.000.000	30.000.000	30.000.000	30.000.000	60.000.000	180.000.000
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**	**$244.000.000**
The Bank Of Tokyo	7%	622.916	130.000.000	130.622.916	-	-	-	-	-	-
Total Préstamos Bancarios		**$ 622.916**	**$ 130.000.000**	**$ 130.622.916**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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

			Corriente			No corriente		
Description	**Rate**	**Type of rate**	**Less than 90 days**	**More than 90 days**	**Total Current**	**1 to 2 years**	**2 to 3 years**	**Total Non-Current**
Banco Corpbanca	8,40%	Fixed	$ 5.931	$ 16.250	$ 22.181	$ -	$ -	$ -
Equirent S.A	7,58%	Fixed	195.975	594.911	790.886	753.412	46.704	800.115
Mareauto Colombia S.A.S	11,78%	Fixed	37.678	117.868	155.546	154.091	95.835	249.926
Transportes Especializados JR S.A.S.	11,69%	Fixed	308.759	1.004.891	1.313.650	1.004.886	-	1.004.886
Consorcio Empresarial	7,08%	Fixed	14.647	30.051	44.697	-	-	-
Total Leasing			**$ 562.990**	**$ 1.763.971**	**$ 2.326.960**	**$ 1.912.389**	**$ 142.539**	**$ 2.054.927**

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

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

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

15. Commercial accounts payable and other accounts payable

	At December 31 of 2017	At December 31 of 2016
Commercial accounts payable	$ 48.289.029	$ 42.791.615
Other accounts payable (1)	168.582.499	288.382.223
Commercial accounts payable and other accounts payable	**$ 216.871.528**	**$ 331.173.838**

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

	At December 31 of 2017	At December 31 of 2016
Accounts payable for goods and services (a)	$ 126.220.943	$ 239.115.851
Suppliers for energy purchase (b)	48.289.030	42.791.615
Other accounts payable	21.965.063	22.209.776
Taxes other than Income (c)	20.396.492	27.049.334
Provision for payment of taxes	15.035.756	17.081.243
Territorial taxes, contributions, municipal and related	5.360.736	9.968.091
Fee	-	7.262
Total commercial accounts payable and other accounts payable	**$ 216.871.528**	**$ 331.173.838**

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

(b) The variation between December 31, 2017 and 2016 corresponds to the increase in the estimate for liabilities of the variable margin associated with the costs of generating electricity for $5,497,414.

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

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

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

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

16. Provisions

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

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

(1) Provision corresponding to El Quimbo Hydroelectric Power Plant, as follows: I) Environmental and Quimbo works, mainly correspond to obligations to replace infrastructure, liquidation of contracts associated with executed works and minor works necessary for the operation of the plant which are expected to be executed within the schedule of works proposed by the project between 2017 and 2019. II) Restoration plan includes works necessary to mitigate environmental impact at the time of filling the reservoir and which involves estimated execution flows in 30 years. Among the main activities of this obligation is the restoration of forests, creation of a protection strip, fish and fishery programs and wildlife and flora monitoring programs.

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Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

(2) At December 31, 2017, the value of the claims in the claims to the Company for administrative, civil, labor litigation and constitutional actions amounts to $3,045,860,586 based on the evaluation of the probability of success in the defense of these cases, $4.118,526 have been provisioned to cover probable losses for these contingencies. Management believes the outcome of the lawsuits corresponding to the non-provisioned part will be favorable to the interests of the Company and would not cause significant liabilities that should be accounted for or that, if they arise, would not significantly affect the financial position of the Company. Additional sanctions are provided for El Quimbo Hydroelectric Power Plant for $3,147,969, which are specified in note 32. Sanctions, on the other hand successful premiums for $ 2,766,242, which will be effective when the lawyer obtains a ruling in favor of the Company of the agreed processes and a fiscal process of Compensar for $679,642.

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

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

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

Additionally, sanctions of El Quimbo Hydroelectric Power Plant have been provisioned, which are detailed in note 32. Sanctions, success premiums and a Compensar tax process which is also disclosed in "The main fiscal litigation that the Company has at December 31, 2017 classified as probable ":

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

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

Plaintiff: **Yohana Farley Rodríguez Berrio**
Start date: 2014
Claim: $ 300.000
Provisioned: $ 1,000,000

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

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

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

Plaintiff: **Ramiro Tovar Coronado, Argemiro Torres, Juan E Méndez Ana Luisa Silvestre y Alejandro Sánchez Guarnizo (2002-0063)**
Start date: 2005
Claim: $63,832
Provisioned: $726,263

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

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

Plaintiff: **Ramiro Tovar Coronado, Argemiro Torres, Juan E Méndez Ana Luisa Silvestre y Alejandro Sánchez Guarnizo (2005-0077)**
Start date: 2005
Claim: $ 604.762
Provisionado: $ 609.477

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

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

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

Plaintiff: **Hernán Useche Culma**
Start date: 2010
Claim: $ 100,000
Provisioned: $ 240,911

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

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

Plaintiff: **Diomedes Lozano Apache y Ananías Ortiz Vásquez**
Start date: 2008
Claim: $ 63.649
Provisioned: $343,403

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

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

Plaintiff: **Abundio Carrillo y Edgar Antonio Sánchez Guarnizo**
Start date: 2008
Claim: $ 62,917
Provisioned: $ 141,088

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

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

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

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

(In thousand pesos)

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

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

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

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

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

Type of Process	Plaintiff	Purpose of the claim	Value	Date of Movement
Civil_Ordinary	Rafael Bernate	Ordinary process for tort liability for facts of 1989	$ 4.376	March, June and December 2017
Civil_Ordinary	Saúl Cárdenas Trujillo	Ordinary process for tort liability for facts of 1994	138.638	November and December 2017
Civil_Ordinary	Angel E Guerra	Ordinary process for tort liability for facts of 1989	6.336	Julio and August 2017
Civil_Ordinary	Diomedez Lozano Apache	Ordinary process for tort liability for facts of 1994	(10.826)	March, June and octubre 2017
Civil_Ordinary	Angel Antonio Diaz Leyton	Ordinary process for tort liability for facts of 1994	(1.054.285)	March and June 2017
Civil_Ordinary	José Tadeo Alarcón Peréz	Ordinary process for tort liability for facts of 1994	(19.129)	May 2017
Civil_Ordinary	Eduardo Sanchez Rojas	Ordinary process for tort liability for facts of 1994	(31.617)	May 2017
Civil_Ordinary	Evelia Florez Serrano	Ordinary process for tort liability for facts of 1994	(5.481)	May 2017
Civil_Ordinary	Gerardo Charry	Ordinary process for tort liability for facts of 1994	4.162	November and December 2017
Civil_Ordinary	Alvaro Andrés Charry	Ordinary process for tort liability for facts of 1994	3.826	April and May 2017
Civil_Ordinary	Tirso Sanchez Solorzano	Ordinary process for tort liability for facts of 2007	(448)	May 2017
Civil_Ordinary	Gonzalo Sanchez	Ordinary process for tort liability for facts of 2007	(11.496)	March 2017 and May 2017
Civil_Ordinary	Jairo Osorio	Ordinary process for tort liability for facts of 2007	(10.213)	March 2017 and May 2017
Civil_Ordinary	Miller Vanegas Gutierrez	Ordinary process for tort liability for facts of 2007	(4.789)	March, April and May 2017
Civil_Verbal	Hector Vanegas Vanegas	Ordinary process for tort liability for facts of 2007	(6.316)	June, August and September 2017
Civil_Ordinary	Raquel Bustos	Ordinary process for tort liability for facts of 1994	(9.248)	March and August 2017
Civil_Ordinary	Luis Felipe Vanegas	Ordinary process for tort liability for facts of 2007	(6.162)	May 2017
Labor_Ordinary	Dionel Narvaez Castillo	Solidarity	110.000	August 2017
		Total	**$ (902.671)**	

Claim of Consorcio Impregilo

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

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

(In thousand pesos)

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

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

Provision Environmental Investments Program 1%

In accordance with Resolution 0899 of May 15, 2009, through which the National Environmental Licenses Authority (ANLA) granted an Environmental License for El Quimbo Hydroelectric Project, the Company at December 31, 2017 has registered as part of the total provisioned $15,744 million corresponding to 1% investment program submitted within the framework of the license, for the use of the surface water resource of the Magdalena River source, in accordance with the provisions of the paragraph of article 43 of the law 99 of 1993 regulated by Decree 1900 of September 12, 2006. On August 31, 2016 a partial settlement was made and submitted to the ANLA for review and approval for $9,702 million with a cut-off date of September 30, 2016, which will be re-settled once the final cost of the project is determined in accordance with paragraph 2 of article 4 of Decree 1900 of 2006. During 2017, no decisions have been received from the Authority of National Environmental Licenses-ANLA.

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

17. Provisions for benefits to employees

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

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

Retirement pensions.

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

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

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

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

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

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

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

Other post-employment obligations

Benefits to pensioners

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

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

(In thousand pesos)

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

	At December 31 of 2017	At December 31 of 2016
Educational Aid		
Pensioners	52	62
Average age	19.12	19,44
Energy Aid		
Pensioners	291	293
Average age	65,40	64,40
Health Service(*)		
Pensioners	101	111
Average age	56,98	52.25

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

Retroactive severance

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

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

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

Long-term benefits

The Company recognizes its active employees, benefits associated with their service time, such as five-year periods, which consists of making a payment for every 5 years of uninterrupted service to workers whose contracting date was made before September 21, 2005 and accrues from the second year, according to the definitions of the collective labor agreement.

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

The base of employees upon which the recognition of this obligation is made corresponds to:

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

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

Financial Hypothesis:

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

Demographic Hypothesis:

	Biometric Bases
Mortality rate	Colombian mortality table 2008 (valid rentiers)
Invalid mortality rate	Enel internal table
Total and permanent disability	EISS
rotation	Tabla interna Enel
Retirement	Men: 62 Women: 57

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

(In thousand pesos)

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

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

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

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

	Retired Personnel		Active Personnel		Plan of defined benefits
	Pensions (a)	Benefits	Retroactive severance	Five-year	
Initial balance as of December 31, 2015	**$62.820.259**	**$3.825.876**	**$4.009.538**	**$ 3.474.747**	**$74.130.420**
Current Service Cost	-	-	192.107	172.265	364.372
Cost for Interest	4.615.998	272.080	296.398	246.804	5.431.280
Paid Contributions	(6.927.592)	(504.613)	(1.319.267)	(462.245)	(9.213.717)
Cost past services	-	3.288.421	-	-	3.288.421
(Earnings) actuarial losses arising from changes in financial assumptions	8.102.223	1.096.437	594.985	147.830	9.941.475
(Earnings) actuarial losses arising from changes in adjustments by experience	2.621.432	356.559	1.185.326	956.072	5.119.389
Final balance At December 31 of 2016	**$71.232.320**	**$8.334.760**	**$4.959.087**	**$ 4.535.473**	**$89.061.640**

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

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	Retired Personnel		Active Personnel		Plan of defined benefits
Change in discount rate	Pensions (a)	Benefits	Retroactive severance	Five-year	
- 100 basic points	76.031.894	8.691.700	5.784.204	4.724.605	95.232.403
+ 100 basic points	61.388.205	7.196.738	4.852.935	4.418.543	77.856.421

Collective Labour Agreement

Collective Labour Agreement 2015 - 2018

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

Collective Convention Emgesa - ASIEB

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

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

Group 1: Workers under the Convention who: (i) joined the Company before January 1, 1992. (ii) did not meet the requirements of a conventional pension at July 31, 2010 (Legislative Act 01 of 2015) (iii) At the date of the San José Plan, are between 0 and 10 years to meet the retirement age in accordance with the Law.

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

Grupo 3: Trabajadores integrales y convencionados a quienes les aplica de acuerdo a la nueva estructura organizativa de la Compañía.

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

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

(In thousand pesos)

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

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

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

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

	Temporary Income	Retirement Bond	Other Benefits	Total Benefits Plan of Voluntary Retirement
Initial balance at January 1, 2016	**$ 2.281.235**	**$ 534.982**	**$ 34.037**	**$ 2.850.254**
Cost (recovery) of the period due to acceptance of offers	101.833	-	11.910	113.743
Financial Cost of the period	13.273	-	-	13.273
Employer contributions	(2.825.468)	(952.644)	(45.614)	(3.823.726)
(Profits) actuarial losses	846.789	-	-	846.789
Other movements	(417.662)	417.662	-	-
Final balance at December 31, 2016	**$ -**	**$ -**	**$ 333**	**$ 333**
Cost (recovery) of the period due to acceptance of offers	-	-	(333)	(333)
Employer contributions	54.892	-	-	54.892
(Profits) actuarial losses	(54.892)	-	-	(54.892)
Final balance at December 31, 2017	**$ -**	**$ -**	**$ -**	**$ -**

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

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18. Taxes to pay

Income Tax

	At December 31 of 2017	At December 31 of 2016
Current income tax (1)	$ 482.918.458	$ 493.240.215
Year income advance	(190.118.487)	(218.833.008)
Tax deductions and withholdings at the source	(651.478)	(6.631.611)
Self-retention of with-holding at source	(80.466.417)	(73.664.727)
Self-retention CREE	(50.367.180)	(49.619.476)
Current Tax (Assets) liabilities	**$ 161.314.896**	**$ 144.491.393**

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

	At December 31 of 2017	At December 31 of 2016
Income taxes related to the result of the period (See note 28)	$ 483.066.156	$ 492.899.513
Income taxes related to components of other comprehensive income (See Note 30)	(147.698)	340.702
	$ 482.918.458	**$ 493.240.215**

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

Concept	At December 31 of 2017 Value	Rate (%)	At December 31 of 2016 Value	Rate (%)
	$ 1.453.311316		**$ 1.236.154.914**	
Accounting profit before income tax				
	12.531.610	0.29	31.408.370	2,54
	(29.599.110)	(0.69)	69.312.621	5,61
Items that increase liquid income			32.102.886	2,60
Wealth tax	4.438.962	0.10	3.982.513	0,32
Deductible provisions			1.001.360	0,08
Taxed income				
Contribution to financial transactions	(1.390.680)	(0.03)	1.463.364	0,12
Other	544.313	0.01	2.002.958	0,16
			-	0,00
Non-deductible expenses	(326.136)	(0.01)	326.136	0,03
Non-deductible taxes	17.116	0.00	15.810	0,00
Amortization in science and technology	**(13.783.924)**	**(0.32)**	**141.616.018**	**11,46**

(In thousand pesos)

Items that reduce liquid income				
Deductions for productive real fixed assets	(22.872.283)	0.54	(56.649.461)	(4,58)
Depreciation and tax amortization	(209.255.257)	(4.29)	(109.231.996)	(8,84)
Non taxed Income	-		(175.303)	(0,01)
Total items that reduce liquid income	**(232.127.540)**	**(5.43)**	**(166.056.760)**	**(13,43)**
Net income taxable	**1.207.399.852**		**1.211.714.172**	**25**
Tax rate	34%		25%	
Income tax	**410.515.950**	**28.25**	**302.928.543**	**23,02**
Occasional earnings	65.169		-	
Occasional earning tax rate	10%		10%	
Occasional gain tax	**6.517**		**-**	
Total income tax and complementary taxes	**$ 410.522.467**		**$ 302.928.543**	

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

Concept	At December 31 of 2017 Value	Rate (%)	At December 31 of 2016 Value	Rate (%)
Ordinary taxable liquid income	**$ 1.207.399.852**		**$ 1.211.714.173**	
More special deductions	-	-		
Donations	-	-	716.658	0,06
Deductions for productive real fixed assets	-	-	56.649.461	4,68
Less untaxed income and deductible expenses				
Amortization investment science and technology	-	-	(15.810)	0,00
	-	-		
CREE taxable liquid income	**1.207.399.852**		**1.269.064.482**	**9**
Tax Rate CREE and Surcharge	0%	-	9%	
CREE income tax	-	-	114.215.803	13,73
CREE taxable liquid income	1.207.399.852		1.269.064.482	
Non-taxable CREE surcharge base	(800.000)	(0,07)	(800.000)	(0,06)
Taxable liquid income CREE surcharge	1.206.599.852		1.268.264.482	6
CREE tax rate	6%		6%	
Surcharge CREE Income Tax	72.395.991		76.095.869	
Income tax, CREE and income surcharge	**$ 482.918.458**		**$ 493.240.215**	

Concept	At December 31 of 2017	At December 31 of 2016
Total income tax and complementary	$ 410.522.467	$ 302.928.543
CREE Income Tax and Surcharge	72.395.991	190.311.672
Total	**$ 482.918.458**	**$ 493.240.215**

Equity conciliation

	At December 31 of 2017	At December 31 of 2016
Accounting assets	$ 3.848.286.300	$ 3.495.961.876
Estimated liabilities	303.229.932	56.350.829
Para-fiscal contributions and pensions and other benefits for employees	28.769.544	326.136
Fiscal adjustment to assets (*)	(531.450.991)	93.385.916
Tax adjustment to deferred	7.665.605	14.944.864
Provision debtors	69.821.111	104.079.205
Fiscal adjustment to investments	4.494.789	2.846.161
Deferred tax	34.114.979	(97.148.803)
Fiscal property	**$ 3.764.931.269**	**$ 3.670.746.184**

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

Transfer Prices

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

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

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

(In thousand pesos)

Legal Stability Agreement

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

Purpose: The Company agrees to build the "El Quimbo" hydroelectric plant
Investment Amount and Time Limits: The committed investments of the Company related to El Quimbo project were $1,922,578,000. In the first half of the year, an increase in the budget of $ 583,184,000 was approved, which, together with the financial expense incurred and projected to be incurred to finance the project ($ 450,712,000), represents a higher value of the investment. In accordance with the provisions of paragraph 2 of clause 2 of the legal stability agreement, the higher value of the investment involved paying, in December 2014, the amount of $ 6,299,000 for the adjustment of the premium established in the agreement of legal stability. In March / 2016, a second adjustment was paid for an amount of $4,657,000 onoccasion of the increase in the amount of the investment. In 2017, a greater investment was made to the one established in the agreement, and consequently the exact amount of increase in said investment is currently being established in order to proceed with the request for approval of re-settlement and payment of the premium in the Legal Stability Committee. Process the Company expects to complete in the first semester of 2018.

Key rules object of Legal Stability (with favorability):

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

Obligations of the Parties

a. Obligations of the Company:

Comply with the amount of the investment planned for the construction and start-up of El Quimbo hydroelectric project.

> Pay the legal stability bonus for $9,617,000 (recorded on December 23, 2010).- (Note 11) and adjust it in the event that increases in the amount of the investment are made, as was done according to the prior explanation. In December 2014, the Company paid $ 6,299,000 for the adjustment of the premium on the occasion of the larger proven investment. In March 2016, the Company paid $4.657.000 for a second adjustment of the premium for the higher investment made. In 2017, a greater investment was made to the one established in the agreement, and consequently the exact amount of increase in said investment is currently being established in order to proceed with the request for approval of re-settlement and payment of the premium in the Legal Stability Committee.

> Timely pay taxes.
Hire and independent auditing for the revision and certification of compliance with the commitments entered into in the agreement. For this purpose the Company hired a third party expert who advised with no exceptions on March 2017, in relation to the commitments referring to 2016. The Company's Management deems it will obtain the same concept as a result of the auditing carried out of the compliance with the liabilities related to 2017.

b. Obligations of the nation:

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

19. Other non-financial liabilities

	At December 31 of 2017	At December l 31 of 2016
Deferred income (1)	$ 4.296.624	$ 3.814.849
Advance payments for sale of Energy (2)	77.213.798	6.332.797
Total	**$ 81.510.422**	**$ 10.147.646**

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

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

20. Equity

Capital

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

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

Shareholding at December 31, 2017

Shareholding	Ordinary Shares With Right to Vote		Preferred Shares Without Right to Vote		Shareholding	
	(%) Participation	Number of Shares	(%) Participation	Number of Shares	(%) Participation	Number of Shares
Grupo Energía de Bogotá S. A. E.S.P.(1) (2)	43,57%	55.758.250	100%	20.952.601	51,51%	76.710.851
Enel Américas S.A.	56,42%	72.195.996	–%	–	48,48%	72.195.996
Other minority shareholding	0,01%	7.315	–%	–	0,01%	7.315
	100%	**127.961.561**	**100%**	**20.952.601**	**100%**	**148.914.162**

(In thousand pesos)

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

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

Shareholding as of December 31, 2016

Reorganization Enersis S.A. and Endesa Chile S.A.: As a result of the reorganization Enersis S.A. and Endesa Chile S.A. (Chilean Companies shareholders of Emgesa), on July 8, 2016 the inscription was made in the book of shareholders of Emgesa in Deceval S.A. of the companies resulting from the spin-off carried out in Chile (Endesa Américas S.A.), without affecting shareholdings. Subsequently, on December 1, the reorganization of Enersis Américas S.A. and Endesa Americas S.A. (Chilean Companies shareholders of Emgesa) was concluded, in which Enersis Américas absorbed Endesa Américas S.A. and later changed its corporate name to Enel Américas S.A. The inscription in the book of shareholders of Emgesa of Enel Américas S.A was made on January 16, 2017. In consideration of the foregoing, the resulting shareholding composition at January 16, 2017 is shown below:

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

Distribution of dividends

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

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

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

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

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

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

On December 12, 2017, a public draw for arbitrators was held for the arbitration court; however the parties wish to choose their own arbitrators as indicated in the Investment Framework Agreement (AMI).
This process is attended directly by the lawyers of Enel Américas; taking into account the initial phase of the process, the contingency is qualified as eventual.

Reserves

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

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

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

(In thousand pesos)

21. Income of ordinary activities and other income

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

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

(a) Increase in demand by 358 Gwh for the unregulated market, higher sales for $62,716,334.

(b) Increase in demand in 2014 Gwh for the wholesale market, higher sales for $483,343,221.

(c) Decrease in the recognition of thermal compensation for 2016 of $ 37,482,632 (January to April), on October 27, 2015, the Energy and Gas Regulatory Commission, CREG (as per Spanish wording), issued Resolution 178 "Whereby measures to guarantee the provision of the public service of electric power with the occurrence of extraordinary risk situations, are set forth", this Resolution sought to recover part of the cost not covered by the scarcity price in thermal power plants that operate with liquid fuel, in order to ensure its operation during the critical condition, the Company as a generator and operating with Central Cartagena under these conditions, as of November 4 represents to this regulating entity to abide the option set forth the resolution.

(d) Negative effect due to decrease in sales in the stock market (2,231 Gwh), lower sale price in the stock exchange compared to 2016 (97$ / kwh), impacting income from this market ($ 605,946,969).

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

Negative Conciliations CREG Resolution 176 of 2015

On February 26, 2016, the Company submitted an application for pre-judicial conciliation with the Attorney General's Office - Administrative Judicial Prosecutor's Office, in order to review by the Energy and Gas Regulation Commission CREG, the liquidation of negative reconciliations caused in October 2015, taking into account that the Company deems that such reconciliations must be subject to the regulations in effect according to resolutions CREG 034 of 2001, 159 and 168 of 2015; therefore, they can not be liquidated with retroactive effect since the methodology under the new resolution CREG 176 of 2015 can only have future effects, that is, as of October 28, 2015 date of its publication. The amount of the claims relating to reinstatement of the breached right and compensation for the damage is $100,410,738.

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

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

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

Other operation income

Below is the detail of other income:

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Rental of measuring equipment and other	$ 430.005	$ 1.327
Real estate leases SD	424.978	334.465
Equipment rental	30.455	393
Other services MNR	832	79.728
Other services provision	**$ 886.270**	**$ 415.913**
Fines and penalties (1)	9.727.026	449.486
Secondary market charge for reliability (2)	8.079.310	5.286.097
Compensation for damages 3)	3.386.597	14.919.637
Other services	2.648.586	4.480.995
Trader deviation income	233.993	2.440.302
Commissions	60.852	156.553
Sale of obsolete material	52.624	684.154
Material leftovers	-	66.560
Other operating income	**$ 24.188.988**	**$ 28.483.784**
Total other operating income	**$ 25.075.258**	**$ 28.899.697**

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

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

(In thousand pesos)

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

22. Supplies and services

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

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

(2) In 2016, there was greater thermal generation due to the safety requirements resulting from the "El Niño" phenomenon. In 2017 the decrease is in the consumption of coal used in thermal generation of Termozipa Power Plant in -473 GWh equivalent to ($30,316,769), liquid fuel consumption of the Cartagena Power Plant in -276 GWh equivalent to ($88,811,376).

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

Other variable supplies and services (*))

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

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

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

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

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

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

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

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

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

(In thousand pesos)

23. Personnel Expenses

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

(1) At December 31, 2017 and 2016, it corresponds to wages and salaries for $43,359,653 and $35,718,592, bonuses for $5,314,953 and $7,115,446, vacation and vacation premium for $4,929,710 and $4,001,249, premium for services for $3,582,920 and $3,123,193, severance and severance interest for $3,012,494 and $2,913,547 and amortization of employee benefits for $2,476,314 and $320,670 respectively.

(2) At December 31, 2017, there is no cost recognition for "San Jose Plan" retirement plan since it was completed during 2016.

24. Other Fixed Operation Expenses

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Independent, outsourced and other professional services (1)	$ 41.166.923	$ 31.320.524
Other supplies and services (2)	33.188.091	29.850.360
Insurance premiums	21.249.657	25.681.920
Tributes and Rates (3)	17.601.486	36.581.830
Repairs and conservation	11.856.759	9.548.223
Transportation and travel expenses	3.269.901	1.520.166
Leases and fees	3.267.621	3.694.879
	$ 131.600.438	**$ 138.197.902**

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

emgesa Grupo Enel

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Plants' maintenance and operation (*)	$ 24.211.558	$ 17.158.027
Software development services and computer applications (**)	5.347.926	1.660.570
Casino and cafeteria	3.941.815	3.079.140
Other administration and operation agreements	2.612.748	4.745.521
Telecommunications service (***)	1.714.086	725.119
Fees	1.666.143	1.603.265
Industrial Security	714.348	1.993.079
Fuels and lubricants	639.346	4.000
Office materials and supplies	318.953	351.803
	$ 41.166.923	**$ 31.320.524**

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

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

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

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

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

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

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

(In thousand pesos)

25. Expenses for depreciation, amortization and losses for impairment

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Depreciations (1)	$ 203.383.106	$ 187.209.784
Impairment financial assets (2)	(429.180)	102.320.470
Amortizations	6.873.458	4.641.672
	$ 209.827.384	**$ 294.171.926**

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

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

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

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26. Financial Results

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Revenue from cash and other equivalent means (1)	$ 22.226.213	$ 41.332.221
Interest on customer financing	2.242.019	3.084.290
Interest on accounts receivable	2.582.043	2.179.493
Financial income, net	**27.050.275**	**46.596.004**
Financial Obligations (2)	(342.190.090)	(462.779.828)
Tax on financial transactions	(8.877.923)	(7.965.026)
Obligation for post-employment benefits	(5.481.412)	(5.592.383)
Other financial costs	(27.058.209)	(20.604.517)
Financial leasings (Leasing)	(739.911)	(340.419)
Financial derivatives valuation	-	207.975
Financial expenses	**(384.347.545)**	**(497.074.198)**
Capitalized financial expenses (3)	5.745.998	5.062.047
Financial expenses, net	**(378.601.547)**	**(492.012.151)**
Income for realized difference in exchange (4)	9.805.149	11.842.281
Expense for un-realized exchange difference (4)	(10.250.686)	(9.616.985)
Exchange differences, net	(445.537)	2.225.296
Total net financial result	**$ (351.996.809)**	**$ (443.190.851)**

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

a. Banco de la República increased interest rates during 2016, going from 5.75% in January to 7.50% in December; for 2017 it had an opposite effect going from 7.50% in January to 4.75% in December. The Bank's average rate for 2016 was 6.97% and for the year 2017 it was 5.92%.
b. Returns of Emgesa's average placements during 2016 were 7.79% and the average for 2017 was 6.72%.

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

Transaction	Value
Issued bonds	$ 313.380.997
Club Deal	23.104.095
Bank loans (Bank of Tokyo Mitsubishi UFJ)	3.911.920
Bank loans (Banco de Crédito del Péru)	1.793.078
Financial Obligations Total Expense	**$ 342.190.090**

(In thousand pesos)

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

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

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

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

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

	At December 31 of 2017	
	Income for difference in exchange	**Expenses for difference in exchange**
Balances in banks	$ 8.812.788	$ (8.012.394)
Commercial accounts, net	4.007	(2.247)
Current accounts receivable from related entities	176	-
Other assets	197.849	(99.787)
Investments accounted using the equity method	-	(22.268)
Total assets	**$ 9.014.820**	**$ (8.136.696)**
Accounts payable for goods and services	741.645	(1.914.560)
Accounts payable to related current entities	48.684	(199.430)
Total liabilities	**790.329**	**(2.113.990)**
Total difference in change	**$ 9.805.149**	**$ (10.250.686)**

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	At December 31 of 2016	
	Income for difference in exchange	**Expenses for difference in exchange**
Cash	$ 7.604	$ (3.516)
Balances in banks	469.978	(992.744)
Cash and cash equivalents	477.582	(996.260)
Current accounts receivable	689.200	(475.862)
Total assets	**1.166.782**	**(1.472.122)**
Accounts payable for goods and services	9.533.233	(7.594.107)
Advanced payments to customers	1.142.266	(550.757)
Commercial accounts and other current payable accounts	10.675.499	(8.144.864)
Total liabilities	**10.675.499**	**(8.144.864)**
Total difference in exchange	**$ 11.842.281**	**$ (9.616.985)**

27. Assets sale and disposal

	Period of twelve months from January 1 to December 31, 2017	Period of twelve months from January 1 to December 31, 2016
Result in Assets Sale	$ (30.200.139)	$ (11.366.645)
	$ (30.200.139)	**$ (11.366.645)**

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

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

(In thousand pesos)

28. Income Tax Expense

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

	At December 31 of 2017	At December 31 of 2016
Current income tax	$ 410.641.493	$ 302.682.341
Income Surcharge	72.418.146	190.217.172
Windfall tax	6.517	-
	483.066.156	**492.899.513**
Income tax previous years (1)	(5.046.428)	971.332
Deferred tax movement	88.235.903	(11.440.572)
	$ 566.255.631	**$ 482.430.274**

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

The income tax of previous years is composed by:

(a) The value for adjustment in the useful life of the fixed assets of El Quimbo project for $52,478,984, which was taken as the greater depreciation deduction for the 2016 income.

(b) 2016 income adjustment value of $4,101,243, which corresponds to the difference between the provisioned value and the actual expense of the income statement.

(c) Deferred tax amount for difference between the fiscal and accounting cost of the fixed assets of El Quimbo project for $43.331.313.

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

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Reconciliation effective tax rate	**At December 31 of 2017**	**At December 31 of 2016**
Profit (Loss) for the period	**$ 887.055.685**	**$ 753.724.640**
Expense (Income) for income tax	566.255.631	482.430.274
Profit (loss) before tax	**1.453.311.316**	**1.236.154.914**
Legal rate of current tax	40%	40%
Tax according to current legal rate	**(581.324.526)**	**(494.461.966)**
Permanent differences:		
Non-deductible taxes (1)	(1.993.310)	(1.869.356)
Non-deductible wealth tax	(5.012.644)	(12.563.348)
Expenses without a causal relationship and other non-deductible expenses (2)	(440.590)	(740.940)
Net effect movement estimated liabilities and permanent provisions	1.007.780	(2.596.534)
Presumptive interest	(6.846)	(6.324)
Accounting depreciation vs fiscal depreciation	7.342.724	
Deductions for productive real fixed assets	9.148.913	14.162.365
Profit from the sale of fixed assets taxed with windfall taxes	6.517	-
Other permanent differences	(30.077)	(179.165)
Income adjustment year 2016 income statement (3)	5.046.428	1.244.246
Adjustment of difference in rates - deferred adjustment previous years (Tax reform)	-	14.532.748
Adjustment effect on CREE Surcharge	-	48.000
Total permanent differences	**15.068.895**	**12.031.692**
(Expense) Income for Income Tax	**$ (566.255.631)**	**$ (482.430.274)**

(1) Corresponds mainly to 40% of the tax on financial movements for $1,775,585, to the vehicle tax for $17,550, to the public lighting tax $200,218.

(2) orresponds to 40% of non-deductible expense provisions for $205,390 and non-deductible donation for $ 235,200.

(3) Corresponds to the adjustment of the income tax statement in 2016 for ($ 5,046,427).

(In thousand pesos)

29. Profit per share

Basic profits per share are calculated by dividing the profit attributable to shareholders of the Company adjusted by preferential dividends after taxes, by weighted average of outstanding common shares in the year. At December 31, 2017, there are no common shares acquired by the Company.

	Period of twelve months from January 1 to December 31 of 2017	Period of twelve months from January 1 to December 31 of 2016
Profits for the year attributable to owners	$ 887.055.685	$ 753.724.640
Preferred Dividends (1)	608.754	608.754
Profits for the year attributable to owners adjusted by Preferential Dividends	880.134.437	746.764.634
Weighted average of outstanding shares	148.914.162	148.914.162
Profits per basic share (*)	**$ 5.910,35**	**$ 5.014,73**

(*) Figure stated in Colombian pesos

(1) Out of the total shares of Grupo Energía de Bogota S.A. E.S.P., 20,952,601 shares correspond to shares without voting rights with an annual preferential dividend of US $0.11 per share.

30. Integral Result

The detail of the other integral result is shown below:

	Period of twelve months from January 1 to December 31 of 2017	Period of twelve months from January 1 to December 31 of 2016
Components of other comprehensive income that will not be reclassified to the result of the year		
(Losses) in new measurements of financial instruments measured at fair value with changes in the ORI (1)	$ (2.432.129)	$ 2.966.983
Earnings (losses) from new measurements of defined benefit plans (2)	145.401	(14.803.751)
Gains (losses) from cash flow hedges (4)	(5.288.417)	(2.822.410)
Other comprehensive result that will not be reclassified to result for the year, net of taxes	**$ (7.575.145)**	**$ (14.659.178)**
Income taxes related to components of other comprehensive results that will not be reclassified to income for the year		
Earnings (losses) from new measurements of defined benefit plans (3)	226.749	4.869.522
Income tax related to cash flow hedges of other comprehensive income (5)	224.383	1.198.822
Total income taxes related to components of other comprehensive result that will not be reclassified to results for the year	**451.132**	**6.068.344**
Total other comprehensive income	**$ (7.124.013)**	**$ (8.590.834)**

(1) At December 31, 2017, corresponds to losses derived from the investment in Electricaribe S.A E.S.P as a result of the valuation by the multiples method and the update of the investment in subsidiaries resulting from the application of the equity method.

(2) Corresponds to the effect of the actuarial losses valued by the company Aon Hewitt México. At December 31, 2017 and 2016, actuarial losses with an effect on equity are shown below:

	Year ended at December 31 of 2017		Year ended at December 31 of 2016	
	Pensions and Benefits	Retroactive Severance	Pensions and Benefits	Retroactive Severance
Initial balance	**$ (19.178.502)**	**$ 743.209**	**$ (5.814.360)**	**$ (2.686.704)**
Actuarial Profits (loss)	768.321	(622.922)	(13.023.441)	(1.780.311)
Current and Deferred tax	226.749	-	(340.701)	5.210.224
Final Balance	**$ (18.183.432)**	**$120.287**	**$ (19.178.502)**	**$ 743.209**

The value of losses is transferred directly to accumulated earnings and will not be reclassified to the result of the equivalent period.

(3) Corresponds to the effect on equity of income tax and deferred tax generated by actuarial losses at December 31, 2017 and 2016, respectively, as detailed below:

	Year ended in December 31 of 2017	Year ended in December 31 of 2017
Income tax	$ 147.698	$ (340.702)
Deferred tax	79.051	5.210.224
Final Balance	**$ 226.749**	**$ 4.869.522**

(4) At December 31, 2017, corresponds to the Mark to Market (MTM) result of the valuation of hedging derivatives for both forward and swap.

(5) At December 31, 2017 and 2016, corresponds to the income tax of the difference in exchange originated by the financial obligation acquired in Peruvian Soles and the deferred tax related to cash flow hedges, detailed below:

	Year ended in December 31 of 2017	Year ended in December 31 of 2016
Income tax for exchange difference in foreign currency	$ -	$ 1.987.042
Deferred tax related to cash flow hedges	224.383	(788.220)
Final Balance	**$ 224.383**	**$ 1.198.822**

31. Assets and liabilities in foreign exchange

Current regulations in Colombia allow free negotiation of foreign currencies through banks and other financial institutions at free exchange rates. However, most transactions in foreign currency require compliance with certain legal requirements.

Summary of assets and liabilities denominated in foreign exchange:

	At 31 December of 2017				
	(in EUR)	*(in US Dollars)*	*(Chilean CLP)*	*(Real BRL)*	*(in thousand pesos)*
Cash and cash equivalent (Note 4)	6336	76.582	-	-	251.224
Debtors	-	13.310	-	-	251.911.663
Accounts payable	(9.944)	(20.760)	(8.966.813)	(827)	(377.306.592)
Net Position (liability)	**(3.608)**	**69.132**	**(8.966.813)**	**(827)**	**$ (125.143.705)**

	At December 31 of 2016		
	(in EUR)	*(in US Dollars)*	*(in thousand pesos)*
Cash and cash equivalent (Note 4)	1.890	568.556	1.712.057
Debtors	106.645	98.275	632.473
Accounts payable	(1.106.251)	(5.973.082)	(21.425.258)
Net Position (liability)	**(997.716)**	**(5.306.251)**	**(19.080.728)**

32. Sanctions

At December 31, 2017 the status of sanctions is shown below:

(a) No resolution is pending that implies a possible sanction by the Superintendency of Residential Public Services, due to breaches to the legal system, specifically Law 142, Law 143 and the Regulation issued by the Regulation Commission of Energy and Gas. At December 31, 2017, there is only one sanctioning procedure closed in 2013, the sanction of which consisted of an admonition (without monetary value) for matters similar to those mentioned in this paragraph.

(b) The National Authority of Environmental Licenses (ANLA) confirmed the sanction against Emgesa for a value of $2,503,259MM, for the alleged breach of the Environmental License, in relation to the removal of the wood and biomass product of the forest use of the vessel of the reservoir of El Quimbo Hydroelectric Project. A claim for nullity and reinstatement of the right was filed and it is still pending decision.

(c) The Autonomous Regional Corporation of the Alto Magdalena (CAR) decided in the appealing against Resolution No. 2239 of July 29, 2016, in which the Company was sanctioned for $758,864 MM, for breach of environmental regulations, since activities were carried out without having the prior environmental permit as established by the regulation (opening of the road above the 720 level of El Quimbo Hydroelectric Project-PHEQ), the sanction was reduced to $492,700.MM The conciliation request was submitted to exhaust the procedural requirement and the demand of nullity and reinstatement of the right was filed. (Judicial actions), is pending decision.

.

(d) The Regional Autonomous Corporation (CAR) imposed three (3) sanctions consisting of a fine of $50,670 each, the following are the resolutions and the facts underlying our sanctions:

> RESOLUTION No. 3590 of November 10, 2016, the CAM sanctions the Company for not having permission to discharge Montea resettlement dumping.

> RESOLUTION No. 3653 of November 10, 2016, the CAM sanctions the Company for not having the discharge Santiago and Palacios resettlement dumping.

> RESOLUTION No. 3816 of November 10, 2016, the CAM sanctions the Company for not having permission to discharge the La Galda resettlement.

See note No. 39. Subsequent Events

33. Other insurances

The Company, in addition to the insurance related in the Note of Property, Plant and Equipment (see note 12), has the following:

Good/insured person	Covered risks	Insured value Figures in thousand	Maturity	Insurance Company
Merchandise transports	Losses or damages of transported goods	Limit $5.000.000 per dispatch	31/07/2018	Generali Colombia
Employees with direct agreement Emgesa	Death, total and permanet discapacity	Individual máximum insured amount: $1.800.000	01/01/2018	Generali Colombia
Advisors or Directors	Tort liability of directors and administrators	USD $ 5.000	10/11/2018	SBS Insurances (before AIG Seguros)

(In thousand pesos)

34. Commitments and contingencies

I. Purchase commitments:

At December 31, 2017 the Company has commitments for purchase of energy and fuels as follows:

Period	Natural Gas	Coal	Fuels	Energy	Total
2018-2021	$ 161.020.136	$ 85.993.188	$ 37.679.880	$ 104.220.020	$ 388.913.224
2022-2023	36.464.002	-	-	-	36.464.002
Total	**$ 197.484.138**	**$ 85.993.188**	**$ 37.679.880**	**$ 104.220.020**	**$ 425.377.226**

II. Contingencies and Arbitrations

The Company faces litigation classified as possible or eventual, for which management, with the support of its external and internal legal advisors, estimates that the outcome of the lawsuits corresponding to the part not provisioned will be favorable for the Company and will not cause significant liabilities, that must be accounted for or that, if effective will not significantly affect the financial position.

Main legal procedures of the Company at December 31 of 2017 classified as eventual:

Plaintiff: **Policarpo Agudelo y otros.**
Start date: 2014
Claim: $50,000,000
Provisioned: $ 0

Purpose of the trial: That it be declared that Emgesa is responsible for the totality of the damages caused (material, moral, emergent damage and lost profit), for the closing of the bridge "Paso El Colegio" on the Magdalena River, caused by the scour of the base of the right base of the right margin, generated by the use of drag material in the extraction source, located just upstream of the bridge.

Current status and procedural situation: The evidentiary stage ended and the case passed to the office of the Court for Judgment from December 1, 2016.

Plaintiff: **Jesus Hernan Ramirez Almario y Otros**
Start date: 2017
Claim: $41,707,715
Provisioned: $ 0

Object of the trial: Compensation for damages for being tenants of a property acquired by the PHEQ.

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Current status and procedural situation: On November 17, 2017, service of process of the respective Court is received electronically on the response of the interposed lawsuit. Currently Emgesa proceeded to respond to the Court and is awaiting a new service of process.

Plaintiff: **Jesús Maria Fernández y Otros**
Start date: 2017
Claim: $24,673,189
Provisioned: $ 0

Object of the trial: Compensation for damages in the form of loss of profits due to permanent occupation of El Quimbo Dam in the area of a mining concession agreement - Predio La Mina.

Current status and procedural situation: Admission of November 15, 2017, in terms of transfer to all procedural parties to answer.

Plaintiff: **Ruber Cufiñe Hernandez y Otros**
Start date: 2017
Claim: $18,508,364
Provisioned: $ 0

Purpose of the trial: Compensation for damages for their activity as day laborers in various jobs in short-cycle crops in properties located in PHEQ properties.

Current status and procedural situation: The current court where the claim lies, declared lack of competence to hear the process, so now the Company is pending the claim to be transferred to the competent court, in this case, Garzon's Circuit Court.

Plaintiff: **Israel Urriago Longas y Otro**
Start date: 2015
Claim: $14,519,332
Provisioned: $0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for the hearing of Art 373 of C.G. Pending evidence will be collected and Decision will be issued.

Plaintiff: **CHIVOR SA ESP (2004-05441)**
Start date: 2004
Claim $13,102,000
Provisioned: $ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until the withdrawal of the claim by Chivor S.A. E.S.P. is resolved.

Plaintiff: **CHIVOR SA ESP (2006-1458)**
Start date: 2006
Claim $10,892,000
Provisioned: $ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until the waiver of the claim by Chivor S.A. E.S.P. is resolved.

Plaintiff: **Fanol Bermeo Bermeo y Otros**
Start date: 2016
Claim $10,400,000
Provisioned: $ 0

Object of the trial: Damages caused to "paleros".

Current status and procedural situation: Pending an initial hearing on April 3, 2018

Plaintiff: **Carlos Arrigui Ramon**
Start date: 2014
Claim $10,000,000
Provisioned: $ 0
Object of the trial: Grievous Damage

Current status and procedural situation: Process with favorable ruling in first instance. Appeal admitted. Pending date fix for Sustaining Hearing and Second Instance Judgment. (Article 327 paragraph 2 CGP.)

Plaintiff: **Aura Lucia Diaz Garcia y Otros**
Start date: 2017
Claim $9,880,959
Provisioned: $ 0

Purpose of the trial: Compensation as a non-resident population

Current status and procedural situation: Claimant filed a written amendment to the lawsuit, pending the court's decision on the admission of the reform

Emgesa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

Plaintiff: **CHIVOR SA ESP (2006-3179)**
Start date: 2006
Claim $8,770,000
Provisioned: $ 0

Object of the judgment: Impleader procedure wiithin the nullity against the resolution that unduly liquidated the capacity charge in favor of CHIVOR.

Current status and procedural situation: The process is suspended until it is resolved on the waiver of the claim by Chivor S.A. E.S.P.

Plaintiff: **Piscicola New York S.A., Procesadora y comercializadora de alimentos S.A. - Proceal S.A. y Piscicola Rios S.A.**
Start date: 2017
Claim $7,792,000
Provisioned: $0

Object of the trial: The defendants are ordered to collectively compensate for material damages (consequential damages) and moral damages received for the construction of El Quimbo hydroelectric plant.

Current status and procedural situation: We are in the service of process stage and an appeal was filed against the admission order to clarify the procedure and the terms to answer the claim.

Plaintiff: **Antonio Jesús Moreno**
Start date: 2017
Claim $7,706,705
Provisioned: $0

Object of the trial: Damages caused to artisan fishermen.

Current status and procedural situation: The court accepted the reform of the lawsuit. Currently Emgesa answered regarding the amendment and is awaiting a response from the Court.

Plaintiff: **Fernando Alfonso Rojas Rincón**
Start date: 2016
Claim $6,684,787
Provisioned: $ 0

Object of the trial: Payment of greater quantities of work by transport of Biomass from the vase of El Quimbo reservoir to the storage facilities.

Current status and procedural situation: Next January 19th, 2018 will be held the hearing of final allegations before the ruling.

Plaintiff: **CHIVOR S.A. ESP (2005-03558)**
Start date: 2005
Claim $ 6,220,000
Provisioned: $ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until the waiver of the claim by Chivor S.A. E.S.P. is resolved.

Plaintiff: **Deyanira Fernández Cruz y Otros**
Start date: 2017
Claim $6,033,460
Provisioned: $0

Purpose of the trial: Compensation as a non-resident population

Current status and procedural situation: Pending to set date for initial hearing.

Plaintiff: **Gloria Cecilia Vargas Iriarte**
Start date: 2015
Claim $5,822,874
Provisioned: $ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. Date was set for the hearing of Art 373 of C.G. Pending evidence will be collected and Decision will be issued.

Plaintiff: **CHIVOR S.A. ESP (2005-6553)**
Start date: 2005
Claim $5,632,000
Provisioned: $ 0

Object of the trial: Claim for nullity of C x C

Current status and procedural situation: The process is suspended until it is resolved on the withdrawal of the claim by Chivor SA ESP.

Plaintiff: **Lucia Motta de Barrera**
Start date: 2016
Claim $5,596,309
Provisioned: $ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for the hearing of h Art 372 of C.G. Stages of Conciliation, Lawsuit setting, Lawsuit Errors Correction and decree of evidences will be exhausted.

Plaintiff: **Yaneth Joven Suarez**
FStart date: 2015
Claim $5,486,229
Provisioned: $ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for hearing of Art 373 of the C.G. Pending evidence will be collected and decision will be issued.

Plaintiff: **Ricardo Rivera Chaux**
Start date: 2016
Claim $5,416,668
Provisioned: $ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. Probatory stage. Pending collection of testimonies.

Demandante: **Alba Myriam Chaux Montealegre y Otros**
Start date: 2017
Claim $ 5,162,857
Provisioned: $ 0

Purpose of the trial: Fish merchants compensation

Current status and procedural situation: Emgesa responded to the complainant, this procedure is focused on the non-existence of liability of the company. To date, waiting to receive a response from the counterpart.

Plaintiff: **Alberto Diaz Polania y Otros**
Start date: 2017
Claim $ 4,816,690
Provisioned: $ 0

Purpose of the trial: Non-resident compensation

Current status and procedural situation: Emgesa is awaiting for the initial hearing date.

Plaintiff: **Luis Hermison Rodriguez Sanchez y Otros**
Start date: 2016
Claim $ 4,500,000
Provisioned: $ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for the hearing of Art. 373 of the C.G. Pending evidence will be collected and decision will be issued.

Plaintiff: **Lucas Lozano Pacheco**
Start date: 2014
Claim $ 3,168,000
Provisioned: $ 0

Object of the trial: Grievous damage

Current status and procedural situation: Process in first instance. A date was set for hearing of Art 373 of the C.G. Pending evidence will be collected and Decision will be issued.

Plaintiff: **Justiniano Garcia Duarte y otros**
Start date: 2017
Claim $4,441,207
Provisioned: $ 0

Object of the trial: "Partijeros" (land administrators) claiming damages for the execution of El Quimbo

Current status and procedural situation: The plaintiff filed a written amendment to the lawsuit. Emgesa S.A. is vigilant for the Court's decision in relation to the amendment of the demand.

Plaintiff: **Ermilo Vidal Cuellar y Otros**
Start date: 2017
Claim $4,245,045

Provisioned: $ 0

Object of the trial: Land tenants of AID

Current status and procedural situation: The court of knowledge declared lack of competence to hear about the process, now Emgesa S.A. is waiting to be notified about the competent Court.

Main tax processes the company has at December 31, 2017 classified as contingent:

Industry and Commerce Tax (ICA as per Spanish wording).

The companies of the power generation line have been required by some municipalities in order to be taxed by ICA on the basis of their income; however, this ignores the application of the special regime contained in Law 56 of 1981, according to which this tax must be settled taking into account the capacity of power generation installed in the plant.

In relation to the above, it is worth highlighting the action of nullity and restoration of the right, promoted against the settlement of capacity proffered by the Municipality of Yaguará, for the concept of ICA and fiscal period 2003, which amount to $32,481,000, and in relation to which there is a favorable ruling in the first instance, but we are in the course of the second instance. Similarly, it should be borne in mind that the process of nullity and restoration of the right of the municipality of Yaguará for the fiscal periods from 1998 to 2002 is closed as it concluded in favor of the Company with a second instance ruling notified on December 4 of 2017.

The Company, together with its external and internal advisors, based on reiterated jurisprudential criteria, concluded that contingent events related to industry and commerce tax have a loss probability of less than 50%. The foregoing, to the extent that the Constitutional Court declared the enforceability of Article 181 of Law 1607 of 2014, which reiterated that sale of energy is the culmination of the generation activity so that whenever energy sold has been generated by the seller, is taxed with ICA only in the municipality where the plant is located and based on the installed capacity thereof. The Consejo de Estado took on what was stated by the Constitutional Court and in 2016 resolved several processes favorable to the interests of the Company.

Income tax fiscal year 2003.

The process is based on the non-recognition by the DIAN of the benefits derived from the application of the Páez Law. In that order, the tax authority understands that the Company was not subject to the application of the benefits derived from said Law on all its income.

In relation to this process, on July 25, 2017, the Company was notified of an unfavorable ruling against Emgesa at first instance, against which we filed an appeal on August 10, 2017 and the second instance is currently in process on the Consejo de Estado.

The amount of the process amounts $114,655 million at December 31, 2017. In any case, the Company, together with its external advisors, maintains loss probability in less than 50%.

Forestry Rate

Under Agreement 048 of 1982 issued by Inderena, the CAM issued Resolution No. 237 in which a forestry levy is settled at the expense of the Company for the alleged provision of technical services. The defense of the Company is based on the illegal collection of the rate, since Agreement 048 suffers from supervening nullity, in addition to the fact that CAM has not rendered any service to the Company. Simultaneously, Agreement 048 of 1982 proffered by Inderena was sued in action of simple nullity.
The amount of the process amounts to the sum of $28,605 million. The Company, together with its external advisors, concluded that the contingent event related to the forestry rate, has a loss probability lower than 50%.

Income Tax Fiscal Year 2013.

The origin of the auditing is the Legal Stability Contract, which included an estimated investment schedule that, according to the DIAN, serves as a limit to calculate the deduction for investment in productive real fixed assets; however, the Company made an investment higher than that estimated in the Contract (which implied payment of an additional premium); for this reason, the deduction was calculated based on the investment actually made and not in the estimated investment. DIAN argues that the deduction should be calculated based on the estimated investment and not based on the actual investment, and for this reason rejects the deduction that exceeds the estimated investment, thus generating a higher tax against Emgesa.

Currently, the process is in preparation for the lawsuit that may be filed until April 20, 2018, as the administrative stage ended on December 21, 2017 when service of process was received of the Resolution that resolved the appeal for reconsideration confirming the rejection of the deduction for investment in productive real fixed assets and reducing to 100% the sanction of inaccuracy, for which the amount under discussion as of December 31, 2017 amounts to $41,068 million.

35. Market of Energetic Derivatives

In July 2016, Emgesa entered the energy derivatives market with the objective of entering into energy futures contracts to mitigate the risk associated with volatility of energy prices in the SPOT market. With the foregoing, the Company manages its contracts' portfolio.

At December 31, 2017, there are purchase agreements of energy futures for 5.4 GWh, for the period from January to March 2017. These purchases support an energy sale agreement in the wholesale market.

At December 31, 2017, 24.23 GWh of sale agreements and 77.45 GWh of energy futures purchases were settled, equivalent to 57 and 74 contracts respectively.

Futures transactions with Derivex are backed by guarantees, which at December 31, 2017 amount to $663,748 in cash and $1,014,563 in TES, which are considered as restricted cash.

During 2017 Derivex transactions coverage amounted $(6,912,000), which allowed securing Wholesale Market Income for $9,212,000, representing a variable margin of $ 2,300,000.

36. Risks Management

The Company is exposed to certain risks it manages through the application of identification, measurement, concentration limitation and supervision systems.
Among the basic principles defined by the Company in the establishment of its risk management policy are the following:

(a) Comply with the rules of good corporate governance.

(b) Strictly comply with the entire regulatory system of the Company.

(c) Each management and corporate area defines:

> The markets of operation based on sufficient knowledge and skills to ensure an effective risk management.
> Criteria on counterparts.
> Authorized operators.

(d) Management, corporate areas and business lines establish for each market in which they operate their predisposition to risk in a manner consistent with the defined strategy.

(e) All the operations of the management, corporate areas and business lines are carried out within the limits approved for each case.

(f) The management, corporate areas and business lines establish risk management controls necessary to ensure transactions in the markets are carried out in accordance with the policies, rules and procedures of the Company.

Interest rate risk

Changes in interest rates modify the fair value of those assets and liabilities that accrue a fixed interest rate, as well as the flows of assets and liabilities referenced at a variable interest rate.

The objective of interest rate risk management is to reduce volatility of financial expense reflected in the income statement.

Depending on the estimates of the Company and the objectives of the debt structure, hedging transactions are carried out through the contracting of derivatives that mitigate these risks. The instruments that can be used correspond to rate Swaps, which fix from variable to fixed rate.

Currently, the Company does not have interest rate hedges contracted.

	At December 31 of 2017		At December 31 of 2016	
Interest Rate	Variation (pbs)*	Sensibility in thousand COP	Variation (pbs)*	Sensibility in thousand COP
IPC	+/- 5,59%	(+/-) $ 157.846.931	+/- 2,69%	(+/-) $ 80.742.300
IBR	+/- 3,68%	(+/-) $ 9.566.080	+/- 2,00%	(+/-) $ 6.148.281
DTF	+/- 2,76%	(+/-) $ -	+/- 2,19%	(+/-) $ -

(a) Variations or movements of interest rates were calculated based on their historical volatility in a period of three years (2015-2017 and 2014-2016 for calculations of 2017 and 2016 respectively), taking twice the standard variation of the series.

Exchange rate risk

Risks of exchange rates can occur, fundamentally, with the following transactions:

> Debt acquired by the Company denominated in a different currency to which its flows are indexed.
> Payments to be made for the acquisition of materials associated with projects in a different currency to which their flows are indexed.
> Revenues directly related to the evolution of currencies other than currency of flows.

Taking into account the functional currency of the Company is the Colombian peso, it is necessary to mitigate exchange rate risk by minimizing exposure of flows to the risk of changes in exchange rate.
Instruments that can be used correspond to derivatives (forwards and Swaps) of exchange rate. Currently the Company enters into hedging operations for exchange rate in order to cover payment of invoices in dollars for purchase of assets in foreign currency and to cover the debt taken in foreign currency.

Risk of commodities

The Company is exposed to the risk of variation in the price of commodities, (fuels) and spot price of energy (Colombian energy market), mainly through fuel purchase operations for the operation of its thermal power plants and purchase-sale of energy carried out in the wholesale energy market (MEM).

The Company carries out the majority of energy sales transactions through contracts in the energy market (MEM) and in the financial derivatives market, in which a price has been previously agreed upon with indexation to the IPP, thus mitigating risk of spot price of the generation portfolio.

Liquid fuels are bought at market price and do not have any type of risk coverage due to changes in commodity prices. Solid fuels such as coal are fixed in agreements with price indexing by IPP in the local market in order to keep purchase value stable at market prices.

Liquidity Risk

The Company keeps a liquidity policy consisting in entering into long-term credit facilities, cash and temporary financial investments, for amounts appropriate to support projected needs for a period based on the situation and expectations of debt and equity markets. Available resources must cover projected needs of the financial debt (capital plus interest) net services, that is, after financial derivatives. Below are the contractual cash flows of financial liabilities with third parties until their maturity without discounting:

Concept	Current			Non-Current				
	Less than 90 days	More than 90 days	Total Current	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total Non-Current
Bonds Issued (capital + interests)	$ 127.226.738	$ 393.057.179	$ 520.283.917	$ 1.323.642.538	$ 1.774.320.897	$ 1.028.861.452	$ 363.979.159	$ 4.490.804.046
Bank loans (capital + interests)	111.994.961	55.743.885	167.738.846	100.802.787	91.221.222	42.760.754	-	234.784.763
Liabilities for financial leasing (capital + interests)	699.190	2.064.887	2.764.077	2.054.927	140.909	-	-	2.195.836
Trade accounts payable and other accounts payable	294.085.326	-	294.085.326	-	-	-	-	-
Total	**$ 534.006.215**	**$ 450.865.951**	**$ 984.872.166**	**$ 1.426.500.252**	**$ 1.865.683.028**	**$ 1.071.622.206**	**$ 363.979.159**	**$ 4.727.784.645**

Credit Risk

The Company closely monitors credit risk.

Commercial Accounts Receivable

Credit risk in the Group is historically limited given the collection short term granted to clients, which allows not accumulating individually significant amounts. Likewise, the regulation allows to cut-off the provision, and in almost all the agreements, default is stipulated as grounds for termination thereof. To this end, credit risk is constantly monitored through the assessment of general and individual portfolio indicators.

Financial Nature Assets

Investments of the Company's available resources (treasury investments) originated in the operation, and in other non-operating income and financial derivatives transactions will be carried out with leading national and foreign financial entities that meet the minimum risk rating requested by the Company.

The minimum risk rating of financial counterparts must be a long-term international investment degree, or its equivalent at the local scale, taking into account the minimum international foreign currency rating of the Republic of Colombia. It can only be invested in counterparties with lower rating, within the limits established for risks for non-investment degree counterparties, or prior approval by means of a current Waiver granted for risks. Local risk ratings must be issued by an acknowledged risk rating agency legally established in Colombia. For international risk ratings, those granted by Moody's, S&P and Fitch will be acceptable. When a Financial Counterpart has more than one qualification, the lowest one will be taken for purposes of the provisions of this paragraphl.

Surplus liquidity operations must meet the following general criteria:

> **Security:** In order to preserve the value of the investment portfolio, available resources to be placed must comply with credit rating requirements contained in this document.

> **Liquidity:** Instruments that are part of investments must have high liquidity in the market.

> **Profitability:** Within permitted risk limits, the maximum possible return on investments must be sought.

> **Diversification:** Concentration of risk in a certain type of issuer or counterparty must be avoided.

> **Transparence:** All operations and commitments made in the management of available resources must be explicitly registered and supported, and be governed by rules and procedures in force.

Risk Measurement

In exchange rate risk, the Company performs the calculation of effectiveness of foreign currency forwards that replicate in 100% flows of the underlying, entered into to cover the risk of variation of the Colombian peso with respect to the foreign currency for payments coverage.

Thus, calculation of effectiveness is made by means of retrospective and prospective tests. Prospective test is defined as the quotient between the quarterly difference of fair value (MTM) of the real forward and the quarterly difference of fair value of the hypothetical forward.

Hypothetical derivative is defined as the forward that at the date of entering into the agreement reduces in its entirety the exchange rate risk and replicates in 100% the flows of the underlying for the covered period. On each assessment date, which will be quarterly, quotient should be in the range of 80-125% for forward to be considered as effective, and therefore, qualified as accounting hedge.

The prospective effectiveness test will be performed comparing changes in fair value between the real derivative that has been acquired and a hypothetical derivative for different exchange rate cases. This simulation analysis consists in shifting the forward exchange rate to two hypothetical scenarios: + 20% and -20%. The results of variations in fair value of both instruments will be compared, and should be found in a range between 80% - 125% in order to apply hedge accounting. In this way, it is shown that shifts in exchange rate affect the fair value of hypothetical derivative and real derivative in the same way.

37. Fair Value

Fair value of financial assets and financial liabilities is recorded at the amount at which the instrument could be exchanged in a current transaction mutually agreed between parties and not in a forced or settlement transaction, according to the defined policy.

Below is the financial assets and financial liabilities that show a variation between book value and fair value, at December 31, 2017:

	Amounts in books	**Fair values**
	At December 31 of 2017	
Financial assets (1)	*(In thousand pesos)*	
Integral Housing	5.231.256	4.519.226
Conventional Housing	11.842.289	6.619.366
Pensioned housing	103.523	92.173
Other loans	3.688.445	2.976.499
PSJ Housing	710.132	508.845
Total assets	**$ 21.575.645**	**$ 14.716.109**

	Amounts in books	**Fair values**
	At December 31 of 2017	
Financial liabilities (2)	(In thousand pesos)	
Bonds issued	$ 3.826.242.297	$ 4.174.416.209
Bank loans	105.719.939	105.269.334
Club Deal Credits	244.548.497	258.313.863
Liabilities for leasing	4.381.887	4.995.611
Total liabilities	**$ 4.180.892.620**	**$ 4.542.995.017**

(1) The Company assesses accounts receivable and other long-term accounts receivable, based on parameters such as interest rates, risk factors of each country in particular, client's solvency and risk characteristics of the financed portfolio. Based on this evaluation, provisions are recorded to account for expected losses on these accounts receivable.

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

Fair values of cash and cash equivalents and commercial accounts payable approximate their carrying amounts, to a large extent, due to the short-term maturities of these instruments.

(In thousand pesos)

At December 31, 2017, the Group keeps in the statement of financial position the following financial assets and financial liabilities measured at fair value, classified by levels according to the defined policy (See note 3.13):

Financial Assets	Level 3
Financial investments - unlisted companies	$ 3.266.532
Investments kept until maturity	$ 26.523
	Level 2
Derivative instruments (See Note 5)	$ 3.690.097
Financial Liabilities	
Derivative Instruments (See Note 14)	$ 4.872.194

38. Approval of Financial Statements

General purpose financial statements of the Company at December 31, 2017, were approved by the Board of Directors pursuant to Certificate No. 453 of February 21, 2018 in order to be submitted to the General Shareholders' Meeting in accordance with the Commercial Code.

39. Subsequent Events

Lawsuits Decision

On January 12th, 2,018 Emgesa S.A. was notified of the resolutions dated December 4th No. 3567, 3568 and 3569, confirming sanctions imposed by CAM in November 2016 in relation to resolutions 3590, 3653 and 3816 of November 2016 derived from the lack of discharge permits for Resettlements of the PHEQ project, in accordance with environmental regulations. The total amount of these sanctions is $152,010 pesos, provisioned by the Company during 2016.

Due to the foregoing, the Company will proceed with the nullity process thereof within four (04) months from the next day to the service of process, which would expire on May 13th, 2018.

Change of corporate purpose of the Company

On December 18th, 2017, an extraordinary session of the General Assembly of Shareholders was held at which the opening of new business lines was approved and as a result of the foregoing, the expansion of the company's corporate purpose for the import of fuels, mainly. This modification is subject to the approval by the Bond Holders Assembly to be held in 2018.

Received Indemnities

In January 2018, Mapfre Seguros recognized to the Company compensation in the amount of $15,862,689 in a casualty ocurred in 2016 at Guavio plant over Chivor river tunnel. This amount corresponds to $8,726,939 for consequential damages and $7,135,750 for loss of profits. This process is still under review by the parties and is expected to be completed in 2018.

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