

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.:

Identification of the financial statements subject to audit

We have audited the financial statement consolidated of EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. and subsidiaries, which comprise the consolidated statements of financial position as of December 31 2016, and the related the consolidated statements of income and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows consolidated for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements as of December 31, 2015, included for comparative purposes only, was audited and we have expressed an unqualified opinion dated on March 31, 2016.

Responsibility of the Company's management for the financial statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with International Financial Reporting Standards, and for such internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; select and apply the appropriate accounting policies; and make accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing accepted in Colombia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements referred above, taken from the accounting books, present fairly, in all material respects, the financial position of EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. as of December 31, 2016, the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Emphasis of Matter Paragraphs

1. As described in note 20 of the attached financial statements, during 2016 EPM obtained the waivers from the financial entities related to the compliance with the financial covenant, in accordance with the provisions of the contracts with multilateral banks, measured in the long-term financial debt to EBITDA ratio at December 31, 2016, except for the obligation with the financial entity Bank of Tokyo-Mitsubishi for \$372,104 million, on which it made the reclassification of the total financial debt from long term to short term in accordance with the provisions of the International Financial Reporting Standards.
2. Without modifying our audit opinion, we draw attention to Note 12 to the financial statements, the Company applied earlier IFRS 9 Financial Instruments (revised in July 2014), which generated an impact by the effect on the change of the policy for measuring the value correction for expected credit losses on the accounts receivable, in the accumulated results at December 31, 2016 for \$94,936 million and in the result of the period, net for \$94,859 million.

Deloitte & Touche Ltda

DELOITTE & TOUCHE LTDA.
March 14, 2017.



Empresas Públicas de Medellín E.S.P. and subsidiaries

**Consolidated Financial Statements and Notes
December 31, 2016 and 2015**

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Years ended as of December 31, 2016 and 2015

Amounts stated in millions of Colombian pesos

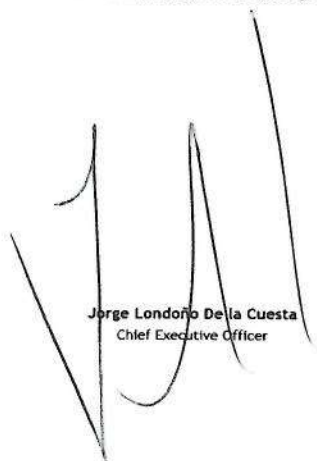
	Notes	2016	2015 <i>Restated</i>
Assets			
Non current assets			
Properties, plant and equipment, net	4	28,266,110	25,783,576
Investment properties	5	124,589	165,488
Goodwill	6	2,918,817	3,078,274
Other intangible assets	6	1,870,379	1,758,576
Investments in associates	10	1,826,273	1,908,319
Investments in a joint ventures	11	93	99
Deferred tax assets	37	188,293	170,421
Trade and other accounts receivables	12	816,128	1,028,590
Other financial assets	13	1,602,495	2,459,117
Other assets	15	103,786	93,316
Total non current assets		37,716,963	36,445,776
Current assets			
Inventories	16	393,861	351,251
Trade and other accounts receivable	12	2,522,136	2,663,051
Current tax assets	37	139,582	290,255
Other financial assets	13	758,094	511,516
Other assets	15	213,322	315,679
Cash and cash equivalents	17	1,194,499	1,338,626
Total Current assets		5,221,494	5,470,378
Total assets		42,938,457	41,916,154
Debit balances of deferred regulatory accounts	28	15,813	-
Deferred tax assets related to balances of deferred regulatory accounts	28	-	17,967
Total assets and debit balances of deferred regulatory accounts		42,954,270	41,934,121
Equity			
Capital	18	67	67
Premium on placement of shares		(25,014)	(2,700)
Reserves	18	3,604,789	3,836,190
Other comprehensive income	19	2,440,216	2,673,594
Retained earnings	18	11,235,786	10,533,255
Profit for the year	18	1,724,000	883,776
Equity attributable to controlling interests		18,979,844	17,924,182
Non controlling interests		803,461	843,974
Total equity		19,783,305	18,768,155



EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 Years ended as of December 31, 2016 and 2015
 Amounts stated in millions of Colombian pesos

	Notes	2016	2015 <i>Restated</i>
Liabilities			
Non current liabilities			
Credits and loans	20	12,954,621	10,380,634
Trade and other payables	21	329,791	444,617
Other financial liabilities	22	534,823	549,117
Employee benefits	24	826,621	737,178
Deferred tax liabilities	37	2,488,658	2,675,635
Provisions	26	335,552	506,309
Other liabilities	27	133,654	131,956
Total non current liabilities		17,603,720	15,425,447
Current liabilities			
Credits and loans	20	1,893,387	4,258,238
Trade and other payables	21	2,328,612	2,301,370
Other financial liabilities	22	358,961	238,478
Employee benefits	24	219,485	177,941
Income tax payable	37	132,305	213,359
Taxes contributions and rates payable	25	164,618	159,420
Provisions	26	279,209	122,747
Other liabilities	27	185,924	209,074
Total current liabilities		5,562,501	7,680,628
Total liabilities		23,166,221	23,106,075
Credit balances of deferred regulatory accounts	28	-	59,891
Deferred tax liabilities related to balances of deferred regulatory accounts	28	4,744	-
Total liabilities and credit balances of deferred regulatory accounts		23,170,965	23,165,966
Total liabilities and equity		42,954,270	41,934,121

The accompanying notes are an integral part of the financial statements



Jorge Londoño De la Cuesta
 Chief Executive Officer



Jorge Andrés Tabares Ángel
 Chief Financial Officer



John Jaime Rodríguez Sosa
 Accountant
 T.P. 144842-T

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from January 1 to December 31, 2016 and 2015
 Amounts stated in millions of Colombian pesos

	Notes	2016	2015 <i>Restated</i>
Continued operations			
Sale of goods	29	36,156	20,159
Rendering of services	29	14,195,064	13,554,748
Leases	29	62,954	57,472
Other income	30	1,517,925	264,384
Income from ordinary activities		15,812,099	13,896,763
Profit in sale of assets	29	42,112	28,708
Total income		15,854,211	13,925,471
Costs for rendering services	31	(11,257,135)	(9,645,885)
Administration expenses	32	(1,478,556)	(1,439,450)
Impairment loss recognised on trade receivables	12	(101,327)	(49,081)
Other expenses	33	(115,868)	(82,557)
Financial income	34.1	341,932	263,592
Financial expenses	34.2	(989,165)	(846,676)
Net exchange difference	35	245,899	(543,762)
Equity method in associates and joint business		(70,530)	(161,265)
Dividends on equity instruments	36	35,045	93,264
Profit before tax		2,464,506	1,513,651
Income tax expense	37	(649,129)	(453,819)
Profit for the year before net movement in balances of deferred regulatory accounts		1,815,377	1,059,832
Net movement in balances of net regulatory accounts related to the result of the year	28	72,160	(75,750)
Net movement in deferred tax related to deferred regulatory accounts related to the results of the year	28	(21,792)	24,402
Profit for the year and net movement in balances of deferred regulatory accounts		1,865,745	1,008,484
Other comprehensive income, net of taxes			
Items that will not be reclassified subsequently to the result of the year			
Reclassification of properties, plant and equipment to investment properties	19	9,700	3,731
New measurements of defined benefit plans	19	(112,141)	21,304
Equity investments measured at fair value through equity	19	554,131	5,227
Income tax related to components that will not be reclassified	19 y 37	(60,406)	(108,816)
Equity method in associates and joint ventures business	19	(2,028)	-
		389,256	(78,554)
Items that may be reclassified subsequently to the result of the year :			
Cash flow hedging			
Result recognized of the year	19	(18,284)	(7,790)
Reclassification adjustment	19	(65,214)	31,434
Exchange differences for conversion of business abroad	19	46,931	(39,224)
Profit (loss) recognized in the year	19	(152,425)	507,841
Income tax related to the components that can be reclassified	19	(152,425)	507,841
Equity method in associates and joint ventures business	19 y 37	10,196	18,785
	19	628	1,512
		(159,885)	520,348
Other comprehensive income, net of taxes		229,371	441,794
Total comprehensive income for the year		2,095,116	1,450,278
Profit for the year attributable to:			
Owners of the company		1,724,000	883,776
Non controlling interest		141,745	124,708
		1,865,745	1,008,484
Total comprehensive income attributable to:			
Controlling interests		1,958,521	1,326,054
Non controlling interests		136,595	124,224
		2,095,116	1,450,278

The accompanying notes are an integral part of the financial statements

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EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN THE EQUITY
 Years ended on December 31, 2016 and 2015
 Amounts stated in millions of Colombian pesos

	Other comprehensive income										Attributable to non-controlling interests	Non-controlling interests	Total
	Capital issued	Premium on placement of shares	Reserves	Retained earnings	Equity investment	Defined benefit plans	Cash flow hedging	Conversion differences	Appreciation of properties, plant and equipment	Result of the year in other comprehensive income of associates and joint ventures business			
	Note 18.1		Note 18.2	Note 18.3	Note 19.3	Note 19.2	Note 19.5	Note 19.6	Note 19.1				Note 18.4
Balance as of January 1, 2015	67	(3,053)	3,139,572	11,297,298	1,841,717	51,047	(10,996)	366,466	6,117	75	16,684,310	736,370	17,420,680
Retroactive restatement of errors in previous periods	-	-	-	(51,246)	-	-	-	(11,798)	-	-	(63,044)	-	(63,044)
Balance as of January 1, 2015 restated	67	(3,053)	3,139,572	11,240,052	1,841,717	51,047	(10,996)	356,668	6,117	75	16,621,266	736,370	17,357,636
Profit for the year	-	-	-	883,777	-	-	-	-	-	-	883,777	124,708	1,008,485
Other comprehensive income of the year net of income tax	-	-	-	(85,966)	4,833	10,996	507,576	3,330	1,513	442,282	(484)	-	441,798
Comprehensive income for the year	-	-	-	883,777	(85,966)	4,833	10,996	507,576	3,330	1,513	1,326,059	124,224	1,450,283
Surpluses and dividends declared	-	-	-	(56,139)	-	-	-	-	-	-	(56,139)	-	(224,544)
Movement of reserves	-	-	641,798	(641,798)	-	-	-	-	-	-	-	354	354
Purchases and sales to non-controlling interests	-	354	-	-	-	-	-	-	-	-	-	-	-
Other movement of the year	-	8,283	46,537	(8,861)	7,380	(9,648)	-	(4,936)	(6,112)	-	32,643	151,785	184,428
Balance as of December 31, 2015 restated	67	5,584	3,827,907	11,417,031	1,763,131	46,232	-	859,308	3,335	1,588	17,924,181	843,974	18,768,157
Balance as of January 1, 2016	67	5,584	3,827,907	11,417,031	1,763,131	46,232	-	859,308	3,335	1,588	17,924,183	843,974	18,768,157
Impact of adoption IFRS 9 as of January 1, 2016 (Note 2.28.2)	-	-	-	(89,269)	-	-	-	-	-	-	(89,269)	(5,667)	(94,936)
Balance as of January 1, 2016 restated	67	5,584	3,827,907	11,327,762	1,763,131	46,232	-	859,308	3,335	1,588	17,834,913	838,306	18,673,220
Profit for the year	-	-	-	1,724,000	-	-	-	-	-	-	1,724,000	141,745	1,865,745
Other comprehensive income of the year net of income tax	-	-	-	(450,514)	(61,064)	(9,881)	(152,393)	8,744	(1,399)	234,521	(5,150)	-	229,370
Comprehensive income for the year	-	-	-	1,273,486	(102,124)	(19,762)	(143,649)	8,744	(1,399)	229,371	(5,150)	-	224,221
Surpluses and dividends declared	-	-	-	(816,521)	-	-	-	-	-	-	(816,521)	(78,031)	(894,552)
Movement of reserves	-	-	(222,874)	222,874	-	-	-	-	-	-	-	-	-
Purchases and sales to non-controlling interests	-	(23,413)	(236)	(6,125)	(466,447)	-	-	-	-	-	(29,774)	29,774	-
Transfers to retained earnings	-	-	-	466,447	-	-	-	-	-	-	-	-	-
Income tax related to transactions with owners	-	-	-	(5,085)	-	-	-	-	-	-	(5,085)	-	(5,085)
Effect by disposal of subsidiary	-	-	(8)	4,298	-	-	-	-	-	-	4,290	(2,368)	1,922
Other movement of the year	-	(7,185)	-	(42,136)	(1,322)	(117)	1,619	(1,631)	-	-	33,500	(120,815)	(87,315)
Balance as of December 31, 2016	67	(25,014)	3,604,789	12,959,786	1,745,876	(14,949)	(8,262)	705,384	12,079	189	18,979,844	803,461	19,783,305

The accompanying notes are an integral part of the financial statements


 Jorge Londoño De la Cuesta
 Chief Executive Officer


 Jorge Andrés Tabares Ángel
 Chief Financial Officer


 John Jaime Rodríguez Sosa
 Accountant
 T.P. 144842-T

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period from January 1 to December 31, 2016 and 2015
Amounts stated in millions of Colombian pesos

	Notes	2016	2015
Cash flows for operating activities:			
Profit of the year attributable to controlling interests		1,724,000	883,776
Adjustments to reconcile the net profit for the year to the net cash flows used in operating activities:			
Depreciation and amortization of properties, plant and equipment and intangible assets	31 y 32	892,402	793,505
Impairment of property, plant and equipment and intangibles	31	985,502	16,962
Impairment of financial instruments	12	101,327	49,080
Reversal of loss of impairment of property, plant and equipment and intangible assets	4 y 6	(711,214)	-
Reversal of loss for impairment of financial instruments	34	(6,468)	(18,271)
(Profit) loss for exchange difference	35	(348,971)	717,700
(Profit) loss for valuation of investment properties	5	12,429	(13,491)
(Profit) loss for valuation of financial instruments and hedge accounting		881,999	473,526
Provisions, post-employment and long term defined benefit plans	24	235,715	78,599
Government subsidies applied	27	(1,152)	(1,230)
Deferred income tax	37	(25,930)	(123,180)
Current income tax	37	675,059	577,000
Participation in the profit (loss) of investments in associates and joint business	10 y 11	70,531	161,265
(Income) or interest expense	34	(23,784)	9,111
(Profit) loss for disposal of properties, plant and equipment, intangibles and investment properties		(3,638)	119,086
(Profit) loss for disposal of non-current assets held for sale and other assets		-	(2,722)
Non-controlling interests		141,745	124,708
Dividends from investments	36	(35,107)	(93,264)
Other income and expenses not effective		(213,759)	615,711
		4,350,686	4,367,871
Purchases and sales to non-controlling interests			
(Increase)/decrease in inventories		(43,274)	(64,547)
(Increase)/decrease in debtors and other accounts receivable		38,934	(172,216)
(Increase)/decrease in other assets		74,952	(449,645)
Increase/(decrease) in creditors and other accounts payable		(73,643)	656,519
Increase/(decrease) in labor obligations		(177,134)	(45,113)
Increase/(decrease) in other liabilities		(75,227)	(33,675)
Interest paid		(1,041,381)	(789,061)
Income tax paid and equity tax		(479,011)	(407,483)
Net cash flows originated by operating activities		2,574,902	3,062,650
Cash flows for investment activities:			
Acquisition of subsidiaries or business, net of cash acquired		-	(2,352,995)
Disposal of subsidiaries or business		5,688	832
Acquisition of property, plant and equipment		(3,877,390)	(3,557,317)
Disposal of property, plant and equipment		49,507	28,708
Acquisition of intangible assets		(162,118)	(54,088)
Disposal of investment properties		1,105	-
Acquisition of investments in financial instruments		(464,057)	(91,743)
Disposal of investments in financial instruments		1,619,743	1,598,854
Interest received		235,134	123,059
Dividends received from subsidiaries, associates and joint business		231,396	93,457
Other cash flows from investment activities		(36,741)	64,237
Net cash flows originated by investment activities		(2,397,733)	(4,146,996)
Cash flows for financing activities:			
Obtaining of public credit and treasury		3,051,011	4,984,208
Payments of public credit and treasury		(2,472,681)	(2,657,026)
Payments of liabilities for financial leasing		(1,190)	(1,379)
Dividends or surpluses paid		(816,521)	(991,139)
Dividends or surplus paid to non-controlling interests		(78,031)	-
Capital Subsidies		255	5,862
Net cash flows (used) / originated by financial activities		(317,157)	1,340,526
Net cash and cash equivalent increase/(decrease)		(139,988)	256,180
Effects of variations in exchange rates in the cash and cash equivalents		(4,139)	58,712
Cash and cash equivalent at the beginning of year		1,338,626	1,023,734
Cash and cash equivalent at the end of the year		1,194,499	1,338,626
Restricted resources		186,147	216,815

The accompanying notes are an integral part of the financial statements

Jorge Londoño De la Cuesta
Chief Executive Officer

Jorge Andrés Tabares Ángel
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T.P. 144842-T

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Notes to the consolidated financial statements of the EPM Group for the periods ended on December 31, 2016 and 2015.

(In million of Colombian pesos, except when otherwise indicated)

Note 1. Reporting Entity

Empresas Públicas de Medellín E.S.P. (hereinafter, "EPM Group") is the holding company of a multi-Latin enterprise group; Which, in accordance with International Financial Reporting Standards has as of December 31, 2016 a consolidation perimeter made up of 45 companies and a structured entity¹; that have presence in the provision of public utilities in Colombia, Chile, El Salvador, Guatemala, Mexico and Panama.

EPM is a municipal decentralized entity created in Colombia through Decision 58 dated August 6, 1955 issued by the Administrative Council of Medellín, as an autonomous public institution. It was transformed into an industrial and commercial government company through Decision 069 of December 10, 1997 of the Medellín Council. Due to its juridical nature, EPM has administrative, and financial autonomy and its own equity according to Article 85 of Law 489 of 1998. The capital stock with which the company was constituted and operates with, as well as its equity, is of a public nature, and it's only owner is the Municipality of Medellín. Its main corporate domicile is located at Carrera 58 No. 42-125 in Medellín, Colombia. It has not established a term of duration.

EPM provides domiciliary public services of aqueduct, sewage and gas distribution. It also can provide the domiciliary public utilities of cleaning, waste treatment and utilization, as well as the supplementary activities that are related to abovementioned of each and every public utility services.

EPM Group offers its services through the following sectors:

- Energy: it includes the Energy Generation, Transmission, Distribution and Commercialization, and Natural Gas Distribution businesses.
- Aqueduct: integrated by the Aqueduct, Residual Waters and Cleaning businesses.
- Other segments: Consists of the following investment vehicles: EPM Inversiones, Panamá Distribution Group S.A. (PDG), EPM Chile, and EPM Capital Mexico. Additionally, Max Seguros Ltd., a captive reinsurance company formed to negotiate, engage, and provide reinsurance services.
- Also, the Company participates in the telecommunications business, a segment in which since August 2014 the Company has significant influence, through EPM Telecomunicaciones S.A. - UNE and its affiliates Edatel S.A. E.S.P, Empresa de Telecomunicaciones de Pereira S.A. - ETP, Orbitel Servicios Internacionales S.A. - OSI, Cinco Telecom Corporation CTC, Orbitel Comunicaciones Latinoamericanas S.A - OCL, Inversiones Telco S.A.S. and Colombia Móvil S.A. provides voice, data, Internet, professional services, and data center services, among others.

As of December 31, 2016, the Telecommunications Company of Pereira S.A. - ETP was merged with UNE EPM Telecomunicaciones S.A. (Absorbing entity) and Orbitel Comunicaciones Latinoamericanas S.A. - OCL was liquidated.

The consolidated financial statements of EPM Group corresponding to the year ended as of December 31, 2016, were authorized by the Board of Directors to be published on march 14, 2017. The main activities of EPM Group are described in Note 43 Operation Segments.

Autonomous Patrimony Social Financing. Under International Financial Reporting Standards (IFRS), it is considered a structured entity that forms part of the consolidation perimeter of the financial statements of the EPM Group.

1.1 Translation of financial statements

These financial statements have been translated into English for the convenience of English-speaking readers. The financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with International Financial Reporting Standards.

1.2 Legal and regulatory framework

The activities of EPM Group, i.e., domiciliary public utilities and telecommunications services, are regulated in Colombia, Chile, El Salvador, Guatemala, Mexico, and Panama. The most significant matters that apply are:

1.2.1 Legislation for Colombia

The activity that EPM Group carries out, i.e., domiciliary public utility services, is regulated in Colombia mainly by Law 142, Public Utilities Act, and Law 143 of 1994, the Electricity Act.

The functions of control, inspection and supervision of the entities that provide domiciliary public utilities are exercised by the Office of the Superintendent of Domiciliary Public Utilities (SSPD, for its Spanish initials).

Because of being a municipal decentralized entity, EPM is subject to the political control of the Council of Medellín, to the fiscal control of the Office of the General Comptroller of Medellín, and to the disciplinary control of the Office of the General Prosecutor.

1.2.1.1 Regulation commissions

Decree 1524 of 1994 delegates in the regulation commissions the presidential function of stating general policies of administration and control of efficiencies in domiciliary public utilities.

These entities are:

- The Energy and Gas Regulatory Commission (CREG, for its Spanish initials), a technical body attached to the Ministry of Mines and Energy (MME), that regulates the rates for energy sales and the aspects related to the operation of the Wholesale Energy Market (MEM, for its Spanish initials) and to the provision of electric power and gas services.
- Regulatory Commission of Drinking Water and Basic Sanitation (CRA, for its Spanish initials), regulates the rates of aqueduct, sewage and cleaning, a technical body attached to the Ministry of Housing, City and Territory.

1.2.1.2. Regulation by sector

1.2.1.2.1. Activities of the aqueduct, sewage and waste management sector

Law 142, Public Utilities Act, defined the aqueduct, sewage and cleaning services:

Aqueduct: Also called drinking water domiciliary public utility. Activity consisting of the municipal distribution of water, which is fit for human consumption, including its connection and measurement. It includes supplementary activities such as water catchment and its processing, treatment, storage, conduction and transportation.

Sewage: Activity that consists of the municipal collection of waste, mainly liquid, through piping and conduits. It includes the supplementary activities of transportation, treatment, and final disposal of such waste.

Waste management: Activity that consists of the municipal collection of waste, mainly solid waste. It includes the supplementary activities of transportation, treatment, utilization, and final disposal of such waste.

The rate framework for these utilities is established in Resolutions CRA 688 of 2014 and CRA 735 of 2015 issued by the Potable Water and Basic Sanitation Regulation Commission - CRA, which make mandatory the fulfillment of quality and coverage indicators and therefore review of investments and operations in the two segments.

1.2.1.2.2 Electric sector activities

Law 143 of 1994 segmented the electric power service into four activities: generation, transmission, distribution, and commercialization, which may be developed by independent companies. The purpose of the legal framework is to supply the demand of electricity under economic and financial feasibility criteria and to tend to an efficient, secure and reliable operation of the sector.

Generation: It consists of the production of electric power from different sources (conventional or non-conventional), developing this activity either exclusively or combined with another or other activities of the electric sector, regardless of which of them is the main activity.

Transmission: The national transmission activity is the transportation of energy in the National Transmission System (STN, for its Spanish initials). It encompasses the set of lines, with its corresponding connection equipment that operate in tensions that are greater than or equal to 220 kV. The National Transmitter is the legal entity that operates and transports electric power in the STN or has incorporated a company the purpose of which is the development of such activity.

Distribution: It consists of transporting electric power through a set of lines and substations, with the associated equipment, that operate at tensions that are lower than 220 KV.

Commercialization: An activity that consists of the purchase of electric energy in the wholesale market and its sale to other market participants or to the final regulated and non-regulated users, developing this activity either exclusively or combined with other activities of the electric sector, regardless of which of them is the main activity.

Law 143 of 1994 prohibits the vertical integration between generators and distributors, but allows both agents to be able to develop carry out the commercialization activity. For the transmission, the law defined that the companies that should undertake it, must have that activity as the exclusive object. However, the companies that were vertically integrated as of the promulgation date of Law 143 of 1994 could continue to be so, only if they have separated accounting books for the different activities.

1.2.1.2.3 Activities of the natural gas sector

Law 142 of 1994 defined the legal framework for the provision of domiciliary public utilities, an environment in which natural gas is defined as a public service (utility).

Gas: It is the set of activities targeted to the distribution of gas fuel, through pipes or another mean, from a place of collection of large volumes or from a central gas pipeline to the facilities of a final consumer, including their connection and measurement. This Law will also be applied to the supplementary activities of commercialization from the production and transportation of gas through a main gas pipeline, or through other means, from the generation site and to that where it connects to a secondary network.

1.2.2 Legislation for Chile

1.2.2.1 Electric sector activities

The activities of generation, transmission and distribution regulated by the Electric Services General Act (LGSE, for its Spanish initials) are identified in the Chilean electric market.

In Chile there are four electric systems interconnected: the Interconnected System of the Great North ("Sistema Interconectado del Norte Grande - SING") that covers the territory included between the cities of Arica and Antofagasta, with 28.06% of the country's installed capacity; the Central Interconnected System ("Sistema Interconectado Central - SIC") that goes between the locations of Taltal and Chiloé, with 71.03% of the country's installed capacity; the Aysén System that covers the consumption of Region

XI, with 0.29% of the capacity; and the Magallanes System that supplies Region XII, with 0.62% of the country's installed capacity.

The reforms in the Chilean electric sector started in 1978 with the creation of the National Energy Commission and were formalized with the approval of the Electric Act in 1982. Due to the privatization of the sector in Chile, as from 1980, there has been no interest of the Government.

1.2.2.2 Sanitary service activities

The Sanitary Sector is made up by the group of entities which functions relate to the services of production and distribution of potable water and collection and disposal of waste water, that is, the companies in charge of providing those services and the Superintendency of Sanitary Services, regulatory and overseeing entity of this sector.

1.2.2.3 Regulatory framework

Electric: According to the Electric Services General Act ("Ley General de Servicios Eléctricos - LGSE"), the National Power Commission is the competent authority to calculate the rates through the technical reports of "knot price setting" (fijación de precio de nudo) that are subsequently established by decree of the Ministry of Economy, Promotion and Reconstruction. Current legislation establishes as a basic premise that the rates must represent the actual costs of electricity generation, transmission and distribution so that an optimal development of the electric systems can be obtained.

The legal framework of the Chilean electric sector mainly consists of:

Decree with Force of Law DFL

- Decree Law N° 1 DFL N° 1 of 1982. The Electric Services General Act establishes the fundamental norms for the development of the economic activity in the electric industry. It may only be modified at the National Congress and its most relevant modifications are those that are applied through Law N° 19.940 of 2004 (Short Act I ("Ley Corta I")), that reformed the regulatory framework of the Transmission, and Law N° 20.018 of 2005 (Short Act II ("Ley Corta II")), that reformed the commercialization regime between generators and distributors for the supply of regulated clients. The bylaws, in turn, are elaborated by the sectorial bodies of the Executive Power and must be submitted to the norms established in the Law.
- Decree with Force of Law (DFL) No. 4 DFL of 2007. Approves modifications to the Decree with Force of Law No. 1 of 1982, General Law of Electric Services, on the subject of electric power.
- Law No 20.257 of 2008. It introduces modifications to the General Law of Public Services (GLPS) in respect to the generation of public power with renewable non conventional energy sources.
- Law No. 20.402 of 2009. It creates the Ministry of Energy, establishing modifications to Decree Law No. 2.224 and to other legal legislation.

Sanitary: In the regulation scheme in effect, where the regulatory and monitoring function of the State is separated from the producing function, the Superintendency of Sanitary Services is created, which is the regulating and monitoring body of the sector. This body is a decentralized entity that has its legal status and own equity, subject to the supervision of the President of the Republic through the Ministry of Public Works. It performs the regulatory and monitoring functions of the activity of companies that operate in this sector.

The regulatory model places emphasis on two crucial aspects to introduce the economic rationality in the operation of the sector: the rates and the concessions regime, both aspects are contained in the legal framework under which the operation of the sector is regulated, the function of the Superintendency of Sanitary Services being that of applying and enforcing the provisions fo the respective legal bodies: Decree with Force of Law No. 70 of 1988, Law of Rates and the Decree with Force of Law No. 382 of 1988, General Law of Sanitary Services.

The legal framework of the Chilean sanitary sector is made up mainly by:

- Law of the Superintendency of Sanitary services - Law 18.902 of 1990 (Modified by Law No. 19.549 of 1998 and Law No. 19.821 of 2002): it creates the Superintendency of Sanitary Services as a functionally decentralized service, with legal status and its own equity, subject to the supervision of the President of the Republic through the Ministry of Public Works.

To the Superintendency of Sanitary Services will correspond the monitoring of the providers of sanitary services, of the compliance with rules related to sanitary services and the control of industrial liquid waste that is connected to the rendering of services of sanitary companies, capable either officially or at the request of any interested party to inspect the sanitary infrastructure works made by the providers.

Regulations of the General Sanitary Service Law, Supreme Decree (SD..) of the Ministry of Public Works (M.P.O) No. 1199, Dec/2004 Published in the Official Diary on November 9, 2005): they approve the regulations of sanitary concessions of production and distribution of potable water and collection and disposal of waste water and of the regulations on the quality of the customer service to the users of these services.

Law of rates of sanitary services: Decree with Force of Law MOP No. 70 of 1988 - Published in the Official Diary on March 30, 1988.

Code of Waters and its modifications: the Decree with Force of Law No. 1.122 regulates the property and the right of the use of the water. The latest modifications are: Law No. 20.017 of 2005 and Law No 20.099 of 2006.

Regulation of the General Law of Sanitary Services Supreme Decree MOP No. 1199, December/2004: approves the regulations of the sanitary concession of production and distribution of potable water and of collection and disposal of waste water and of the regulations on the quality of the customer services to the users of these services.

1.2.2.4 Regulatory entities

Some of the main regulatory entities for the energy service in Chile are:

- Ministry of Energy: It is the higher body of collaboration to the President of the Republic in the functions of governance and administration of the energy sector. This public body is responsible for determining the plans, policies and norms for the development of the electric sector. Further, it grants concessions for hydro-electrical centrals, transmission lines, substations, and electric distribution zones. The National Energy Commission (“Comisión Nacional de Energía - CNE”) is attached to the Ministry of Energy.
- National Energy Commission (“Comisión Nacional de Energía - CNE”): The Comisión Nacional de Energía (CNE) is a public decentralized entity with its own equity and full capacity to acquire and exercise rights and obligations that relate to the President of the country through the Ministry of Energy. In particular, the Comisión Nacional de Energía leads the tariff fixation processes to the electricity and gas companies of the network. It is responsible for designing technical standards and calculating the regulated prices established in the Law. Likewise, it monitors and projects the current and expenses operation of the energy sector, through the generation of the works plan that constitutes an indicative guide for a ten-year expansion of the system. Likewise, proposes to the Ministry of Energy the legal and regulatory norms that are required in the matters of its competence.
- Office of the Superintendent of Electricity and Fuels (“Superintendencia de Electricidad y Combustibles - SEC”): It is the public body whose mission is to watch over the adequate operation of the electricity, gas and fuels services, in terms of their safety, quality and price. In addition to fixing technical standards, the SEC’s objective is to audit and oversee compliance with the legal and regulatory norms for generation, production, storage, transportation and distribution of liquid fuels, gas and electricity, to verify that the quality of services that are provided to the users be the one stated in those decisions and technical norms and that the operations and the use of the energy resources do not constitute danger to the people or their things. The institutional framework of SEC is Law 18410 of 1985, modified by Law 20402 of 2009.

- Economic Center of Cargo Shipping of the Central Interconnected System (CDEC-(SIC): The CDEC-SIC is the entity in charge of coordinating and determining the operation of SIC facilities, including power generating station, lines and substations of the transmission and consumption bars system of free clients. Amongst its functions are: watching over the service security in the electrical system; guaranteeing the most economical operation of the set of facilities of the electrical system; and guaranteeing the right of way on the transmission systems established through electrical concession decree. The CDEC-SIC is integrated by the power generators, transmitters and free clients that operate in the SIC, and the members are the ones that fund it. The institutional framework of CDECs is Decree 291. of 2008.
- Economic Cargo Shipping Center (of the Large North Interconnected System (CDEC- (SING): The CDEC-SING is the body in charge of coordinating and determining the operation of the SING facilities. It is analog to the CDEC-SIC.
- Some of the major regulatory entities for the sanitary sector (potable water and sewerage system) are:
 - Ministry of Public Works (MOP): grants the concessions and promotes the supply of water and the sanitation in rural zones through its Sanitation Programs Department. Besides to the functions that are proper to it, in respect to the sanitary sector it corresponds to the administration of the legislation on the subject of water resources, the assignment of water rights and the approval of the concession rights to establish, construct and exploit sanitary services.
 - Superintendency of Sanitary Service (SISS): entity of the State of Chile that regulates and monitors the companies that provide the potable water service and collection and treatment of wastewater of the urban population.
 - Ministry of Health: monitors the quality of water in the sanitary services that are not under the jurisdiction of the Superintendency (that are not sanitary public utilities) and officializes the rules of quality studied under the provisions of the National Standardization Institute.
 - Ministry of Economy, Development and Reconstruction: designs and monitors the implementation of public policies that affect the competitiveness of the country; It promotes and monitors the activities in the sectors of the industry, services and commerce. Its major lines of action are related to the design and promotion of Innovation and Entrepreneurship Policies. Its main function in respect to the sanitary sector is the determination of regulated prices, at the proposal from the Superintendency.

1.2.3. Legislation for El Salvador

A restructuring process of the electrical sector was developed in El Salvador, which was materialized in a juridical and institutional framework that aims to promote the competition and conditions necessary to assure the availability of an efficient energetic supply, capable of supplying the demand under technical, social, economic, environmental and financial feasibility criteria.

In the 90's, El Salvador pushed a process of reforms in the energetic sector that consisted of the restructuring of the hydrocarbons and electricity sectors, the privatization of most government companies that provided energetic goods or services and the deregulation of the markets.

1.2.3.1 Regulatory framework

The legal framework of the Salvadorian electric sector is formed by the Law of Creation of the General Superintendence of Electricity and Telecommunications ("Superintendencia General de Electricidad y Telecomunicaciones") (SIGET), issued through Legislative Decree 808 of September 12, 1996, that gave juridical life to the regulatory entity; as well as by the General Law of Electricity ("Ley General de Electricidad") (LGE), issued through Legislative Decree 843 of October 10, 1996, and by the Bylaws of the General Law of Electricity, established through Executive Decree 70 of July 25, 1997, including its modifications.

As a result of the restructuring process of the electrical sector the following was created: the Unidad de Transacciones S.A. (UT), that manages the Wholesale Market of Electric Energy, and the Empresa de Transmisión de El Salvador (ETESAL), at the same time that distribution companies were privatized as well as those of the thermal generation. Further, the hydro-electrical and geothermal generation activities, and a private partner was incorporated in the latter.

1.2.3.2 Regulatory entities

Some of the main regulatory entities at energetic level in El Salvador are:

- **Ministry of Economy (MINEC):** Central government institution which purpose is the promotion of the economic and social development through the increase of the production, the productivity, and the rational utilization of the resources. Among its responsibilities there is to define the commercial policy of the country and the follow-up and momentum to the Central American economic integration. It has under its command the Direction of Electric Energy and the Social Investment Fund for the Local Development; further, it chairs the National Council of Energy. Likewise, it contributes to the development of the competence and competitiveness of productive activities, both for the internal market and for the external market.
- **General Superintendence of Electricity and Telecommunications (“Superintendencia General de Electricidad y Telecomunicaciones”) (SIGET):** It is a not-for-profit public service autonomous institution. Such autonomy includes the administrative and financial aspects and it is the competent entity to apply the norms contained in international treaties on electricity and telecommunications in force and effect in El Salvador, as well as in the laws that rule the electricity and telecommunications sectors and its bylaws, in addition to knowing about the non-compliance therewith.
- **Transactions Unit (“Unidad de Transacciones”) (UT):** Among its functions is the managing with transparency and efficiency of the wholesale electrical energy market and operating the transmission system, maintaining the security and the quality and providing to the market operators satisfactory responses for the development of its activities. Likewise, it coordinates with the Regional Operator Entity (“Ente Operador Regional”) (EOR) the energy transactions that El Salvador carries out with other countries at Central American and international levels. Finally, it determines responsibilities in case of failures in the systems.

1.2.4 Legislation for Guatemala

The Political Constitution of the Republic of Guatemala of 1985 declared the electrification of the country as national urgency, based upon plans formulated by the State and the municipalities, in a process that could count on the interest of the private initiative.

1.2.4.1 Regulatory framework

With the Political Constitution as a legal handle, in 1996 it was decreed the General Electricity Act, through which the fundamental juridical norms were established to facilitate the acting of the different electrical system sectors.

1.2.4.2 Regulatory entities

Some of the main energy regulatory entities in Guatemala are:

- **Ministry of Energy and Mines:** The Ministry of Energy and Mines is the most important Guatemalan government entity of the electric sector. It is responsible for enforcing the General Electricity Act and related regulations, as well as for the coordination of policies between National Commission of Electric Energy (CNEE) and the Administrator of the Wholesale Market (AMM). This government office also has the authority to grant authorization permits for the operation of the distribution, transmission and generation companies.

- **Comisión National Electrical Power Commission (“Comisión Nacional de Energía Eléctrica - CNEE”):** The Guatemalan electric sector is regulated by the CNEE, a regulatory entity created pursuant to the General Electricity Act, as a technical body of the Ministry of Energy and Mines and subordinated to it. It consists of three members appointed by the President of the Republic from groups of three proposed by the Principals of universities, the Ministry of Energy and Mines and the Wholesale Market agents. The duration of each directorate is five years.
- **Wholesale Market Administrator (“Administrador del Mercado Mayorista - AMM”):** is the entity in charge of managing the the Guatemalan wholesale market, a private entity created by the General Electricity Act, that coordinates the operation of the generating facilities, the international interconnections, and the transmission lines that conform the national electricity system. Likewise, it is responsible for the system’s safety and operation conducting an economically efficient shipment and managing the electricity resources, in such a way that it minimizes the operating costs, including the costs of failures, within the restrictions imposed by the transmission system and the service quality requirements. Likewise, the AMM is in charge of the scheduling of the supply and the shipment of electricity. AMM’s bylaws are subject to CNEE’s approval. If a generation, transmission or distribution company, or an electricity agent or large user does not operate their facilities in conformity with the regulations established by the AMM, the CNEE has the capacity to sanction it with penalties and, in the case of a severe violation, it may require to be disconnected from the national electricity system.

1.2.5 Legislation for México

1.2.5.1 Regulatory framework for the water and sanitary

In the government environment, each of the 32 federative entities has their respective water laws, with sensibly equal purposes in spite of the diverse denominations. The modifications to the government legislation associated to the provision of water and sanitation services mainly derived from a series of initiatives promoted by the National Waters Commission (“Comisión Nacional de Aguas - CAN”) in the 90’s.

A summary of the evolution from then and until the beginning of this decade that the legal state regime has experienced with respect to water and sanitation is:

- Reforms in 1983 to Article 115 of the constitution, with which it was ratified and strengthened the municipal character of the water and sanitation services, which forced to target the state authorities’ role in this matter to assign them a subsidiary and somehow regulatory role.
- Government policies established to promote the creation of decentralized bodies (creation decrees) of the Municipal Administration, with the technical capacity and he administrative and financial autonomy necessary for the efficient provision of those services, together with the introduction of interest schemes of the private sector.
- Greater interest if the state authorities in the administration of the national waters, through covenants that, pursuant to the provisions of Article 116 of the constitution, can be entered into by the federation with the state governments with the purpose that the latter carry put or exercise different tasks or attribution, of the exclusive competence of the federal government. This possibility was reinforced even more with the reforms and additions to the National Waters Act that entered into force and effect in 2004.

1.2.5.2 Regulatory entities

Some of the main energy regulatory entities in Mexico are:

- **Secretariat of the Environment and Natural Resources (“Secretaría de Medio Ambiente y Recursos Naturales - SEMARNAT”):** In the different environments of the society and of the public function, it incorporates criteria and instruments that assure the optimal protection, preservation, and utilization

of the country's natural resources, thus forming an integral and inclusive environmental policy that allows achieving sustainable development, provided that they are not expressly entrusted to another office; likewise, in matters of ecology, environmental sanitation, water, environmental regulation of the urban development and the fishing activity, with the interest that shall correspond to other offices and entities.

- National Water Commission (“Comisión Nacional del Agua - CONAGUA”): With the interest of the society, it manages and preserves the national waters to achieve the sustainable use of the resource with the co-responsibility of the three orders of the government and the society in general. It is the authority with technical quality and promoter of the government orders in the integrated management of the hydric resource and its inherent public goods, and protects the water bodies to guarantee a sustainable development and preserve the environment.
- Social Development Secretariat (“Secretaria de Desarrollo Social - SEDESOL”): Defines the commitments of the administration to advance in the achievement of an effective social development. Formulates and coordinates the solidary and subsidiary social policy of the federal government, targeted to the common good, and executes it in a co-responsible fashion with the society.

1.2.6 Legislation for Panama

The electrical sector in Panama is divided into three activity areas: generation, transmission and distribution. The country has established a regulatory structure for the electrical industry, based upon the legislation that was approved between 1996 and 1998. This framework creates an independent regulator, the National Authority of the Public Utilities (“Autoridad Nacional de los Servicios Públicos - ASEP”), and also creates a transparent process for setting the tariffs for the sale of energy to regulated clients.

1.2.6.1 Regulatory framework

The regulatory regime mainly consists of the following norms:

- Law 6 of February 3, 1997. It dictates the regulatory and institutional framework for the provision of the electricity public service. It establishes the regime to which the electrical energy distribution, generation, transmission and commercialization activities shall be subject.
- Law 57 of October 13, 2009. Several modifications are made to Law 6 of 1997; among them there are: the obligation of the generating companies to participate in the energy or power purchase processes, the compulsoriness for Empresa de Transmisión Eléctrica S.A. (ETESA) of buying energy in representation of the distributing companies, and the increase in fines that the regulator may impose of up to \$20 million Balboas, and at the same time it establishes the right of the clients to refrain from paying for the portion they claim and grants a 30-day term to claim before the regulator in case of not being satisfied with the response given by the distributing company.
- Law 58 of May 30, 2011. It modifies those articles related to rural electrification, among which there are: the modification of the calculation of subsidy that the Rural Electrification Office (“Oficina de Electrificación Rural - OER”) must pay to the distributors for a 4-year period (formerly it was paid to 20 years) and the creation of a rural electrification fund for 4 years, which shall be formed with the contributions of the market agents that sell electric energy and shall not exceed 1% of their net profit before taxes.

1.2.6.2 Regulatory entities

Some of the main energy regulatory entities in Panama are:

- The Energy Secretariat (“Secretaría de Energía”): its mission is to formulate, propose and promote the national energy policy with the purpose of guaranteeing the security of the supply, the rational and efficient use of the resources and energy in a sustainable fashion, as per the National

Development Plan (“Plan de Desarrollo Nacional”). Currently, it is processing before the Electrical Transmission Company (“Empresa de Transmisión Eléctrica - ETESA”) the formation of an energetic matrix with greater and more varied renewable and clean resources (Aeolian, gas, among others.)

- The National Authority of the Public Services (“Autoridad Nacional de los Servicios Públicos - ASEP”): Established according to the law of the regulatory entity of public services of 1996. It is an autonomous Government entity with the responsibility of regulating, controlling, and auditing the provision of the water and sanitary sewage, telecommunications, radio and television, electricity and natural gas services.

On February 22, 2006, through Decree Law 10, the Public Services Regulatory Entity (“Ente Regulador de los Servicios Públicos - ERSP”) was restructured and changed its name; for that reason, since April 2006 it is known as the ASEP, with the same responsibilities and functions that the regulatory entity had but with a general administrator and an executive director, each designated by the President of the Republic of Panama and ratified by the National Assembly. Likewise, it has three national directors under the authority of the general administrator: one for the electricity and water sector, one for the telecommunications sector, and one for the user service sector. The national directors are responsible for issuing resolutions related to their respective industries and the appeals thereto are solved by the general administrator as a final stage of the administrative process.

- The Planning Unit of the Electric Transmission Company (“Unidad de Planificación de la Empresa de Transmisión Eléctrica - ETESA”): It elaborates the reference expansion plans and projects the global requirements of energy and the fashions to satisfy those requirements, including the development of alternative sources and establishing programs to preserve and optimize the use of energy. The public service companies are called to prepare and present their expansion plans to ETESA.
- The National Dispatching Center (“Centro Nacional de Despacho - CND”): It is operated by ETESA. Plans, supervises and controls the integrated operation of the National Interconnected System (“Sistema Interconectado Nacional”). Receives the supplies of the generators who participate in the power sale market (spot), it determines the spot prices of energy, administers the transmission network, and provides the liquidation values between suppliers, producers, and consumers, among others.
- The Rural Electrification Office (“Oficina de Electrificación Rural - OER”): It is responsible for promoting the electrification in non-served, non-profitable and non-franchised rural areas.

1.3 External Audit

As included in the Code of Good Corporate Governance, the external audit is established as a control mechanism with the purpose Audit consolidated financial statements and accounting policies in accordance with international financial reporting standards. as well as the provision of an independent opinion with respect to the reasonableness with which they indicate the company’s financial position as of the cut-off date of each accounting exercise

Note 2. Significant accounting policies

1.1 Bases for preparation of the consolidated financial statements

The consolidated financial statements of EPM Group are prepared in conformity with the International Financial Reporting Standards (hereinafter, IFRS) and the International Accounting Standards (hereinafter, IAS) issued by the International Accounting Standards Board (hereinafter, IASB), as well as the interpretations issued by the Interpretations Committee (hereinafter, IFRIC). These financial statements are harmonized with generally accepted accounting principles in Colombia as set out in the Annex to Decree 2784 of 2012 and subsequent amendments accepted by the National Accounts Office through Resolution 743 of 2013 and its amendments.

affect the amounts reported and disclosed in the financial statements, without undermining the reliability of the financial information. Actual results may differ from those estimates. The estimates and assumptions are constantly revised. The review of accounting estimates is recognized in the period where the estimates are revised if the review affects such period or in the review period and future periods, if it affects both the current and the future periods. The estimates made by Management, in applying the IFRS, that have a material effect on the financial statements, and those that imply significant judgments for the annual financial statements, are described in greater detail on Note 3 - Significant accounting judgments, estimates, and causes for uncertainty in the preparation of the financial statements.

EPM and each subsidiary present independent financial statements for compliance before the controlling entities and for internal administrative follow-up purposes and provide information to the investors.

Assets and liabilities are measured at cost or amortized cost, with the exception of certain financial assets and liabilities and the investment properties that are measured at fair value. The financial assets and liabilities measured at fair value correspond to those that are classified in the category of fair value assets and liabilities through profit and loss, and for some equity investments at fair value through equity, all the financial derivatives, assets and liabilities recognized that are designated as hedged items in a fair value hedging through other comprehensive income and those that do not comply with hedging accounting through profit or loss, the carrying value of which is adjusted with the changes in fair value attributed to the risks subject matter of the hedging.

2.2 The consolidated financial statements are presented in Colombian pesos and their figures are stated in millions of Colombian pesos. Consolidation principles

The consolidated financial statements include the financial statements of EPM and of its subsidiaries as of December 31, 2015 and 2014. Using the global integration method, EPM consolidates the financial results of the companies on which control is exercised, and which are detailed in Note 8.

A subsidiary is an entity controlled by any of the companies that make up the EPM Group. Control is obtained whenever any of the companies of EPM Group controls the relevant activities of the subsidiary, that generally speaking are those activities of operation and financing, it is exposed, or it is entitled, to the variable yields hereof and holds the capacity of using its power over the subsidiary to influence its yields.

In general, there is a presumption that a majority of the voting rights ends up taking control. To support this presumption, and when EPM Group has less than the majority of the voting or similar rights of an investee entity, EPM Group considers all the pertinent facts and circumstances to evaluate whether it has the power over an investee company, including the contractual agreements with the other holders of votes in the investee entity, the rights arising from other contractual agreements, and the voting rights of EPM Group as the potential voting rights.

EPM Group reevaluates whether or not they control the investee, if the facts and circumstances indicate that there are changes in one or more of the three controlling elements.

The consolidated financial statements of EPM Group are presented in Colombian pesos, which is the functional and presentation currency of EPM's, which is the controlling company of EPM Group. Every subsidiary of EPM Group determines their own functional currency and includes the items in their financial statements using that functional currency.

All the companies of EPM Group prepare and present their financial statements under IFRS according to the Group's accounting policies, except for the international companies that, due to their own country's regulation cannot apply IFRS, in which case they homologate their local practices to the Group's accounting policies at the moment of reporting information for the consolidation of the financial statements.

For consolidation purposes, the subsidiaries' financial statements are prepared under EPM Group's accounting policies and are included in the consolidated financial statements from the acquisition date to the date when EPM Group loses their control.

Intra-group assets, liabilities, equity, revenues, costs, expenses and cash flows are eliminated in the preparation of the consolidated financial statements. Those related to transactions between Group Companies, including unrealized internal results, which are eliminated in their entirety.

The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ends when the Group loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or sold during the year are included in the consolidated statement of comprehensive income from the date the Group obtains control until the date on which it ceases to control the subsidiary.

When EPM Group loses control over a subsidiary, the assets (including the goodwill), liabilities, non-controlling interests, and other components of the net equity are written-off; any residual interest it may retain is measured at fair value; the gains or losses that arise from this measurement are recognized in the results for the period.

Non-controlling interests in the consolidated net assets of the subsidiaries are presented separately from EPM Group's equity. The results for the period and the other comprehensive income are also attributed to the non-controlling and controlling interests.

Any changes in the interest share of EPM Group in subsidiaries that do not result in the loss of control, are recorded as equity transactions. The carrying value of EPM Group's controlling interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount for which the controlling interest, the non-controlling interest, and the fair value of the consideration paid or received are adjusted, is directly recognized in net equity.

Whenever EPM Group loses control over a subsidiary, the gain or loss is recognized in operations and is calculated as the difference between: the fair value amount of the consideration received and the fair value of any interest retained and the prior carrying amount of the assets (including the goodwill) and the liabilities of the subsidiary and any non-controlling interest. All amounts related to the subsidiary, previously recognized in the other comprehensive income are recorded as if the Group had directly disposed the assets or liabilities related to it (i.e., reclassified into profit or loss or transferred to another equity category as allowed by the applicable IFRS). The fair value of the investment retained in the previous subsidiary on the date when control is lost, is considered as the fair value in the initial recognition for its subsequent measurement either as an investment made in a financial instrument, an investment made in a joint venture or in an associate.

2.3 Classification of assets and liabilities into current and non-current

An asset is classified as current asset when it is mainly maintained for negotiation purposes or it is expected to be realized over a term not to exceed one year after the period being reported, or it is cash and cash equivalents if it is not subject to restrictions for exchange or for being used in the cancellation of a liability over a term not to exceed one year after the period being reported. All other assets are classified as non-current assets.

A liability is classified as current liability when it is mainly kept for negotiation purposes or it is expected to be liquidated over a term not to exceed one year after the period being reported or when EPM Group does not have an unconditional right to postpone its liquidation for at least one year after the period being reported. All other liabilities are classified as non-current liabilities.

All derivative instruments for which the hedging accounting does not apply are classified as current or non-current, or are divided into current and non-current portions, based upon the evaluation of the facts and circumstances (i.e., the underlying contractual cash flows):

- When EPM Group keeps a derivative, for which the hedging accounting is not applied, during a term exceeding twelve (12) months as from the presentation date, the derivative is classified as non-current (or divided into current and non-current portions) so that it corresponds with the classification of the underlying item.
- Implicit derivatives that are not closely related to the host contract are classified coherently with the cash flows of the host contract.

- Derivative instruments that are designated as hedging instruments and that are effective, are classified coherently with the classification of the underlying hedged item. The derivative instrument is divided into a current portion and another non-current only if such assignment can be made reliably.

2.4 Cash and cash equivalents

The cash and cash equivalents in the statement of financial position and in the statement of cash flows include the money in cash and banks and the high-liquidity investments, easily convertible in a determined amount of cash and subject to a non-significant risk of changes in their value, with maturity of three (3) months or less from their acquisition date. Callable bank overdrafts that are an integral part of the cash management of EPM Group represent a cash and cash equivalents component in the statement of cash flows.

2.5 Business combinations

Business combinations are recorded by the acquisition method. The acquisition cost is measured as the addition of the consideration transferred measured on the acquisition date at fair value and the amount of minority interest in the acquired entity. For each business combination, EPM Group decides whether the non-controlling interests in the acquired entity should be measured at their fair value or for the proportional part of the identifiable net assets of the acquired entity. All costs related to the acquisition are recognized as expenses when incurred and are included in administration expenses.

Identifiable assets acquired, contingent assets and liabilities assumed from the acquired entity are recognized at fair value on the acquisition date, Except that:

- Deferred tax assets or liabilities and the assets or liabilities related to employee benefit agreements shall be recognized and measured in conformity with IAS 12 Tax on gains and IAS 19 Employee Benefits, respectively.
- Liabilities or equity instruments related to payment agreements based upon stock of the acquired entity or payment agreement based upon Group's stock made as a replacement of the agreements with payment based upon stock of the acquired entity are measured in conformity with IFRS 2 Share-based payments at the date of acquisition.
- The assets (or group of assets for disposal) that are classified as available-for-sale in conformity with IFRS 5 Non-Current Assets Available-for-Sale and Discontinued Operations are measured in conformity with such Standard.

When EPM Group acquires a business, the financial assets and liabilities assumed for the classification and appropriate designation in conformity with contractual terms, the economic circumstances, and the pertinent conditions on the acquisition date are evaluated. This includes the separation of those derivatives implicit in the contracts hosted by the acquired entity.

The Group recognizes an intangible asset acquired in a business combination, regardless of the goodwill, provided that such intangible asset meets the criteria for recognition, is identifiable, or arises from contractual and legal rights; it measures the value of a reacquired right recognized as an intangible asset, based on the remaining contractual term of the related contract, regardless of whether the market participants would consider potential contractual renewals to determine the fair value.

If a business combination is carried by stages, any prior interest is valued once again as of their acquisition date at fair value and any resulting gains or losses are recognized in operations. The accounting treatment of what is recorded in the Other comprehensive income (ORI, for its Spanish initials), also known as Other Comprehensive Income (OCI), at the moment of the new purchase, i.e., the amounts resulting from the previous interest in the acquired entity as of the acquisition date that had been previously recognized in other comprehensive income, are reclassified into the result for the period, provided that such treatment were appropriate in case such interest were sold.

If the initial recording of a business combination is not finalized at the end of the period for presentation of the financial statements when the combination takes place, the Group reports the provisional amounts

of the items for which recording is incomplete. During the measurement period, the acquiring entity recognized adjustments to the provisional amounts or recognizes additional assets or liabilities necessary to reflect the new information obtained on facts and circumstances that existed on the acquisition date and, if they had been known, they would have affected the measurement of the amounts recognized on that date.

The consideration transferred is measured as the added value of the fair value, on the acquisition date, of the assets delivered, the liabilities incurred in or assumed, and equity instruments issued by EPM Group, including any contingent consideration, to gain control of the acquired entity.

Goodwill is measured as the excess of the consideration amount transferred, the value of any non-controlling interest, and, whenever applicable, the fair value of any interest previously maintained in the acquired entity; over the net value of the acquired assets, the liabilities and the contingent liabilities assumed on the acquisition date. The resulting gain or loss of the measurement of the interest previously maintained is recognized in the results for the period or in the other comprehensive income. When the consideration transferred is lower than the fair value of the net assets of the acquired entity, the corresponding gain is recognized in the results for the period, on the acquisition date.

Any contingent consideration of a business combination is classified as asset, liability or equity and is recognized at fair value on the acquisition date and is included as part of the consideration transferred in a business combination. The changes subsequent to the measurement period made to the fair value of a contingent consideration, classified as financial asset or liability are recognized in the results for the period or in the case of concrete liabilities designated at fair value with changes in profit and loss, the amount of the change in fair value that is attributable to changes in the credit risk of the liability are recognized in the other comprehensive income; when it is classified as equity it is no measured again; its subsequent liquidation is recognized within equity. If the consideration does not classify as a financial liability it is measured in conformity with the applicable IFRS; according to the foregoing, an asset or liability is re-measured on its reporting date in conformity with IFRS 9 Financial Instruments or IAS 37 Provisions, contingent liabilities and contingent assets whenever appropriate.

The accounting policy established to record changes at fair value of the contingent benefit during the measurement period is as follows: all changes at fair value of the contingent consideration that classify as measurement period adjustments, are retrospectively adjusted, with the corresponding adjustments against the goodwill. The measurement period adjustments are adjustments that arise from the additional information obtained during the “measurement period” (which may not exceed one year as from the acquisition date) on facts and circumstances that existed on the acquisition date.

Goodwill acquired in a business combination is assigned, on the acquisition date, to the cash generating units of EPM Group, that are expected to be benefited with the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units. The capital gain/added value that arises from the acquisition of a business is recorded at cost on the acquisition date less the accumulated impairment losses, if any.

For impairment assessment purposes, the capital gain is assigned to each cash-generating unit (or group of cash generating units) of the Group that expects to obtain benefits from the synergies of that combination.

The cash generating units that are assigned the capital gain are subject to annual impairment assessments, or with shorter frequency if there is indication that the unit may have suffered impairments. If the recoverable amount of the cash generating unit is lower than the carrying value of the unit, the impairment loss is assigned first in order to reduce the carrying value of the capital gain assigned to the unit and then to the other assets of the unit, proportionately, taking as a base the carrying value of each asset in the unit. Any impairment loss for the capital gain is directly recognized in profits or losses. The impairment loss recognized for capital gain purposes may not be reverted in the following period.

When the goodwill is part of a cash-generating unit and a portion of the operation within that unit is sold, goodwill associated to the operation sold is included in the carrying value of the transaction at the moment of determining the gain or loss for the disposal of the operation. The goodwill that is written-

off is determined based upon the operation's portion sold, which is the ratio between the carrying value of the operation sold and the carrying value of the cash-generating unit.

If the initial recognition of a business combination is incomplete at the end of the accounting period where the combination takes place, EPM Group discloses the provisional values of the items the recording of which is incomplete. These provisional values are adjusted during the measurement period and are the additional assets and liabilities are recognized to reflect the new information obtained on facts and circumstances that existed on the date of acquisition that would have affected the values recognized on that date.

2.6 Investments made in associates and joint ventures

An associate is an entity on which EPM Group has significant influence over the financial and operation policy decisions, without getting to have their control or joint control.

A joint venture is a joint agreement that EPM Group controls jointly with other participants, where the latter keep a contractual agreement that establishes the joint control and are entitled to the net assets of the agreement.

On the acquisition date, the excess of the acquisition cost over the share of the net fair value of the identifiable assets, liabilities and contingent liabilities assumed of the associate or joint venture, is recognized as goodwill. Goodwill is included in the carrying value of the investment, and is neither amortized nor individually subject to impairment tests of its value.

Investments in associates and joint ventures are measured in the consolidated financial statements by equity method, except if the investment or a portion thereof is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. Through this accounting methodology, the investment is initially recorded at cost and is later adjusted in terms of the changes experienced, after the acquisition, by the portion of the net assets of the entity that corresponds to the investor. The Profit and Loss of the Group includes its participation in the Profit and Loss of the entity in which the interest is held and the other comprehensive income of the Group includes its participation in the other comprehensive income of the entity in which the interest is held. When there are variations in the percentage of participation in the associate or joint venture that do not imply a loss of control, the effect of these changes is recognized directly in equity. When the participation of the Group in the loss of an associate or joint venture exceeds the participation of the Group thereon (which includes any long term participation that, in substance, forms part of the net investment of the Group in the associate or joint venture), the Group ceases to recognize its participation in future losses. Additional losses are recognized provided that the Group has contracted some legal or implied obligation or has made payments in the name of the associate or joint venture. When the associate or joint venture subsequently makes a profit, the enterprise resumes the recognition of its interest therein only after its share in the aforementioned profits equals the share of unrecognized losses.

Investments in associates and joint ventures are accounted for using equity method from the date when the entity in which the interest is held becomes an associate or joint venture.

All dividends received from the associate or joint venture, are recognized by reducing the carrying value of the investment.

The Group analyzes periodically the existence of impairment indicators and if necessary, recognizes losses for impairment in the investment of the associate or joint venture. Impairment losses are recognized in the Profit and Loss for the period and are calculated as the difference between the recoverable value of the associate or joint venture, the latter being the higher between the value in use and its fair value less the costs necessary for its sale and its carrying value.

When the significant influence over the associate or the joint control over the joint venture is lost, EPM Group measures and recognizes any residual investment that they may keep in it at its fair value. The difference between the carrying value of the associate or joint venture (taking into account the corresponding items of other comprehensive income) and the fair value of the residual investment retained, with the amount coming from its sale, is recognized in the result for the period.

The Group discontinues the use of equity method from the date on which the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale.

Additionally, EPM Group records all the amounts previously recognized in other comprehensive income with respect to this associate or joint venture on the same basis that would have been required if such associate or joint venture had directly sold the financial assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the associate or joint venture had been reclassified into gains or losses at the moment of the sale of the related assets or liabilities, the Group would classify the gain or loss from equity into gains or losses (as a reclassification adjustment) upon discontinuation using equity method.

2.7 Joint ventures

A joint operation is a joint agreement whereby the parties that have joint control of the agreement, have the right to the assets and obligations with respect to the liabilities, related to the agreement.

In joint operations, EPM Group, recognizes its share as follows: its assets, including its share in the assets jointly held; its liabilities, including its share in the liabilities jointly incurred in; its revenues from ordinary activities coming from the sale of its share in the product that arises from the joint operation; its share in the revenues from ordinary activities coming from the sale of the product that is made by the joint operation; and its expenses, including its share in the jointly incurred in expenses. EPM Group records the assets, liabilities, revenues from ordinary activities, and expenses related to its participation in a joint operation according to the guidelines applicable in particular to the assets, liabilities, revenues from ordinary activities, and expenses.

2.8 Functional and foreign currency

The functional currency of EPM, the parent company of EPM Group, is the Colombian peso, because it is the currency of the main economic environment where it operates, i.e., in the one that it generates and uses cash.

The operations denominated in foreign currency are initially recorded at the exchange rates of the functional currency in force and effect on the transaction date. Subsequently, the foreign-currency denominated monetary assets and liabilities are translated using the exchange rate of the functional currency, in force and effect as of the period's closing date; the non-monetary items that are measured at their fair value are translated using the exchange rates as of the date when their fair value is determined, and the non-monetary items that are measured at historic cost are translated using the exchange rates in force and effect as of the date of the original transactions.

All exchange differences are recognized in the statement of comprehensive income in the section "statement of income" except for the monetary items that provide an effective hedging for a net investment in a foreign business. These items and their tax effects are recognized in the other comprehensive income until the disposal of the net investment, at which moment they are recognized in the result for the period, as well as the exchange differences coming from foreign-currency loans to the extent that they are considered as adjustments of interest costs.

For the presentation of the consolidated financial statements of EPM Group, the assets and liabilities of the foreign businesses, including the goodwill and any adjustment to the fair value of the assets and liabilities that arose from the acquisition, are translated into Colombian pesos using the exchange rate in force and effect as of the closing date of the period being reported. The revenues, costs and expenses and cash flows are translated using the average exchange rates of the period.

The exchange differences that arise from the conversion of the foreign businesses are recognized in the other comprehensive income, as well as the exchange differences of the long-term accounts receivable or payable that are part of the net investment made abroad. In the disposal of the foreign business, the item of the other comprehensive income that relates to the foreign business is recognized in the result for the period.

The adjustments corresponding to goodwill and the fair value over identifiable assets and liabilities acquired that are generated in the acquisition of a foreign business are considered as assets and liabilities

of such transaction and are translated using the exchange rate in force and effect at the end of each period being reported. Any exchange difference that may arise shall be recognized in other comprehensive income.

In addition, with respect to the partial disposal of a subsidiary (which includes a business abroad), the entity will again attribute the proportional part of the accumulated amount of the exchange differences to the non-controlling interests, and they are not recognized in gains or losses. In any other partial disposal (i.e., partial disposal of associates of joint agreements that do not involve the loss of significant influence and joint control by the Group), the entity shall reclassify into gains or losses only the proportional part of the accumulated amount of the exchange differences.

2.9 Ordinary income

The ordinary income corresponds basically to the result of the Group's main activity, which is the rendering of the services of electric power, gas, supply of water and sanitation, and is recognized when the service is rendered or at the time of the delivery of the goods, to the extent that it is probable that the economic benefit enter the Group and that the income can be reliably measured. Income is measured at the fair value of the consideration received or to be received, excluding taxes and other obligations. Discounts granted are recorded as adjustment value of income.

The Group assesses its income agreements based on specific criteria to determine when it acts in a capacity of principal or of agent. The Group acts in a capacity of agent in some contracts.

The most representative incomes of the energy business in Colombia are as follows:

Reliability charge: remuneration paid to a generating agent for the availability of Generation assets with the declared characteristics and parameters for the calculation of the firm energy for the reliability charge - ENFICC, which guarantees compliance with the Firm Energy Obligation - OEF that was assigned to it in an auction for the assignment of firm energy obligations or in the mechanism that makes its turn.

Long-term contracts: a contract for the sale of energy between traders and generators, which is settled in the energy exchange, under this modality of energy contract generators and traders freely agree on quantities and prices for the purchase and sale of energy Electricity in more than 1 day.

In the case of long-term energy purchase contracts, which have lower prices than the market and whose intention is not to use the energy purchased in the operation but to resell it in a market to obtain profits, it is considered that it does not comply with the Exception for own use

Secondary Market of Firm Energy or Secondary Market: A bilateral market in which generators negotiate a back-up contract with each other to ensure, for a given period of time, partial or total compliance with the firm's energy obligations acquired by one of them.

Non Regulated Energy Sales: This is the energy that is sold in the market to customers whose maximum demand exceeds a value in MW (megawatts) or a monthly minimum energy consumption in MWh (mega watts per MWh). Time by its acronym in English), defined by the regulatory body, by legalized installation, from which it does not use public networks of electric energy transport and uses it in the same property or in contiguous estates. Your purchases of electricity are made at freely agreed prices between the buyer and the seller.

Energy sales regulated market: It is the energy sold to customers whose monthly consumption is less than a predetermined value and is not entitled to negotiate the price paid by it, since both concepts are regulated; Usually uses energy for its own consumption or as an input for its manufacturing processes and not to develop marketing activities of it.

Automatic Generation Regulation - AGC: is a system for the control of the secondary regulation, used to accompany the variations of load through the Generation, to control the frequency within a range of operation and the programmed exchanges. The AGC can be programmed in centralized, decentralized or hierarchical mode.

Firm energy: this is the incremental contribution of a company's Generation plants to the interconnected system, which is carried out with a 95% reliability and is calculated based on a methodology approved by the Commission and the operational planning models used in The national interconnected system.

Gas revenues come from the Distribution and sale of natural gas to the regulated and unregulated market.

In the water business, revenues come from the provision of aqueduct and sewer services.

In the remaining countries where the Group provides its services, including energy, they have their own regulation, which is described for each country in section 1.1 Legal and regulatory framework

At the time of recognition of income, the Group evaluates based on specific criteria to identify when it acts as a principal or commission agent and thus determines whether gross or net income must be recognized for marketing activities.

The revenues and costs from contracts are recognized as a function of the stage of completion, which is measured as a function of the costs incurred to date as a percentage of total estimated costs for each contract. When the result of a contract cannot be reliably measured, the revenues are recognized only up to the point where the expense incurred in meets all the conditions to be recovered; expected losses are immediately recognized.

For the financial instruments measured at amortized cost, the interest gained or lost is recorded using the effective interest rate method, which is the interest rate that accurately discounts the future flows of cash payments and collections throughout the financial instrument's expected life, or a lower duration period, as applicable, with respect to the net carrying value of the financial asset or liability. Interest earned is included in financial revenues in the statement of comprehensive income within the result-for-the-period section.

Dividend revenues are recognized when the right of EPM Group to receive such payment is established.

Revenues coming from operating leases over investment properties are recorded on a linear fashion throughout the lease term.

2.10 Construction contracts:

When contract results can be reliably measured, EPM Group recognizes the revenues and expenses associated to construction contracts using the advance-level method, as a function of the proportion represented by the costs earned by the work conducted to that date and the estimated total costs up to its completion.

The cost incurred in includes the costs, including borrowing costs directly related to the contract, until the work has been completed. Administrative costs are recognized in the result for the period.

When the result of a contract under course cannot be reasonably estimated, the revenues thereof are recognized to the extent that it is probable to recover the costs incurred in. In those projects where it is probable that costs are greater than revenues, the expected losses are immediately recognized.

The payments received from the customer before the corresponding work has been carried out, are recognized as a liability in the Statement of Financial Position as advances received.

The difference between the revenues recognized in the statement of income and the billing is presented as asset in the statement of financial position denominated "Trade and other receivables", or as liability denominated "Other financial liabilities".

2.11 Government grants

Government grants are recognized at fair value when there is reasonable security that those subsidies shall be received and that all conditions linked to them shall be met. The grants that pretend to offset costs and expenses already incurred in, without subsequent related costs, are recognized in the statement of income of the period when they become enforceable. When the grants related to an asset, it is recorded as deferred income and is recognized in the result for the period on a systematic basis

throughout the estimated useful life of the corresponding asset. The benefit of a government loan at an interest rate below market is treated as a government subsidy, measured as the difference between the amounts received and the fair value of the loan based upon the market interest rate.

2.12 Taxes

The fiscal structure of each country where EPM Group companies are located, the regulatory frameworks and the plurality of operations that the companies undertake make each of the companies a taxpayer (passive subject of taxes, rates and contributions) on a national and territorial basis. Those liabilities are generated by the central government, the states/departments, municipal entities and other active subjects, once the conditions foreseen in the corresponding standards issued are met.

Amongst the most relevant taxes, we detail the income tax and the Value Added Tax:

Income tax

- **Current income tax:** The current income tax assets and liabilities for the period are measured by the amounts that are expected to be recovered or paid to the fiscal authorities. The income tax expense is recognized in the current tax according to the cleaning made between the fiscal income and the book profit or loss affected by the income tax rate of the current year and pursuant to the provisions of the tax norms in each country. The tax rates and norms used for computing those values are those that are approved at the end of the period being reported, in the countries where EPM Group operates and generates taxable profits.

The fiscal profit differs from the gain profit reported in the statement of income for the period due to the revenue and expense items that are imposable or deductible in other years and items that shall not be taxable or deductible in the future.

Current Income tax assets and liabilities are also offset if they relate to the same fiscal authority and there is the intention to liquidate them for the net value or to realize the asset and liquidate the liability simultaneously.

- **Deferred income tax:** The deferred income tax is recognized using the liability method calculated on the temporary differences between the fiscal bases of the assets and liabilities and their carrying values. The deferred tax liability is generally recognized for all imposable temporary differences and the deferred tax asset is recognized for all deductible temporary differences and for the future offsetting of fiscal credits and unused fiscal losses to the extent that it is probable the availability of future tax gains against which they can be imputed. Deferred taxes are not discounted.

The deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the moment of the transaction, affected neither the book gain nor the fiscal profit or loss; and for the deferred tax liability case, whenever it arises the initial recognition of goodwill.

The deferred tax liabilities related to investments made in subsidiaries, associates and participations in joint ventures, are not recognized the timeliness of if the timing of the reversal of temporary differences can be controlled and it is probable that those differences will not be reversed in the near future and the deferred tax assets related to investments made in subsidiaries, associates and participations in joint ventures shall revert in the near future and it is probable the availability of future taxable gains profits against which these deductible differences will be imputed.

The carrying value of the deferred tax assets is reviewed in each presentation date and they are reduced to the extent that it is no longer probable that there is enough taxable gains profits to use for the entire or one part of the deferred tax asset. The deferred tax assets that are not recognized are reassessed on each presentation report date and are recognized to the extent that it is probable that future taxable gains profits allow their recuperation/recovery.

Deferred tax assets and liabilities are measured at the fiscal rates expected to be applied in the period when the asset is realized or the liability is cancelled, based upon the fiscal rates and norms that were approved on the presentation date, or the approval procedure of which is about to be

completed for such date. The measurement of deferred tax assets and liabilities will reflect the fiscal consequences that would be derived from the fashion in which the entity expects to recover or liquidate the carrying value of its assets and liabilities, at the end of the period being reported.

The deferred tax assets and liabilities must be presented as non-current.

The deferred tax assets and liabilities are offset if there is a legally enforceable right for that and are related to the same tax authority.

The deferred tax is recognized in the result for the period, except that related to items that are recognized outside the results; in this latter case, it will be presented in the other comprehensive income or directly in equity.

With the purpose of measuring the deferred tax liabilities and the deferred tax assets for investment properties that are measured using the fair value model, the carrying value of those properties is presumed that will be fully recovered through their sale, unless the presumption is challenged. The presumption is challenged when the investment property is depreciable and is kept within a business model the object of which is to consume, substantially, all the economic benefits that are generated by the investment property through the time, and not through the sale. Management reviewed the Group's investment property portfolio and concluded that none of the Group's investment properties is kept under a business model the objective of which is to consume, substantially, all economic benefits generated by investment properties over time rather than through the sale. Therefore, the management have determined that the presumption of "sale" established in the modifications to IAS 12 is not challenged.

Whenever the current tax or deferred tax arises from the initial recording of the business combination, the fiscal effect is considered within the recording of the business combination.

Value Added Tax - VAT

All EPM Group companies located in Colombia that shall carry out sales of movable assets and provide taxed services or obtain exempt income are responsible for this tax in the common regime. Currently, the energy (power), aqueduct, sewage, and domiciliary gas services are excluded from this tax. The general rate is 16% and there are differential rates of 5% and 35%.

In Colombia, the Generation of income excluded in the particular case of public home services, VAT paid on purchases is part of a higher cost value. Also, when taxable income is generated, that is to say when taxed goods or services are sold, the VAT paid on the purchase or purchase of inputs for these sales will be deductible from the value payable of the tax. When the company generates income that is excluded from VAT, but at the same time generates income that is exempt and taxed, in that case a proration of the VAT paid must be made to determine the percentage of VAT to be discounted.

In Panama, the Value Added Tax is generated in the transfer of movable assets, the rendering of services, and the importation of goods; certain goods and services are specifically exempt, such as medical services and fixed telephony that is not for commercial use. The tax rate is 7%.

In Guatemala, the transfer of movable assets, the rendering of services, the importation and some transactions with immovable assets generate the Value Added Tax; the tax rate is 12%.

The Value Added Tax rate in El Salvador is 13% and taxes the transfer of movable assets and the rendering of services. Nevertheless, the transfer of fixed assets that have been used during four or more years is not subject to this tax.

In Mexico, the Value Added Tax is generated in any transfer of goods or services, excluding exports and imports. The general rate is 16%.

The Value Added Tax (VAT) in Chile applies on sales and other transactions related to tangible movable assets, as well as to the payment of certain services. It also applies to certain transactions of real estate. The general tax rate is 19%.

Wealth tax

In order to determine the accrual of the tax under IFRS, it is necessary to analyze the event or activity that produces the payment of the tax, that is, the taxable base, as stated in IFRIC 21 (IFRIC - International Financial Reporting Standards Interpretations Committee) in paragraphs 8, 9 and 10. For the wealth tax, as defined in Article 4 of Law 1739 of 2014, the taxable base is the value of the gross equity of the legal persons and de factor corporations owned as of January 1, 2015, 2016 and 2017, that is there is an “binding event” that generates the obligation in respect to the tax authority only upon arriving to January 1 of each of these years, therefore in this period it is when the tax of each year must be accrued; on the other hand, taking into consideration that this tax does not meet the conditions of being an asset, it is recorded in the Comprehensive income statement as an expense.

2.13 Non-current assets held for sale and discontinued operations

Non-current assets and the groups of assets for disposal purposes are classified as held for sale if their carrying value will be recovered through a sales transaction, instead of by their continued use; these assets or groups of assets are presented separately in the statement of financial position as current assets and liabilities at their carrying value or their fair value less costs of sale, whichever is lower, and are neither depreciated nor amortized as from the date of their classification.

This condition is met if the asset or group of assets is available, in their current conditions, for immediate sale, the sales transaction is highly probable and is expected to be done within the year subsequent to the classification date.

Income, costs and expenses from a discontinued operation are presented separately from those from continued operations, in a single item after the income tax, in the comprehensive income statement of the current period and of the comparative period of the previous year, even though the Group retains a interest that does not grant it control on the subsidiary after the sale.

When EPM Group is committed with a sales plan that involves the sale of an investment, or a portion of an investment, in an associate or joint venture, the investment or portion of the investment that shall be sold is classified as held for sale whenever the criteria described above are complied with, and EPM Group discontinues the use of equity method with respect to the portion that is classified as available-for-sale. Any portion held of an investment made in an associate or in a joint venture that has not been classified as available-for-sale, continues to be recorded using equity method. EPM Group discontinues the use of equity method upon the sale when the results in the Group losing significant influence of the associate or the joint venture.

After the sale is made, EPM Group records any interest retained in the associate or joint venture in accordance with IFRS 9, unless the interest maintained continues to be an associate or a joint venture, in which case EPM Group uses equity method (see Notes 10 and 11).

2.14 Property, plant and equipment

Property, plant and equipment are measured at cost, net of accrued depreciation and accrued impairment losses, if any. The cost includes the acquisition price; the costs directly related to putting the asset at the place and condition necessary to operate in the way foreseen by EPM; the costs corresponding to loans of the construction projects that take a substantial period to be completed, if the requirements of recognition are complied with; and the present value of the expected cost for the dismantlement of the asset after its use, if the criteria for recognition for a provision are met.

Constructions in progress are measured at cost less any loss for impairment recognized and includes those disbursements that are indispensable and that are directly related to the construction of the asset, such as professional fees, work supervision, civil works and, in the case of those assets qualified, the borrowing costs are capitalized. Those constructions in progress are classified in the proper categories of properties, plant and equipment at the time of their completion and when they are ready to use. The depreciation of these assets starts when they are ready to use in accordance with the same basis as in the case of other elements of property, plant and equipment.

In EPM Group, all additions or improvements made on the assets are capitalized as a greater value thereof, provided that any of the following conditions is met: a) They increase their useful life; b) They increase their productive capacity and operating efficiency thereof; and c) They reduce costs to the Company. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred, except when they increase the useful life, or the productive capacity and efficiency thereof, in which case they are capitalized.

The inventory of spare parts for specific projects, which are expected to have no turnover in one year and meet the criteria to be capitalized, known as replacement assets, are presented in other property, plant and equipment.

The initial depreciation when the asset is available for use and is calculated in a linear fashion throughout the estimated useful life of the asset as follows:

Plants, ducts and tunnels	50 to 100 years
Construction	10 to 100 years
Equipment	
Networks, lines and cables	
Electrical transmission network	30 to 40 years
Electrical distribution network	30 to 40 years
Aqueduct network	40 to 80 years
Residual waters network	30 to 80 years
Gas network	60 to 80 years
Buildings	50 to 100 years
Communications and computing equipment	5 to 40 years
Machinery and equipment	7 to 40 years
Furniture, fixtures and office equipment	10 to 15 years
Land ¹	10 to 20 years

⁽¹⁾ It corresponds to the affiliate Emvarias that depreciates the land on which it performs the final disposal activity according to the detriment it suffers with the disposal of solid waste, environmental degradation and period of recovery that goes beyond 20 years.

Useful lives are determined considering, among others, the manufacturer's technical specifications, the knowledge of the technicians that operate and maintain the assets, the geographic location and the conditions to which it is exposed.

EPM Group calculates the depreciation by components, which implies depreciating individually the parts of the asset that should have useful lives different from that of the asset. The depreciation of assets is calculated for all asset classes (except for land); the depreciation method used is the straight line and it is calculated taking into account the residual value for the assets (vehicles), which is not part of the depreciable amount.

A component of property, plant and equipment and any significant part initially recognized, is written-off once disposed of or when it is not expected to obtain future economic benefits from its use or disposal. The gain or loss at the moment of writing the asset off, calculated as the difference between the net value of the disposal and the carrying value of the asset, is included in the statement of comprehensive income.

Any residual values, useful lives, and depreciation methods for the assets are revised and adjusted prospectively every exercise closing, if required.

2.15 Leases

The determination of whether an agreement constitutes or contains a lease is based upon the essence of the agreement at its initial date, if compliance with the agreement depends upon the use of a specific asset(s), or if the agreement grants a right of use of the asset.

Leases are classified as finance and operating leases. A lease is classified as financial lease whenever it substantially transfers all the risks and benefits inherent to the ownership of the asset leased to the lessee; otherwise, it is classified as an operating lease.

EPM Group as a lessee

The assets leased under financial leases are recognized and presented as assets in the statement of financial position at the beginning of the lease, for the fair value of the asset leased or the present value of the minimum lease payments, whichever is lower. The corresponding liability is included in the statement of financial position as a financial lease liability.

The assets leased under financial leases are depreciated throughout the useful life of the asset through the straight-line method. However, if there were no reasonable certainty that EPM Group shall get the ownership upon the lease term termination, the asset is depreciated throughout its estimated useful life or over the lease term, whichever is lower. Lease payments are divided between financial expenses, and debt reduction. The financial cost is recognized in the statement of comprehensive income of the period, unless they could be directly attributable to qualifying assets, in which case they are capitalized in conformity with the entity's policy for borrowing cost. Contingent lease installments are recognized as expenses in the period where incurred.

All payments for operating leases, including the incentives received, are recognized as expenses in the statement of comprehensive income, on a linear basis throughout the lease term, except when another systematic basis for distribution results being more representative because it reflects more adequately the timing pattern of the benefits of the lease for the user.

EPM Group as a lessor

Assets rented under financial leases are not presented as property, plant and equipment given that the risks associated to the ownership have been transferred to the lessee; rather, a financial asset is recognized.

Land and buildings rented under operating leases are presented as investment properties, and the other assets given under operating lease are presented as property, plant and equipment. Initial direct costs incurred in the negotiation of an operating lease are added to the carrying value of the asset leased, and are recognized as expenses throughout the lease term on the same basis as the revenues from the lease. Financial lease revenues are distributed during the lease term in order to reflect a constant yield rate in the net investment. Contingent leases are recognized in the period when obtained.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial time to be prepared for their destined use or sale, are capitalized as part of the cost of the respective asset until the asset is ready for their intended use. The revenue from the temporary investment in specific loans pending to be consumed in qualified assets is deducted from the borrowing costs that qualify for their capitalization. All other borrowing costs are recorded as expenses in the period when incurred. Borrowing costs consist of interest and other costs incurred in by EPM with respect to the loan of funds. To the extent that the funds derive from generic loans and are used to obtain a qualified asset, the value of the costs susceptible of capitalization is determined by applying a capitalization rate to the disbursements made in that asset.

The capitalization of borrowing costs begins on the date that the following conditions are met:

- Disbursements are incurred in relation to the asset.
- Loans costs incurred, and
- The necessary activities to prepare the asset for the intended use or for sale are carried out.

The capitalization of borrowing costs is suspended during periods in which the development of activities of a qualifying asset for periods of more than one year is interrupted. However, the capitalization of borrowing costs over a period is not interrupted if important technical or administrative actions are being undertaken. The capitalization of borrowing costs is also not suspended when a temporary delay is required as part of the process of preparing an asset qualified for its use or sale.

Capitalization of loan costs is terminated when substantially all of the activities necessary to prepare the asset have been completed for use or sale. When the asset has components that can be used separately while construction continues, the capitalization of borrowing costs on such components is stopped.

2.17 Investment properties

Investment properties are those held to obtain rentals and/or capital revaluations (including the investment properties under construction for those purposes). Investment properties are initially measured at cost, including transaction costs. The carrying value includes de replacement or substitution cost of one part of an existing investment property at the moment when the cost is incurred in, if all criteria for recognition are met; and they exclude the daily maintenance costs of the investment property.

After the initial recognition, investment properties are measured at the fair value reflected by market conditions on the presentation date. All gains and losses arising from changes in the fair values of the investment properties are included in the statement of comprehensive income in the section “result for the period” in the period when they arise.

Investment properties are derecognized, either at the moment they are disposed, or when they are retired from use on a permanent basis, and no future economic benefit is expected. The difference between the net value of disposal and the carrying value of the asset is recognized in the statement of comprehensive income in the section “result for the period” in the period when it was written-off.

Transfers to or from investment properties are conducted only when there is a change in their use. In the case of a transfer from an investment property to a property, plant and equipment, the cost taken into account for its subsequent posting is the fair value on the date of the change in use. If a property, plant and equipment become an investment property, it shall be recorded at its fair value; the difference between the fair value and the carrying value shall be recorded as revaluation surplus applying the International Accounting Standard (IAS) 16.

2.18 Intangible assets

Intangible assets acquired separately are measured initially at their cost. The cost of the intangible assets acquired in business combinations is their fair value at the acquisition date. After their initial recognition, the intangible assets are accounted for at cost less any accumulated amortization and any accumulated loss for impairment. Intangible assets generated internally are capitalized provided that they meet the criteria for their recognition as asset and the generation of the asset must be classified as: research phase and development phase; if it is not possible to distinguish the research phase from the development phase, the disbursements must be reflected in the Comprehensive income statement in the period in which they incurred.

The useful lives of intangible assets are determined as finite or undefined. Intangible assets with finite useful lives are amortized throughout their economic useful life on a linear basis and are evaluated to determine whether they had value impairment in carrying amount, provided that there are indications that the intangible asset could have suffered such impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are revised at least at every period's

closing. Any changes in the expected useful life or the expected consumption pattern of the future economic beneficiaries of the asset are recorded when changing the amortization period or method, as the case may be, and are treated as changes in the accounting estimates. The amortization expense of intangible assets with finite useful lives is recognized in the statement of comprehensive income in the section “result for the period” in the category of expenses that shall result being coherent with the intangible asset’s function.

Intangibles assets with undefined useful lives are not amortized, but they are subject to annual tests to determine whether they suffer a value impairment, either individually or at the cash-generating unit level. The evaluation of the undefined useful life is revised on an annual basis to determine whether such undefined life continues to be valid. If that is not the case, the change of useful life from undefined to finite is made prospectively.

An intangible asset is written-off upon disposal, or whenever future economic benefits are not expected from their use or disposal. The gains or losses arising when an intangible asset is written-off are measured as the difference between the value obtained in the disposal and the carrying value of the asset, and it is recognized in the statement of comprehensive income in the “result for the period” section.

Research and Development Costs

Research costs are recorded as expenses as incurred. Development outlays in an individual project are recognized as intangible assets whenever EPM Group can demonstrate:

- The technical feasibility of finalizing the intangible asset so that it is available for use or sale;
- Their intention of finalizing the asset and its capacity to use or sell the asset;
- How the asset will generate future economic benefits, considering, among others, the existence of a market for the production that generates an intangible asset for the asset itself, or the profit of the asset for the entity.
- The availability of resources to finalize the asset; and
- The capacity of reliably measuring the disbursement during the development.

In the statement of financial position the development disbursements asset is recognized from the moment the element meets the aforementioned conditions for its recognition, and it is recorded at cost less accrued amortization and the value impairment accrued losses.

When the development of an intangible asset related to an Energy Generation project begins, costs are accumulated as constructions in progress.

Amortization of the asset starts when the development has been completed and the asset is available to be used. It is amortized throughout the period of the expected future economic benefit. During the development period, the asset is subject to annual tests to determine whether or not there is impairment of its value.

Research costs and development costs that do not qualify to capitalization are recorded as expenses in results for the period.

Goodwill

Goodwill represents the difference between the cost of a business combination and the fair value at the moment of acquisition of the acquired assets, the liabilities assumed, and the contingent liabilities of the acquired party.

Goodwill is not amortized, it is measured at cost less any value impairment accrued loss and is subject to annual value impairment tests or more frequently when there are impairment indicators. Value impairment losses are recognized in the statement of comprehensive income in the “result for the period” section.

For the Cash Generating Units (“Unidades Generadoras de Efectivo - UGE”), which have been assigned goodwill, on an annual basis the Company verifies the value impairment, which implies the calculation of the value at use of the UGEs to which it is assigned. The value at use requires determining the future cash flows that must arise from the UGEs and an appropriate discount rate to calculate the current value. When the actual future cash flows are less than expected, an impairment loss may arise.

Other intangible assets

Other intangible assets such as concession of services, licenses, software, exploitation rights, trademarks and similar rights acquired by the Group are measured at cost less the accumulated amortization and any loss for impairment.

2.19 Financial instruments

Financial assets and liabilities are recognized in the statement of financial position when EPM becomes a party according to the contractual conditions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than the financial assets and liabilities designated at fair value with change in operations) are added to or deducted from the fair value of the financial assets or liabilities, whenever appropriate, at the moment of the initial recognition. All transaction costs directly attributable to the acquisition of financial assets or liabilities designated at fair value with change in operations are immediately recognized in the results for the period.

Financial assets

The Group classifies its financial assets for subsequent measurement at amortized cost or fair value (through other comprehensive income or through results) depending upon the business model of EPM Group to manage financial assets and the characteristics of the contractual cash flows of the instrument.

A financial asset is subsequently measured at amortized cost or at fair value with changes in other comprehensive income, using the effective interest rate if the asset is maintained within a business model the objective of which is to keep them to obtain contractual cash flows and the contractual terms thereof grant, in specific dates, cash flows that are only payments of the principal and interest on the pending principal amount. Without detriment to the foregoing, EPM Group can designate a financial asset as measured at fair value with changes in operations irrevocably.

All other financial assets different from those at amortized cost are subsequently measured at fair value with changes recognized in the results for the period. However, for the investments made on capital instruments that are not maintained for negotiation purposes, EPM Group may elect in the initial recognition and irrevocably to present the gains or losses for the measurement at fair value in other comprehensive income. In the disposal of investments at fair value through the other comprehensive income, the accrued value of the gains or losses is directly transferred to the withheld gains; they are not reclassified to results for the period. The dividends received from these investments are recognized in the statement of comprehensive income, in the “result for the period” section. EPM Group has selected to measure some of its investments in capital instruments at fair value through the other comprehensive income.

The fair value through results category includes the investments that are made to optimize liquidity surpluses, i.e., all those resources that are not immediately devoted to the development of the activities that form the company’s corporate purpose. The investment of the liquidity surpluses is made under the criteria of transparency, security, liquidity and profitability, under the guidelines of an adequate control and in market conditions without speculative purposes (Decree of the General Manager of EPM No. 2015-DECGGL-2059 of February 6, 2015).

Impairment of financial assets

At each reporting date, the Group recognizes a correction in value for expected credit losses on financial assets measured at amortized cost or at fair value through changes in other comprehensive income,

including receivables from leases, contract assets or loan commitments And financial guarantee contracts to which the impairment requirements are applied over the life of the asset.

Expected credit losses are estimated considering the probability that an impairment loss may or may not occur and are recognized as a gain or loss in the statement of comprehensive income, the profit or loss section of the period against a lower value of the financial asset.

The Group assesses on a collective basis the expected losses for financial assets that are not individually significant. When the collective assessment of expected losses is carried out, the accounts receivable are grouped by similar credit risk characteristics, allowing the identification of the debtor's ability to pay, in accordance with the contractual terms of the accounts receivable.

The Group considers the following as an event of default for the internal management of credit risk, since historical experience indicates that credits that meet any of the following criteria are generally not recoverable: when there is a breach of financial agreements by Of the counterparty; Or information developed internally or obtained from external sources indicates that it is unlikely that the debtor will pay its creditors in its entirety without taking into account the guarantees maintained.

The Group penalizes a financial asset when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, for example, when the counterparty has been wound up or has commenced bankruptcy or, in the case Of accounts receivable, when the amounts exceed the two years due, whichever occurs earlier. Amortized financial assets may continue to be subject to execution activities under the Group's recovery procedures, taking into account the legal recovery when appropriate. The realized recoveries are recognized in profit or loss for the period.

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity in conformity with the substance of the contractual agreement and the definitions of financial liability and equity instrument.

Financial liabilities

At the moment of the initial recognition, EPM Group classifies financial liabilities for a subsequent measurement at amortized cost or at fair value with changes in results.

The financial liabilities at fair value with changes in results include those liabilities held to negotiate, the financial liabilities designated at the moment of their initial recognition like at fair value with changes in results and the derivatives. The gains or losses for liabilities held to negotiate are recognized in the statement of comprehensive income in the "statement of income" section. In the initial recognition, EPM Group designated financial liabilities as at fair value with changes in results.

Liabilities at amortized cost are measured using the effective interest rate. All gains and losses are recognized in the statement of comprehensive income in the "Statement of income" section whenever the liabilities are written-off, as well as through the amortization process under the effective interest rate method, that is included as financial cost in the Statement of comprehensive income in the "statement of income" section.

Financial guarantee contracts

The financial guarantee contracts issued by EPM Group are those contracts that require the making of a specific payment to reimburse the holder of the loss incurred in when a specified debtor does not meet their payment obligation, according to the conditions of a debt instrument. The financial guarantee contracts are initially recognized as a liability at fair value, adjusted by the transaction costs that are directly attributable to the issuance of the collateral. Subsequently, the liability is measured at: (i) the best estimate of the disbursement required to settle the current obligation as of the presentation date; and (ii) the amount initially recognized less the accrued amortization, whichever is greater.

Write-off of financial assets and liabilities

A financial asset, or part of it, is derecognized from the statement of financial position whenever it is sold, transferred, expires or EPM Group loses control on the contractual rights or on the cash flows of the instrument.

If the entity does not transfer or substantially retains all the risks and advantages that are inherent to the property and continues to retain the control of the asset transferred, the entity will recognize its share in the asset and the obligation associated for the amounts that it would have to pay. If the group substantially retains all risks and advantages inherent to the ownership of a financial asset transferred, the entity shall continue to recognize the financial asset and also shall recognize a loan guaranteed in a collateral fashion for the revenues received.

In the total derecognition of a financial asset measured at fair value with changes in profit and loss, the difference between the carrying value of the assets and the sum of the consideration received and to be received, is recognized in the statement of comprehensive income, result of period section. In case of financial assets measured at fair value with change in equity, the difference between the carrying value of the asset and the sum of the consideration received and to be received is recognized in the Profit and Loss for the period, and the profit or loss that would have been recognized in the other comprehensive income will be reclassified to accumulated profit and loss.

A financial liability or part of it is written-off from the statement of financial position when the contractual obligation has been settled or has expired. If the entity does not transfer or substantially retains all risks and advantages inherent to the ownership and continues to retain the control of the asset transferred, the entity shall recognize its participation in the asset and the associated obligation for the amounts that it would have to pay. If the group substantially retains all the risks and advantages inherent to the ownership of a financial asset transferred, the entity shall continue to recognize the financial asset and also recognize a guaranteed loan on a collateral way for the incomes received.

Whenever an existing financial liability is replaced by another coming from the same lender under substantially different conditions, or if the conditions of an existing liability are substantially modified, such exchange or modification is treated as a decrease of the original liability and the recognition of a new liability, and the difference in the respective carrying values is recognized in the statement of comprehensive income in the “statement of income” section.

Whenever an existing financial liability is replaced by another coming from the same lender under substantially different conditions, or if the conditions of an existing liability are substantially modified, such exchange or modification is treated as a decrease of the original liability and the recognition of a new liability, and the difference in the respective carrying values is recognized in the statement of comprehensive income in the “statement of income” section result of the period.

Compensation of financial instruments

Financial assets and financial liabilities are subject to compensation in a way that the net value is informed in the consolidated statement of financial position, only if (i) at the current moment, there is a legally enforceable right of compensating the amounts recognized; and (ii) there is the intention of settling them at their net value, or of realizing the assets and cancelling the liabilities simultaneously.

Derivative financial instruments

EPM Group used derivative financial instruments, like term contracts (“Forward”), futures, financial barterers (“Swaps”) and options to hedge several financial risks, mainly the interest rate, exchange rate and commodities price risks. Such derivative financial instruments are initially recognized at their fair values on the date when the derivative contract is entered into, and subsequently they are measured again at their fair value. Derivatives are recorded as financial assets in the statement of financial position when their fair value is positive, and as financial liabilities when their fair value is negative.

The fair value of the commodity contracts that meet the definition of a derivative, but that are entered into in conformity with the expected purchase requirements of EPM Group, are recognized in the statement of comprehensive income as cost of sales.

Any gain or loss that arises from the changes in derivatives' fair value is directly recognized in the statement of comprehensive income in the "statement of income" section, except for those that are under hedge accounting. The derivatives implicit in main contracts are treated as separate derivatives whenever they meet the definition of a derivative and when their risks and characteristics are not closely related to those main contracts and the contracts are not measured at fair value with change in results."

Hedge accounting

At the beginning of a hedging transaction, EPM Group designates and formally documents the hedging transaction to which they want to apply the hedging accounting and the objective of the risk management and the strategy to carry out the hedging. The documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged and how EPM Group shall evaluate the effectiveness of the changes in fair value of the hedging instrument when offsetting the exposure before changes in the fair value of the hedged item or in the cash flows, attributable to the risk hedged. That hedging is expected to be highly efficient in achieving the offsetting of changes in the fair value or in the cash flows, and they are permanently evaluated to determine whether that was actually so throughout the information periods for which they were designated.

EPM Group counts on the following hedging (for greater details, see Note 23 Derivatives and Hedging):

For hedging accounting purposes, the hedging is classified and recorded as follows, once the stringent criteria for their recording are complied with:

- Fair value hedging, when they hedge the exposure to fair value changes of assets or liabilities recognized or non-recognized firm commitments.

A change in the fair value of a derivative that is a hedging instrument is recognized in the statement of comprehensive income, in the "statement of income" section as financial cost or revenue. A change in the fair value of the item hedged attributable to the risk hedged is recorded as part of the carrying value of the hedged item, and also is recognized in the statement of comprehensive income in the "statement of income" section as financial cost or revenue. For the fair value hedging that related to items recorded at amortized cost, the adjustments to the carrying value are amortized through the statement of comprehensive income in the "statement of income" section during the remaining term until their expiration. Amortization of the effective interest rate may begin as soon as there is an adjustment to the carrying value of the hedged item, but it must start at the latest when the hedged item is no longer adjusted for their fair value changes attributable to the risk being hedged. Amortization of carrying value adjustments is based upon the effective interest rate recalculated on the amortization's start date. If the hedged item is written-off, the non-amortized fair value is immediately recognized in the statement of comprehensive income in the "statement of income" section.

When a non-recognized firm commitment is designated as a hedged item, the subsequent accrued change in the fair value of the firm commitment attributable to the hedged risk shall be recognized as an asset or liability with their corresponding gain or loss recognized in the statement of comprehensive income in the "statement of income" section.

- Cash flow hedging, when they cover the hedging to the attributed cash flow variations exposure, either to a particular risk associated to a recognized asset or liability or to a highly probable foreseen transaction, or to the exchange rate risk in a non-recognized firm commitment.

The purpose of cash flows hedging accounting is to recognize in the other comprehensive income the fair value variations of the hedging instrument to apply them to the income statement accounts when, and the rhythm that, the hedged item affects the same. Only the derivative inefficiencies shall be recognized in the income statement as they are produced.

The effective portion of the gain or loss for the measurement of the hedging instrument is immediately recognized in the other comprehensive income, whereas the ineffective portion is immediately recognized in the statement of comprehensive income in the "statement of income" section as financial cost.

The values recognized in the other comprehensive income are classified into the statement of comprehensive income in the “statement of income” section when the hedged transaction affects the result, as well as when the financial revenue or financial expense hedged is recognized, or when the transaction foreseen takes place. When the hedged item constitutes the cost of a non-financial asset or liability, the values recognized in the other comprehensive income are reclassified at the initial carrying value of the no-financial asset or liability. If the foreseen transaction or the firm commitment is no longer expected to happen, the accrued gain or loss previously recognized in the other comprehensive income is reclassified into the statement of comprehensive income in the “statement of income” section.

If the hedging instrument expires or is sold, it is resolved, or is exercised without a replacement or successive renovation of a hedging instrument for another hedging instrument, or if its designation as hedging is revoked, any accrued gain or loss previously recognized in the other comprehensive income remains in the other comprehensive income until the operation foreseen or the firm commitment affects the result.

- Hedging of a net investment abroad, when they hedge the exposure to the variations in the translation of foreign businesses into the presentation currency of EPM Group, associated to the exchange rate risk.

The objective of the foreign-currency net investment hedging is to hedge the exchange rate risks that a Principal or Intermediate Parent Company having businesses abroad may have on the impact of the translation of financial statements from functional currency to presentation currency. The hedging of net investment in foreign currency is a hedging to the exposure in foreign currency, not a hedging of the fair value due to changes in the investment value.

The gains or losses of the hedging instrument related to the effective portion of the hedging are recognized in other comprehensive income, whereas any other gain or loss related to the ineffective portion is recognized in the statement of comprehensive income in the “statement of income” section. Before the disposal of the business abroad, the accrued value of the gains or losses recorded in the other comprehensive income are reclassified in the statement of comprehensive income in the “statement of income” section.

Equity instruments

An equity instrument consists of any contract showing a residual interest on an entity’s assets after deducting all its liabilities. Equity instruments issued by EPM are recognized at the revenues received, net of direct issuance costs.

The repurchase of the Company’s own equity instruments is recognized and directly deducted in equity. No gain or loss is recognized in operations, coming from the purchase, sale, issuance, or cancellation of the Company’s own equity instruments.

2.20 Inventories

The goods acquired with the intention of selling them during the ordinary course of business or of consuming them in the service rendering process are classified as inventories.

Inventories are valued at cost or net realizable value, whichever is lower. The net realizable value is the sales price estimated in the normal course of business, less the estimated finalization costs and the estimated costs necessary to make the sale.

Inventories include merchandise in stock that do not require transformation, such as energy, gas and water meters, communication equipment, telephone sets, and procurement goods. They include materials such as minor spare parts and accessories for the rendering of services and the goods in transit and held by third parties.

Inventories are valued by using the weighted average method and their cost includes the costs directly related to the acquisition and those incurred in to give them their current conditions and location.

2.21 Impairment value of non-financial assets

As of every presentation date, EPM Group evaluates whether they have any indication that a tangible or intangible asset may be impaired. EPM Group estimates the recoverable value of the asset or cash-generating unit at the moment it detects an indication of impairment, or annually (as november 30 And it is reviewed if there are significant or significant events presented in the month of December that merit analysis and be included in the calculation of the deterioration.) for intangible assets with undefined useful life and those that are still being used.

The recoverable value of an asset is the fair value less costs of sale, either of an asset or a cash-generating unit, and its value in use, whichever is greater, and it is determined for an individual asset, except that the asset does not generate cash flows that are substantially independent from the other assets or group of assets; in this case, the asset should be grouped into a Cash Generating Unit (“Unidad Generadora de Efectivo - UGE”). When a reasonable and consistent base of distribution is identified, common/corporate assets are also assigned to the individual Unidades Generadoras de Efectivo - UGE, or distributed to the smallest group of cash-generating units for which it can be identified a reasonable and consistent distribution base. When the carrying value of an asset or of a cash-generating unit exceeds its recoverable value, the asset is considered impaired and the value is reduced to its recoverable amount.

When calculating the value of use, either for an asset or a cash-generating unit, the estimated cash flows are discounted at their present value through a discount rate before taxes that reflects the market considerations of the temporary value of money and the specific risks of the asset. An adequate valuation model is used for determining the reasonable value less the costs of sale.

Losses for impairment of continued operations are recognized in the comprehensive income statement in the section income statement in those expense categories that correspond to the function of the impaired asset. Losses for impairment attributable to a Cash Generating Unit are assigned proportionately based in the book value of each asset to the non-current assets of the Cash Generating Unit after extinguishing goodwill. The CGU is the smallest identifiable group of assets, which generates cash inflows in favor of the Group, which are largely independent of cash flows derived from other assets or groups of assets. The Group defined the Cash Generating Units considering: 1) The existence of income and costs for each group of assets, 2) The existence of an active market for the Generation of cash flows and 3) the way in which Manage and monitor operations.

The impairment value for goodwill is determined by evaluating the recoverable value of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. The value impairment losses related to goodwill may not be reverted in future periods.

For assets in general, excluding the goodwill, on each presentation date an evaluation is conducted about whether there is any indication that the impairment losses previously recognized no longer exist or have decreased. If such indication exists, EPM Group makes an estimate of the asset’s or the cash-generating unit’s recoverable value. An impairment loss previously recognized only can be reverted if there was a change in the assumptions used for determining the recoverable value of an asset since the last time when it was recognized the last impairment loss. The reversal is limited in such a way that the carrying value of the asset neither exceeds its recoverable amount, nor exceeds the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized for the asset in the previous years. Such reversal is recognized in the statement of comprehensive income in the “statement of income” section.

2.22 Provisions

Provisions are recorded when EPM Group has a present, legal or implicit obligation, as a result of a past event; it is probable that EPM Group have to give off resources that incorporate economic benefit to cancel out the obligation, and a reliable estimate can be made of the value of the obligation. In those cases in which EPM Group expects that the provision be reimbursed in whole or in part, the reimbursement is recognized as a separate asset, but only in the cases when such reimbursement is practically certain and the asset amount can be reliably measured.

Provisions are measured with the best estimate from Management of the disbursements necessary to cancel the present obligation, at the end of the period being reported, taking into account the risks and the corresponding uncertainties. When a provision is measured using the estimated cash flow to cancel the current obligation, its carrying value corresponds to the present value of such cash flow, using for the discount a rate calculated with reference to market yields for the bonds issued by the National Government. In Colombia, it must be used the yield of TES Bonds (Public Debt Securities issued by the General treasury of the Nation) at the end of the period being reported.

The expense corresponding to any provision is presented in the statement of comprehensive income in the “result for the period” section net of all reimbursement. The increase in provision due to the time elapsed is recognized as financial expense.

Dismantlement reserve

To the extent that there is a legal or implicit obligation of dismantling or restoring, EPM Group recognizes as part of the cost of a fixed asset in particular, the estimation of the future costs EPM Group expects to incur in to perform the dismantlement or restoring and its balancing entry is recognized as a provision for dismantling and restoring costs. The dismantling cost is depreciated over the estimated useful life of the fixed asset.

Dismantlement or restoring costs are recognized at the present value of the expected costs of cancelling out the obligation using estimated cash flows. Cash flows are discounted at a particular rate before taxes, which should be determined by taking as a reference the market yields of the bonds issued by the National Government. In Colombia, regarding risk-free rate, it must be used the yield of TES Bonds (Public Debt Securities issued by the General Treasury of the Nation).

Future estimated dismantlement or restoration costs are annually revised. Changes in the future estimated costs, in the dates estimated for the disbursements, or in the discount rate applied are added or deducted from the asset cost, without exceeding the carrying value of the asset; any surpluses are immediately recognized in results for the period. The change in the provision value associated to the time elapsed is recognized as financial expense in the statement of comprehensive income in the “result for the period” section.

Onerous Contracts

EPM Group recognizes as provisions the current obligations that are derived from an onerous contract. As provisions and its counterpart is in the statement of comprehensive income in the result section of the period. An onerous contract is the one in which the unavoidable costs of complying with the obligations it implies, exceed the economic benefits that are expected to receive therefrom.

Contingent liabilities

The possible obligations that arise from past events and the existence of which shall only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not entirely under EPM’s control or the current obligations that arise from past events, but that it is not probable, but possible, that on outlay of resources including economic benefits be required to liquidate the obligation or the amount of the obligation cannot be measured with enough reliability, are not recognized in the statement of financial position, they are rather disclosed as contingent liabilities. Contingent liabilities generated in a business combination are recognized at fair value on the acquisition date

Contingent assets

Assets of a possible nature, that arise from past successes, the existence of which has to be confirmed only by the occurrence, or the non-occurrence, of one or more uncertain events in the future, that are not entirely under EPM Group’s control, are not recognized in the statement of financial position; rather, they are disclosed as contingent assets when their occurrence is probable. Whenever the contingent fact is true, the asset and the revenue associated are recognized in operations. Contingent liabilities acquired in a business combination are initially measured at their fair values, on the acquisition date. At the end of subsequent periods being reported, those contingent liabilities are measured at the amount it would

have been recognized and the amount initially recognized less the accrued amortization recognized, whichever is greater.

2.23 Employee benefits

2.23.1 Post-employment benefits

2.23.1.1 Defined contribution plans: the contributions to the defined contribution plans are recognized as expenses in the statement of comprehensive income in the “result for the period” section at the moment when the employee has rendered the service that grants them the right to make the contributions.

2.23.1.2 Defined benefit plans: Post-employment benefit plans are those in which EPM Group has the legal or implicit obligation to respond for the payments of the benefits that were left to their charge.

For the defined benefit plans, the difference between the fair value of the plan assets and the present value of the plan obligation is recognized as asset or liability in the statement of financial position. The cost of giving benefits under the defined benefit plans is determined separately for each plan, through the actuarial valuation method of the projected credit unit, using actuarial assumptions on the date of the period being reported. Plan assets are measured at fair value, which is based upon the market price information and, in the case of quoted securities, it constitutes the published purchase price.

The actuarial gains or losses, the yield of plan assets and the changes in the asset ceiling effect, excluding the securities included in the net interest on the net defined benefits liabilities (assets), are recognized in the other comprehensive income, in the case of post-employment benefits; and if it is long-term benefits they are recognized in the statement of comprehensive income in the “statement of income” section in the period where they arise. The actuarial gains or losses include the effects of changes in the actuarial assumptions as well as adjustments due to experience.

The net interest on the liabilities (assets) for net defined benefits includes the interest revenue for the plan assets, interest cost for the obligation for defined benefits and interests for the asset ceiling effect.

The current service cost, the past service cost, any settlement or reduction of the plan are immediately recognized in the statement of comprehensive income in the “statement of income” section in the period when they arise.

2.23.2 Short-term employee benefits

EPM classifies as short-term employee benefits those obligations with the employees that it expects to liquidate during the twelve (12) month period following the closing of the accounting period where the obligation has been generated or the service has been rendered. Some of these benefits are generated from the current labor legislation, from collective bargaining agreements, or from non-formalized practices that generate implicit obligations.

EPM recognizes the short-term benefits at the moment the employee has rendered their services, as the following:

A liability for an amount that shall be repaid to the employee, deducting the amounts already paid before, and its balancing entry as expense for the period, unless another chapter obliges or allows including the payments in the cost of an asset or inventory, for instance, if the payment corresponds to employees the services of whom are directly related to the construction of a work, they shall be capitalized to that asset.

The amounts values already paid before correspond, for instance, to advanced payments of salaries, advanced payments of per diems, among others. If they exceed the corresponding liability, the Company will have to recognize the difference as an asset in the prepaid expenses account, to the extent that the advanced payment gives place to a reduction in the payments to be made in the future or to a cash reimbursement.

According to the foregoing, the accounting recognition of short-term benefits is made upon occurrence of the transactions, regardless of when they are paid to the employee or to the third parties to which the Company has entrusted the provision of certain services.

2.23.3 Long-term employee benefits

EPM classifies as long-term employee benefits those obligations that it expects to settle after the twelve (12) months following the closing of the accounting exercise or the period where employees provide the related services, i.e., from the month thirteen forward; they are different from the short-term benefits, post-employment benefits, and contract termination benefits.

EPM measures long-term benefits in the same fashion as post-employment defined benefit plans. Although their measurement is not subject to the same uncertainty level, the same following methodology will be applied for its measurement:

- The Company should measure the surplus or deficit in a long-term employee benefit plan using the technique applied for post-employment benefits both for estimating the obligation as well as for the plan assets.
- The Company should determine the value of net long-term employee benefits (assets or liabilities) finding the deficit or surplus of the obligation and comparing the asset ceiling.

The benefits that employees receive year after year throughout their labor life should not be considered “long term” if at the accounting exercise closing each year, the Company has fully delivered them.

2.23.4 Benefits for termination

The company recognizes as benefits for termination, the considerations granted to the employees, payable as result of the decision of the company to terminate the employment agreement to an employee before the normal retirement date or the decision of an employee to accept the voluntary resignation in exchange for those benefits.

2.24 Service concession agreements

EPM Group recognizes the service concession agreements pursuant to the interpretation requirements of the IFRIC 12 Service Concession Agreements.

This interpretation is applicable to those concessions where:

- The grantor controls or regulates which services the operator with the infrastructure should provide, to whom and at what price; and
- The grantor controls, through the ownership, the right of use, or otherwise, any significant residual participation in the infrastructure at the end of the term of the agreement.

EPM Group does not recognize these infrastructures as property, plant and equipment; it recognizes the consideration received in the contracts that meet the above conditions at its fair value, as an intangible asset to the extent that EPM Group receives a right to make charges to users of the service, provided that these rights are conditioned to the service use level, or as a financial asset, to the extent that there is an unconditional contractual right to receive cash or other financial asset, either directly from the assignor or from a third party. In those cases where EPM Group receives payment for the construction services, partly through a financial asset and partly through an intangible asset, each component of the consideration is recorded separately.

Financial assets of service concession agreements are recognized in the consolidated statement of financial position as operating financial assets and subsequently are measured at amortized cost, using the effective interest rate. The evaluation of impairment of these financial assets is made pursuant to the value impairment policy of the financial assets.

Intangible assets of service concession agreements are recognized in the consolidated statement of financial position as intangible assets denominated “intangible assets for service concession agreements” and are amortized on a linear basis within the term of duration thereof.

Revenues from ordinary activities and costs related to the operating services are recognized according to the accounting policy of ordinary revenues and the services related to construction or improvement services according to the accounting policy of construction contracts. Contractual obligations assumed by EPM Group for maintenance of the infrastructure during its operation, or for its return to the assignor at the end of the concession agreement in the conditions specified therein, to the extent that it does not assume a revenue-generating activity, it is recognized following the provisions accounting policy.

2.25 Fair value

The fair value is the price that would be received when selling an asset or that would be paid when transferring a liability in an orderly transaction between market participants on the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, EPM takes into account the characteristics of the asset or liability if the market participants take into account these characteristics when valuing the asset or liability on the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on that basis, except for the transactions of stock-based payments, lease transactions, and the measurements that have certain similarities with the fair value but that are not fair value, such as the realizable value or the value at use. The fair value of all financial assets and liabilities is determined on the date of presentation of the financial statements, for recognition or disclosure in the notes to the financial statements.

The fair value is determined:

- Based upon prices quoted in active or passive markets identical to those the Company can access on the measurement date (level 1).
- Level 2 inputs are inputs other than quoted prices included in Tier 1, which are observable for the asset or liability, directly or indirectly.
- Based upon internal valuation techniques of cash flow discounts or other valuation models, using variables estimated by EPM Group non-observable for the asset or liability, in the absence of variables observed in the market (level 3).

In the note 41 Measurement of fair value on a recurring and non-recurring basis provides an analysis of the fair values of financial instruments and non-financial assets and liabilities and more detail of their measurement.

2.26 Operating segments

An operating segment is a EPM Group component that develops business activities from which it can obtain revenues for ordinary activities and incur costs and expenses, on which there is financial information and the operating results of which are revised on a regular basis by the highest authority in EPM Group’s operating decision-making, which is the EPM’s Institutional Committee, to decide on the assignment of resources to the segments and evaluate their performance.

The financial information of operating segments is prepared under the same accounting policies used in the elaboration of EPM Group’s consolidated financial statements.

2.27 Dividends in cash distributed to stockholders of the Group

The group recognizes a liability to make the distributions to the stockholders of the Group in cash when the distribution is authorized and it is no longer at the Group’s discretion. The corresponding amount is recognized directly in the net equity.

2.28 Changes in estimates accounting policies and errors

2.28.1 Changes in accounting estimates: As of December 31, 2016, the Group recorded no significant changes in its financial statements as a result of a revision to its estimated book value. , Except for the following:

Changes in the discount rate used for the impairment of assets. The Group has established the methodology for estimating the capital cost of its different businesses (CAPM methodology adjusted for country risk), a variable that, when observed in 2016 compared to that obtained in 2015, on average had an upward performance as a result of A greater implicit devaluation (due to changes in the macroeconomic variables), a higher cost of debt estimated for the company and a higher perception of country risk as measured by the EMBI + (JP Morgan index), parameters that are part of Of the estimate of this variable. Changes in estimates of estimated amounts payable for litigation. Some of the claims were adjusted by the Legal area of each company of the Group to the maximum ordered by the Jurisprudence, in terms of damages and moral damages. In addition, the litigation valuation model was adjusted using a projected CPI for each year, in accordance with the estimated date of payment of the obligation.

2.28.2 Changes in accounting policies:

The new standards and amendments to IFRSs, as well as the interpretations (IFRIC), which have been implemented by the Group, are detailed as follows:

As of December 31, 2016, the Group made a change in the subsequent measurement of investments in subsidiaries by moving from the cost method to equity method for the separate financial statements of Group companies that have investments in subsidiaries, since this Policy more reliably reflects financial information and is more consistent with the industry practice in which the company operates; the change was made in accordance with the modification issued in August 2014 to IAS 27 Separate Financial Statements.

Except for the previous policy change, the Group did not make any other voluntary changes in accounting policies that required retroactive adjustments to the consolidated financial statements in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, it applied the new and modified standards, as follows: In 2016, the Group has applied IFRS 9 Financial Instruments

(Revised July 2014) and the corresponding amendments to other IFRSs before their effective dates. IFRS 9 introduces new requirements for: classification and measurement of financial assets, impairment of financial assets and hedge accounting. The detail of these new requirements, as well as their impact on the financial statements are described below:

Classification and measurement of financial assets: the standard introduces a measurement category for debt instruments denominated "Fair value with changes in other comprehensive income". Debt instruments that are maintained within a business model whose purpose is to collect contractual cash flows and sell the debt instruments and which have contractual cash flows that are only payments of principal and interest on the outstanding principal are measured At fair value through other comprehensive income. This measurement category recognizes the information in the result of the period as if the financial asset were measured at amortized cost, while being measured in the statement of financial position at fair value. Gains or losses, other than those recognized in profit or loss for the period, are recognized in other comprehensive income, except for impairment losses and gains or losses on exchange losses, until the financial asset is derecognised Or be reclassified. When these financial assets are derecognised, the accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to income for the period. This reflects the gain or loss that would have been recognized in profit or loss for the period at the time of disposal if the financial asset had been measured at amortized cost. The company reviewed and evaluated the existing financial assets as of January 1, 2016 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has no impact in the Group's financial assets.

Impairment of financial assets: In relation to the impairment of financial assets, IFRS 9 requires an expected loss of credit model as opposed to the credit loss model incurred in accordance with IAS 39.

The expected credit loss model requires that the Group to quantify expected credit losses at each reporting date to reflect changes in credit risk since the initial recognition of financial assets. In other words, it is no longer necessary for a credit event to occur before credit losses are recognized.

Specifically, IFRS 9 requires the company to recognize a provision for expected credit losses in: debt investments subsequently valued at amortized cost or at fair value with changes in other comprehensive income; Leasing debtors, contract assets, loan commitments and financial collateral contracts to which the impairment requirements apply.

In particular, IFRS 9 requires the Group to measure impairment for financial instruments over the life of the asset for which there are significant increases in credit risk since the initial recognition or if the financial instrument is acquired with Credit deterioration. On the other hand, if the credit risk of a financial instrument has not increased significantly since the initial recognition, the Group measures the provision of the financial instrument based on the 12 months following its acquisition. IFRS 9 also provides a simplified approach to measuring the provision for losses for an amount equivalent to the life of the asset under certain circumstances.

Changes in the accounting policies resulting from the adoption of IFRS 9 have not been restated, in which case the cumulative difference in provision for losses recognized under the standard is charged against the accumulated results as of January 1, 2016. Therefore, the information presented for 2015 does not reflect the requirements of IFRS 9 and is therefore not comparable to the information submitted for 2016.

The provision for additional credit losses of \$ 145,731 as of January 1, 2016 has been recognized against retained earnings at the respective dates, net of their related deferred tax impact of \$ 50,795 resulting in a net decrease in retained earnings of \$ 94,936 as of January 1. The application of the impairment requirements of IFRS 9 has resulted in a provision for losses of \$ 94,859 to be recognized in the current year. (See note 12 Trade and other receivables for further financial details of the adjustments). Changes resulting from IFRS 7 have also led to broader disclosures about credit risk exposure (see note 40 Financial Risk Management Objectives and Policies).

- Hedge accounting: the standard introduces a substantially reformed approach to hedge accounting that aligns it more closely with risk management. The Group was not impacted by this new approach.
- The proportion of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified after the result.
- The proportion of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified after the result.

IAS 19 Employee benefits, amendment issued in September 2014. The returns to be used as a discount rate are no longer referred to a country market, but to a currency market, which "overflows" local borders. The discount rate is determined under two alternatives, in the first instance under high-quality corporate bonds (if there is a market) or government default bonds (as a second option). The focus is to find out if there is such a currency in the first option, so it is not in the local market. For the company no impact is generated in this respect because it applies the second option (the use of government bonds in local currency). No impact is generated for the Group in this respect because the second option applies (when resorting to the government bonds in local currency). Except in the affiliate Hidroecológica del Teribe S.A. - HET in Panama where a strong currency such as the United States dollar, was adopted, the discount rate is reduced and, therefore, the present obligation of the post-employment benefits of that affiliate is increased.

2.28.3. Application of new and revised standards

The new standards and modifications to the IFRS, as well as the interpretations (IFRIC) that have been published in the period, but that have not been yet implemented by the company and those that will be adopted as of the date of the mandatory application, are detailed below:

Standard	Date of mandatory application	type of change
	January 1, 2018	New
IFRIC 22 Foreign currency operations and early consideration	January 1, 2018	New
IFRS 16 - Leases	January 1, 2019	New
IFRS 10 - Consolidated Financial Statements	Postponed	Modification
IFRS 12 - Disclosures about Shares in Other Entities	January 1, 2017	Modification
IAS 7 - Cash Flows	January 1, 2017	Modification
IAS 12 - Income tax	January 1, 2017	Modification
IFRS 4 - Insurance Contracts	January 1, 2018	Modification
IAS 28 - Investments in associates and joint ventures	January 1, 2018	Modification
IAS 40 - Investment Property	January 1, 2018	Modification

IFRS 15 Revenue from contracts with customers: issued in May 2014, is a new standard applicable to all contracts with customers, except leases, financial instruments and insurance contracts. This is a joint project with the Financial Accounting Standards Board - FASB to eliminate differences in the recognition of income between IFRS and US GAAP.

The amendments made in April 2016 to IFRS 15 include the following aspects:

a. **Identification of the principal or agent acting:** When a third party is involved in providing goods or services to a customer, the Group will determine whether the nature of its commitment is a performance obligation consisting in providing the goods or services specified by itself (That is, it acts as a principal) or in organizing for the third party the supply of those goods or services (ie acts as an agent).

The Group acts as a principal if it controls a committed good or service before it transfers it to a customer. However, the Company is not necessarily acting as a principal if it obtains the legal right on a product only momentarily before the right is transferred to the customer. The Group acting as a principal in a contract may satisfy a performance obligation on its own or may contract a third party (for example, a subcontractor) to satisfy all or part of a performance obligation on its behalf. When the Group acts as a principal, it satisfies a performance obligation, recognizes revenue from ordinary activities for the gross value of the consideration it expects to be entitled to in exchange for the goods or services transferred.

The Group acts as an agent if the performance obligation is to organize the supply of goods or services to another company. When the Group, acting as an agent, satisfies a performance obligation, recognizes revenue from ordinary activities for the value of any payment or commission it expects to be entitled in exchange for arranging for the other party to provide its goods or services. The payment or commission may be the net value of the consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

B. **Variable consideration:** Any amount that varies according to the contract. Variable consideration will only be included in the transaction price when the entity expects it to be 'highly probable' that the resolution of the associated uncertainty would not result in a significant reversal of revenue. This valuation takes into account both the probability of a change in the estimate and the magnitude of any reversal of revenue that would result. If the Group is unable to include its full estimate of the variable consideration, since it could give rise to a significant reverse of revenue, it must recognize the amount of the variable consideration that would be highly likely not to result in a significant reversal of revenue Ordinary There is an exception to this when the entity earns revenue-based sales or use for royalties from its intellectual property licenses. In such circumstances, the entity would typically only include the revenue from those licenses when the sale or subsequent use occurs.

The standard also introduces a specific restriction on royalty payments related to intellectual property licenses. If royalty payments are based on subsequent use or sale, entities are restricted from recognizing associated revenue until subsequent use or sale has occurred, even if based on historical evidence it is possible to make a reliable estimate of this quantity.

C. Methods of application: The standard allows the use of two methods for the initial application of the standard as follows:

Full retrospective approach: the standard can be applied retrospectively to all comparative periods presented. According to this option, the previous year's comparisons are re-issued, with the resulting adjustment to the opening balance of equity in the first comparative period. When this option is selected, the standard provides a series of optional practical dossiers. These include the following:

- For completed contracts, entities are not required to re-issue contracts that begin and end in the same annual reporting period.
- For completed contracts that have variable consideration, the entity may use the transaction price at the date the contract was completed rather than estimate the amounts of the variable consideration in the comparative reporting periods.
- For all periods presented before the date of the initial application, the entity need not disclose the amount of the transaction price assigned to the remaining performance obligations and any explanation of when the entity expects to recognize those amounts as revenue.

Modified approach: according to the modified approach, the standard can be applied only from the date of the initial application. If they choose this option, they will need to adjust the opening balance of equity to the date of the initial application (i.e., January 1, 2017) but are not required to adjust the previous year's comparisons. This means that they do not need to consider contracts that have been completed before the date of the initial application. Broadly, the figures reported from the date of the initial application will be the same as if the standard had always been applied, but the figures for the comparative periods will remain with the previous base.

If this option is used, disclosure is required of the amount by which each line item of the financial statement is affected in the current period as a result of the application of the guidance and an explanation of the important changes between reported results According to IFRS (IFRS 9, 15 and previous guidance on revenue).

The amendments have a effective date of January 1, 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retroactively. The amendments seek to clarify the requirements of IFRS 15, do not change the standard.

This new standard intends to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies of different industries and regions. It provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. In addition it requires more detailed disclosures.

The basic principle of IFRS 15 is that an entity recognizes revenues from ordinary activities in a way that represents the transfer of goods or services committed with clients in exchange for an amount that reflects the consideration that the entity expects to be entitled to change Of such goods or services. An entity recognizes revenue from ordinary activities in accordance with that basic principle by applying the following steps:

Stage 1: Identify the contract (or contracts) with the customer

Stage 2: Identify performance obligations in the contract

Step 3: Determine the price of the transaction

Stage 4: Assign the price of the transaction between the performance obligations of the contract

Stage 5: Recognize the income from ordinary activities when (or as) the entity meets a performance obligation

Under IFRS 15, an entity recognizes revenue when an obligation is satisfied, for example, when the "control" of the goods or services underlying the execution of the particular obligation is transferred to the customer. More specific guidance have been added to the standard to handle specific scenarios. Further disclosure is required.

It would replace the standards IAS 18, Revenues and IAS 11 Construction Contracts, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of assets from customers and SIC 31 Barter Transactions Involving Advertising Services.

The Group evaluated the impacts generated by the application of this new standard, and concluded that there are no material impacts on the financial statements.

The amendments will be mandatory for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRIC 22 Foreign currency operations and advance consideration: issued in December 2016, this interpretation deals with how to determine the transaction date, in order to define the exchange rate to be used in the initial recognition of the asset, expense or revenue (or part thereof), in the derecognition of a non-monetary asset or non-monetary liability resulting from the payment or receipt of advance consideration in foreign currency. In this respect the Interpretation Committee reached the following conclusion: the date of the transaction, for the purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Not applied when an entity measures the related asset, expense or revenue in the initial recognition at its fair value or at the fair value of the consideration paid or received on a date different from the initial recognition date of the non-monetary asset or non-monetary liability derived from the advance consideration (for example, the measurement of the goodwill according to IFRS 3 Business Combinations). It is not applied either for the income tax and insurance contracts.

The company is evaluating the impacts that the application of this interpretation could generate.

The amendments will be mandatory for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRS 16 Leases: issued in January 2016, this new standards Introduces an integral model for the identification of leases and accounting treatments for landlords and tenants. It will replace the current standards for the accounting treatment of the leases included in IAS 17 Leases and related interpretations.

The distinction between leases and service contracts is based on the control of the customer over the identified asset. For the lessee, the distinction between operating leases (off-balance sheet) and finance leases (on the balance sheet) is removed and replaced with a model in which an asset (right of use) and its corresponding liability must be recognized for all Leases (ie all on the balance sheet), except for short-term leases and leases of low-value assets.

Assets (right of use) are initially measured at cost and subsequently measured at cost (with certain exceptions) less accumulated depreciation and impairment losses, adjusted for any reassessment of the lease liability. Lease liability is initially measured at the present value of future lease payments. Subsequently, the lease liability is adjusted to interest and rent payments, as well as to the impact of lease modifications, among others. In addition, the classification of cash flows will also be affected since operating lease payments under IAS 17 are presented as operating cash flows; While in model IFRS 16, lease payments will be divided into amortization to capital and a portion of interest that will be presented as cash flow from financing and operation, respectively.

In contrast to tenant accounting, IFRS 16 includes as accounting requirements for the lessor the same as that provided by IAS 17, ie, it continues to require a lessor to classify a lease as an operating lease or a finance lease.

This new standard requires more detail in the disclosures.

The company is evaluating the impacts that could be generated by the application of this new standard, since it is planned that in 2017 technical guidelines and definitions will be elaborated and the impacts for the implementation in 2018 will be identified.

The amendments will be mandatory for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 is also adopted - Income from contracts with customers.

IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. IFRS 10 has been amended to reflect the following: gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that are accounted for using equity method are recognized in the result of the parent company to the extent of the participation of unrelated investors in that associate or joint venture. Likewise, gains and losses resulting from the revaluation of investments accrued in a subsidiary (which has become an associate or a joint venture accounted for using equity method) at fair value are recognized in the income statement. Former parent only to the extent of the participation of unrelated investors in the new associate or joint venture. Additionally, the amendments to IFRS 10 and IAS 28 deal with conflicting accounting requirements on the sale or contribution of assets between an investor and its associate or joint venture, to that effect, it is established that to determine whether the assets sold or contributed constitute a business, it must be considered whether the sale or contribution of those assets is part of multiple agreements that must be accounted for as a single transaction.

The amendments are applied prospectively to transactions occurring in annual periods beginning on or after January 1, 2016 with anticipated permitted application. At the IASB June 2015 meeting, the IASB tentatively decided to postpone the mandatory date of this amendment. No draft has been issued at the time of writing this document.

These changes have no impact on the financial statements.

Note: with respect to “*IFRS 10, IFRS 12 IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28*”, The change in the standard does not apply to any of the companies of the EPM Group, since the exemption applies to investment entities, however, this modification was included in the technical definitions.

IFRS 12 - Disclosures about Investments in Other Entities: The amendment to IFRS 12, which is part of the annual improvements to IFRS Cycle 2014-2016 issued in December 2016, clarifies the scope of the standard by adding the indication That the requirements of this IFRS apply to the interests of subsidiaries, joint ventures, associates and non-consolidated structured entities that are classified (or classified) as held for sale or discontinued operations in accordance with IFRS 5 Assets Non-current assets held for sale and discontinued operations, but the exception of disclosing information on them in accordance with paragraph B17 of the standard is retained.

The amendments shall be mandatory for annual periods beginning on or after 1 January 2017.

These changes do not have any material impact on the financial statements.

IAS 7 Cash flows: the modification to IAS 7 issued in January 2016 defines the liabilities derives from financing activities as liabilities “for which the cash flows were or will be classified in the Statement of cash flows as cash flows for financing activities”. It also make emphasis on the fact that the new disclosure requirements also related to the changes in the financial assets if they meet the same definition.

It requests new information to be disclosed on the changes in the liabilities derived from the financing activities, such as: changes in cash flows from financing activities, changes derived from the obtaining or loss of control of subsidiaries or other business, the effect of the changes in the foreign exchange rates, the changes in the fair value and other changes. It also establishes that the changes in the liabilities derived from financing activities must be disclosed separately from the changes in other assets and

liabilities, and includes a reconciliation between the beginning and ending balances in the statement of financial position, for the liabilities derived from financing activities. Early adoption is permitted.

The Company evaluated the impacts of the change in the standard, concluding that it will have no material impact on the financial statements.

IAS 12 Income tax: the amendment to IAS 12, issued in January 2016, does not change the underlying principles for the recognition of deferred tax assets, makes the following clarifications:

- Unrealized losses on debt instruments measured at fair value in financial instruments, but at cost for tax purposes may give rise to deductible temporary differences.
- When an entity evaluates whether the taxable profit against which a deductible temporary difference can be used will consider whether the tax law restricts the sources of taxable income against which it can make deductions at the time of reversal of that temporary difference deductible. If tax law does not impose these restrictions, an entity will evaluate a deductible temporary difference in combination with all others. However, if the tax law restricts the use of losses to be deducted against income of a specific rate, a difference.
- The Entity shall confirm whether it has sufficient taxable profits in future periods, comparing deductible temporary differences with future taxable income that excludes tax deductions arising from the reversal of such temporary deductible differences. This comparison shows the extent to which future taxable income will be sufficient for the entity to deduct the amounts arising from the reversal of deductible temporary differences.
- Possible future taxable profits could include the recovery of certain assets of the entity for an amount greater than its carrying amount if there is sufficient evidence that the entity is likely to be able to meet it. That is, in the case of an asset when measured at fair value, an entity must verify whether it is certain that the asset is recoverable by a figure greater than the carrying amount, such as maintaining a Fixed-rate debt instrument and collect contractual cash flows

The amendments shall be mandatory for annual periods beginning on or after 1 January 2017.

IFRS 4 Insurance Contract: issued in March 2004, is a standard in the process of phased training, for those who issue insurance and reinsurance contracts. The ascent to Phase II has been initiated, which has involved some exemptions from applying other standards, for example, an entity will apply those modifications, which allow insurers who meet specific criteria to use a temporary exemption from IFRS 9 for periods Per annum beginning on or after 1 January 2018, insurers are also permitted to reclassify some or all of their financial assets under specified circumstances so that they are measured at fair value through profit or loss but affecting other comprehensive income.

This implies that changes in the application of IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" (Amendments to IFRS 4) offer two options for entities that issue insurance contracts within the scope of the IFRS 4:

- An option that allows the entities to reclassify, from the profit or loss to other comprehensive income, part of the income or expenses derived from designated financial assets; This is the so-called overlapping approach;
- An optional temporary exemption from the application of IFRS 9 for entities whose predominant activity is the issuance of contracts within the scope of IFRS 4; This is the so-called deferral approach.

The application of both approaches is optional and an entity is allowed to stop applying them before the new standard of insurance contracts is applied.

An entity would apply the overlapping approach retrospectively to qualifying financial assets when it first applies IFRS 9. The application of the overlap approach requires the disclosure of sufficient information to enable financial statement users to understand how the reclassified amount is calculated in Period Effect of such reclassification on the financial statements.

An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018. The application of the deferral approach must be disclosed in conjunction with information that allows the users of financial statements to understand how the insurer qualified for The temporary exemption and Compare the insurers applying the temporary exemption with the entities applying IFRS 9. The deferral can only be used for the three years following January 1, 2018.

The company is evaluating the impacts that could be generated by the application of this new standard.

IAS 28 - Investments in associates and joint ventures: the amendment to IAS 28, which is part of the annual improvements to IFRS Cycle 2014-2016 issued in December 2016, clarifies that when an investment in an associate or joint venture Directly or indirectly maintained by an entity that is a venture capital organization or a collective investment trust, investment trust or other similar entity, including investment insurance funds, the entity may choose to measure such investments at fair value With changes in results in accordance with IFRS 9. An entity shall make this separate choice for each associate or joint venture at the initial recognition of the associate or joint venture. It also clarifies that if an entity that is not itself an investment entity has a stake in an associate or joint venture that is an investment entity, the entity applying equity method may retain the fair value measurement applied by That associate or joint venture that is an investment entity to the interests of the associate or joint venture that is an investment entity in subsidiaries. This choice is made separately for each associated investment entity or joint venture, on the date after the date on which: a) the investment in the associate or joint venture is initially recognized; B) the associated investment or joint venture becomes an investment entity; And (c) the associated investment entity or joint venture becomes a Parent.

These changes do not have any material impact on the financial statements.

The amendments will be mandatory for annual periods beginning on or after January 1, 2018. Early application is permitted.

IAS 40 Investment Property: The amendment made in December 2016, has an effect on the transfer of investment property (reclassifications) motivated by "change in use", extending the latter term: a change in use occurs when the property Meets, or fails to meet, the definition of investment property and there is evidence of change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. This is followed by the examples provided by the standard in paragraphs 57 and 58 (not substantially modified). Paragraphs 84C to 84E and 85G were added to define the transitional provisions when transferring investment property.

The company is evaluating the impacts that could be generated by the application of this new standard. The amendments shall be mandatory for annual periods beginning on or after 1 January 2018.

2.28.4 Errors in previous periods

The consolidated financial statements have been adjusted for the homologation of the record made by ADASA in 2015 due to a recovery of provisional payments for absorbed profits - PPAP, transaction that according to the accounting practices of the EPM Group has homologated as higher value of the goodwill generated in the business combination of that affiliate and a lower value of the income tax. During 2016, as a result of the analysis of the transaction, it was possible to established that the PPAP should be recognized with charge to goodwill.

The adjustments to December 31, 2015 were made affecting results accounts.

Likewise, the associated disclosures were adjusted. To the financial statements. The adjustments have been recognized retroactively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, adjusting the figures for the comparative periods presented.

As a result of the correction of prior periods, the consolidated financial statements were adjusted as follows:

Effect of changes	2016	2015		
		Issue	Adjustment	Restated
Statement of financial position				
Goodwill	2,918,817	3,124,194	(45,920)	3,078,274
Other accumulated comprehensive income	2,440,216	2,671,869	1,725	2,673,594
Net result of the period	1,724,000	931,422	(47,645)	883,777

- Figures expressed in millions of Colombian pesos -

Effect of changes	2016	2015		
		Issue	Adjustment	Restated
Statement of comprehensive income				
Income tax	(649,129)	(406,174)	(47,645)	(453,819)
OCI - Foreign exchange translation differences	(152,425)	506,116	1,725	507,841

- Figures expressed in millions of Colombian pesos -

Effect of changes	2016	2015		
		Issue	Adjustment	Restated
Statement of changes in the equity				
Accumulated results	12,959,786	11,464,676	(47,645)	11,417,031
OCI - Foreign exchange translation differences	705,284	857,583	1,725	859,308

- Figures expressed in millions of Colombian pesos -

Effect of changes	2016	2015		
		Issue	Adjustment	Restated
Statements of cash flow				
Current income tax	657,980	529,355	47,645	577,000

- Figures expressed in millions of Colombian pesos -

2.28.5 Changes in presentation

As of December 31, 2016, there were no changes in presentation to the consolidated financial statements.

Note 3. Significant accounting judgments, estimates, and causes of uncertainty in the preparation of financial statements

The following are the significant judgments and assumptions, including those that involve accounting estimates that EPM Group's management used in the application of the accounting policies under IFRS, and that have significant effect on the values recognized in the consolidated financial statements.

Estimates are based upon historic experience and as a function of the best information available on the facts analyzed as of December 31, 2015 and 2014. These estimates are used for determining the value of the assets and liabilities in the separate financial statements, when it is not possible to obtain such value

from other sources. EPM Group evaluates its estimates on a regular basis. Actual results may differ from those estimates.

The significant estimates and judgments made by EPM Group are described below:

- **Evaluation of the existence of impairment indicators for the assets, goodwill and valuation of assets for determining the existence of value impairment losses.**

The condition of the assets is revised on each report presentation date. Recognized in order to determine whether there are indications that any of them has suffered an impairment loss, impairment indicators are revised. If there is impairment loss, the recoverable amount of the asset is affected; if the estimated recoverable amount is lower, it is reduced up to its fair value and an impairment loss is immediately recognized in operations.

The evaluation of the existence of value impairment indicators is based on external and internal factors, and in turn on quantitative and qualitative factors. Evaluations are based on financial results, the legal, social and environmental settings, and the market conditions; significant changes in the scope or fashion in which it is used or expected to use the asset or cash-generating unit (UGE, for its Spanish initials) and evidence about obsolescence or physical deterioration of an asset or UGE (cash generating unit), among others.

Determining whether goodwill has suffered impairment implies the calculation of the value at use of the cash generating units to which it has been assigned. The calculation of the value at use requires that the entity determines the future cash flows that should arise from the cash-generating units and a discount rate appropriate to calculate the current value. When the actual future cash flows are lower than expected, an impairment loss may arise.

- **Hypothesis used in the actuarial estimate of the post-employment obligations with employees.**

The assumptions and hypothesis used in the actuarial studies include: demographic assumptions and financial assumptions; the former refer to the characteristics of the current and past employments, and relate to the mortality rate, employee turnover rates; the latter relate to the discount rate, the increases in future salaries, and the changes in future benefits.

- **Useful life and residual values of property, plant and equipment, and intangibles**

In the assumptions and hypothesis used for determining the useful lives, technical aspects such as the following are considered: periodical maintenances and inspections made to the assets; failure statistics; environmental conditions and operating environment; protection systems; replacement processes; obsolescence factors, recommendations of manufacturers, climate and geographical conditions; and experience of the technicians that know the assets. Aspects such as market values, reference magazines, and historic sales data are considered for determining the residual value.

- **Assumptions used for calculating the fair value of financial instruments including the credit risk.**

EPM Group discloses the fair value corresponding to each class of financial instrument in such a way that allows comparing it with the carrying values.

Macro-economic projections calculated within each Group company are used.

Investment portfolio is valued at market price. In its absence, a similar one is looked for in the market and if not, assumptions are used.

Macro-economic rates are projected using the cash-flow methodology.

Derivatives are estimated at fair value.

Accounts receivable are estimated at the market rate in force and effect for similar credits. Accounts receivable from employees are valued in a similar way as massive debtors, except for mortgage (housing) credits.

The methodology used for equity investments is the cash flow; those quoted in the stock exchange such as Interconexión Eléctrica S.A. -ISA- and ISAGEN S.A. E.S.P. are estimated at market prices; all others, are valued at historic cost.

- **Likelihood of occurrence and value of contingent or uncertain-value liabilities.**

The assumptions used for uncertain or contingent liabilities include the classification of the legal process by the “expert judgment” of the areas professionals, the type of contingent liability, the possible legislative changes, and the existence of high-courts’ jurisprudence that applies to the concrete case - the existence of similar cases in the company, - the study and analysis of the substance of the issue, - the guarantees existing at the moment when the facts occur.

The Company shall disclose and not recognized in the financial statements those obligations classified as “possible”.

- **Future disbursements for asset dismantlement and retirement obligations.**

In the assumptions and hypothesis used for determining future disbursements for asset dismantlement and retirement obligations, aspects such as the following were considered: estimate of future outlays in which the Group companies must incur for the execution of those activities associated to asset dismantlement on which legal or implicit obligations have been identified; the initial date of dismantlement or restoration; the estimated date of finalization; and the discount rates.

- **Determination of the existence of financial or operating leases based on the transfer of risks and benefits of the leased assets.**

The significant assumptions that are considered in the Group to determine the existence of a lease include the assessment of the conditions if the right to control the use of the asset is transmitted for a period of time in exchange for a consideration, that is, it is evaluated The existence of an identified asset; The right to obtain substantially all economic benefits from the use of the asset over the period of use; The right to direct how and for what purpose the asset is used throughout the period of use; Right to operate the asset over the period’s use without any changes in the operating instructions.

- **Recoverability of deferred tax assets**

Deferred tax asset in the Group has been generated by the temporary differences that generate future fiscal consequences in the financial position of Group Companies; these differences are essentially represented in fiscal assets that exceed the assets under IFRS; and in fiscal liabilities, lower than the liabilities under IFRS, such as it is the case of the pension liability components, the amortized cost of bonds, financial leasing, and other sundry provisions and contingencies provision.

The Group’s deferred tax asset is recovered in the net income taxed on the current income tax generated in each Group company.

- **Determination of whether a set of assets meets the conditions to be classified as a discontinued operation.**

For determination of whether a set of assets meets the conditions to be classified as a discontinued operation, the assumptions that are subject to disclosure were not taken into account in the Group, because there were no transactions that made believe the discontinuity of an operation.

- **Determination of portfolio deterioration**

For the calculation of the expected credit loss, each obligation is assigned an individual probability of non-payment that is calculated from a probability model involving sociodemographic, product and behavior variables.

The model uses a window of twelve months, which is why it is estimated that an obligation has to be provisioned at a certain percentage in the same period. The model will be applied based on the scorecard developed taking into account the information of each Group Company. The models are defined according to the information available and the characteristics of the population groups for each one. Although the methodology applies to all accounts with balance, some exclusions must be

taken into account, such as:Accounts written-off; Self-consumptions; Contributions; Public Lighting and in general charges from third parties. For its calculation, it is previously defined the moment from which it is considered that an obligation was breached and will not be recovered.

With this information the calculation of the expected request is made as follows:

$$PE = PI \times SE \times PDI, \quad \text{where:}$$

Probability of Default (PI): this corresponds to the probability that, within a period of twelve months, the debtors of a certain segment and portfolio rating incur in default.

Outstanding Balance of the Asset (SE): corresponds to the balance of capital, balance of interests, and other current charges of the obligations.

Loss due to non-compliance (PDI): defined as the economic deterioration that the entity would incur in the event that any of the non-compliance situations materialize.

- **Estimate of income.**

The Group recognizes income from the sale of goods in the period of transfer of risks and benefits and those arising from the provision of services when they are delivered to the customer, regardless of the date on which the corresponding invoice is drawn up, to carry out This estimate takes information from contracts or agreements with customers and thus establishes the value to be recognized in income.

For other concepts than the provision of public residential services, the Group estimates and recognizes the value of revenues from sales of goods or services rendered based on the terms or conditions of interest rate, interim period, of each contract Which originates the sale.

In the month after recording the estimated income, its value is adjusted by the difference between the value of the actual income already known against the estimated income.

Note 4. Property, plant and equipment, net

The following is the detail of the book value of property, plant and equipment:

Concept	2016	2015
Cost	34,151,205	31,078,638
Accumulated depreciation and impairment	(5,885,095)	(5,295,062)
Total	28,266,110	25,783,576

- Figures expressed in millions of Colombian pesos -

The following is the detail of the book value of the properties, plant and equipment that are temporarily out of services, mainly because some Generation plants are being modernized. These assets are expected to be incorporated into the operation in the medium term:

Properties, plant and equipment that are temporarily out of service	2016	2015
Land and buildings	25,529	26,153
Machinery & equipment	7,098	7,157
Other property, plant and equipment	41	49
Total properties, plant and equipment that are temporarily out of service	2,659	60
Total propiedades, planta y equipos temporalmente fuera de servicio	35,327	33,419

- Figures expressed in millions of Colombian pesos -

In 2016, it includes \$32,698 (2015: \$33,419) of EPM corresponding to the components of the Power Generation Plants: Rio Bajo, Dolores, Calera, El Limon and Piedras.

At December 31, 2016 and 2015 the Group does not have properties, plant and equipment retired from their use and that have not been classified as non current assets held for sale.

The movement of the cost, depreciation and impairment of property, plant and equipment is detailed below:

2016	Network, lines and cables	Plants, ducts and tunnels	Constructions in progress ¹	Land and Buildings	Machinery & Equipment	Communication and Computer Equipment	Furniture & Fixtures & Office Equipment	Other property, plant and equipment ²	Total
Cost as of January 1	8,018,610	9,347,301	6,499,020	5,798,401	618,075	303,027	87,218	406,986	31,078,638
Additions ⁴	205,722	68,443	3,786,269	70,353	58,985	35,599	4,019	(9,611)	4,219,779
Advances payments (amortized) made to third parties	(2,083)	-	(69,082)	-	-	-	-	-	(71,165)
Transfers (-/+)	627,605	311,218	(1,553,391)	62,574	19,774	9,803	6,311	(21,784)	(537,890)
Disposals (-)	(29,991)	(173,255)	(735)	(2,209)	(19,041)	(28,484)	(1,234)	(6,431)	(261,380)
Effect on foreign currency translation	(115,038)	(44,199)	(45,340)	(18,714)	(19,843)	(3,696)	(468)	(3,069)	(250,367)
Other changes	(14,835)	13,728	2,803	30,459	292	(232)	(73)	(58,552)	(26,410)
Cost in books as of December 31	8,689,990	9,523,236	8,619,544	5,940,864	658,242	316,017	95,773	307,539	34,151,205
Accumulated depreciation and impairment									
Accumulated depreciation and impairment as of January 1	(1,972,628)	(2,051,588)	-	(779,403)	(182,412)	(167,876)	(31,825)	(109,330)	(5,295,062)
Depreciación del periodo ⁽⁶⁾	(306,777)	(277,000)	-	(65,327)	(48,077)	(44,264)	(6,621)	(18,720)	(766,786)
Impairment of the period (see note 7)	(420,898)	(297,822)	(838)	(85,331)	(13,252)	(314)	(22)	(1,336)	(819,813)
Reversal of loss of impairment (-)	192,420	183,011	-	304,978	2,957	19	185	1,979	685,549
Disposals (-) ⁵	18,278	157,829	-	174	15,814	26,874	1,378	5,195	225,542
Transferencias (-/+)	(73)	213	-	(80)	174	(42)	45	82	319
Effect on foreign currency translation	32,144	38,632	2	(3,478)	6,796	248	372	(3,067)	71,649
Other changes	2,821	3,625	-	5,042	(14)	2,047	(190)	176	13,507
Accumulated depreciation and impairment as of December 31	(2,454,713)	(2,243,100)	(836)	(623,425)	(218,014)	(183,308)	(36,678)	(125,021)	(5,885,095)
Property, plant & equipment as of December 31	6,235,277	7,280,136	8,618,708	5,317,439	440,228	132,709	59,095	182,518	28,266,110
Advances payments made to third parties									
Balance as of January 1, 2016	1,682	-	127,110	-	-	-	-	1,737	130,529
Movement (+)	6,817	-	22,723	-	-	-	-	-	29,540
Movement (-)	(8,900)	-	(91,805)	-	-	-	-	(1,737)	(102,442)
Effect on foreign currency translation	814	-	379	-	-	-	-	-	1,193
Balance December 31, 2016	413	-	58,407	-	-	-	-	-	58,820

- Figures expressed in millions of Colombian pesos -

2015	Network, lines and cables	Plants, ducts and tunnels	Constructions in progress ¹	Land and Buildings	Machinery & Equipment	Communication and Computer Equipment	Furniture & Fixtures & Office Equipment	Other property, plant and equipment ²	Total
Cost as of January 1	6,867,497	8,314,816	4,823,071	5,469,435	367,793	251,896	61,312	296,283	26,452,103
Business combination ³	-	-	88,033	-	18,748	2,708	12,086	10,377	131,952
Aditions ⁴	137,399	104,327	3,171,229	81,542	57,148	48,454	9,310	117,233	3,726,642
Advances payments (amortized) made to third parties	907	-	9,613	-	-	-	-	320	10,840
Transfers (- / +)	463,602	773,776	(1,871,048)	193,591	155,262	8,101	1,599	(38,683)	(313,800)
Provisions (-) ⁵	(18,559)	(14,713)	(46,927)	(7,239)	(42,728)	(20,936)	(815)	(5,250)	(157,167)
Effect on foreign currency translation	567,031	156,037	364,999	50,431	64,886	17,167	3,410	11,755	1,235,716
Effect on loss of subsidiary control	-	-	-	-	(23)	(9)	(14)	(8)	(54)
Other changes	733	13,058	(39,950)	10,641	(3,011)	(4,354)	330	14,959	(7,594)
Cost in books as of December 31	8,018,610	9,347,301	6,499,020	5,798,401	618,075	303,027	87,218	406,986	31,078,638
Accumulated depreciation and impairment									
Accumulated depreciation and impairment as of January 1	(1,478,470)	(1,345,122)	(290,202)	(705,716)	(155,266)	(127,683)	(25,126)	(64,867)	(4,192,452)
Depreciation of the period ⁶	(272,359)	(263,786)	-	(63,321)	(35,110)	(44,269)	(5,940)	(19,253)	(704,036)
Deterioration of the period-See note ⁷	(1,945)	(5,551)	-	(621)	(161)	(9)	(37)	(203)	(8,526)
Business combination ³	(7,574)	-	-	-	(10,132)	(1,812)	-	-	(19,518)
Provisions (-) ⁵	9,885	6,952	-	567	(22,547)	19,709	1,000	3,450	19,016
Transfers (- / +)	(220)	393,743	(393,623)	-	95	(2)	3	(32,398)	(32,402)
Effect on foreign currency translation	(225,778)	(73,859)	(91,824)	(9,513)	38,432	(14,949)	(1,576)	(8,607)	(387,673)
Effect on loss of subsidiary control	-	-	-	-	5	6	7	1	19
Other changes	3,833	(763,965)	775,649	(799)	2,271	1,132	(157)	12,546	30,510
Accumulated depreciation and impairment as of December 31	(1,972,628)	(2,051,588)	-	(779,403)	(182,412)	(167,876)	(31,825)	(109,330)	(5,295,062)
Property, plant & equipment as of December 31	6,045,982	7,295,713	6,499,020	5,018,998	435,663	135,151	55,393	297,656	25,783,576
Advances delivered to third parties									
Balance as of January 1, 2016	-	-	117,498	-	-	-	-	1,416	118,914
Movement (+)	908	-	42,149	-	-	-	-	458	43,515
Movement (-)	(1)	-	(32,537)	-	-	-	-	(137)	(32,675)
Effect on foreign currency translation	775	-	-	-	-	-	-	-	775
Balance December 31, 2016	1,682	-	127,110	-	-	-	-	1,737	130,529

- Figures expressed in millions of Colombian pesos -

The property plant and equipment presents a variation from 2015, mainly due to the construction of infrastructure in the different businesses of the company, of which the most relevant is the construction of the Hidroeléctrico Ituango project, which presents

A change from 2015 by \$1,721,054. Additionally, in respect to the Waste Water Treatment Plant- (WWTP) located in the municipality of Bello of the affiliate Aguas Nacionales EPM S.A. there is a variation for \$303,343.

At the end of the period, impairment tests were performed on the assets linked to the CGUs, which in turn have intangible assets with indefinite useful lives, resulting in the impairment of certain components associated with the Generation of Energy and Sanitation Reversion of the same in the components of the assets of the UGE Provision Aguas, this implied its recognition in the financial statements. See note 7. Impairment of assets.

¹⁾ Includes capitalization of borrowing costs of \$ 271,224 (2015: \$ 180,165), the weighted average rate used to determine the amount of borrowing costs was 8.45% (2015: 7.00%), which is the specific effective interest rate of this type of loan.

(2) Includes automotive fleet equipment and vehicles, medical and scientific equipment, property, plant and equipment in assembly, property, plant and equipment in transit, replacement assets and dining and kitchen equipment.

(3) Includes in 2015 the assets acquired through a business combination with Aguas de Antofagasta S.A. And with Cartida del Caribe S.A. E.S.P - SURTIGAS of the municipality of Necoclí - Antioquia, respectively (see note 9).

(4) Includes purchases, capitalizable disbursements that meet the recognition criteria, assets received from third parties and costs for dismantling and withdrawing elements of property, plant and equipment. At the close of 2016 and 2015 no government subsidies were received.

(5) See note 29 - Income from ordinary activities and note 33 - Other expenses.

(6) See note 2931- Costs for provision of services and note 3032- Administrative expenses.

The main projects under construction are:

Project	2016	2015
Ituango ⁽¹⁾	5,660,416	3,939,363
Planta de tratamiento de aguas residuales Bello	1,038,356	697,416
Nueva Esperanza	390,603	257,097
DECA Projects	248,977	163,817
ENSA Projects	138,847	158,756
ESSA Projects	252,141	171,410
ADASA Projects	106,473	-
CHEC Projects	48,408	53,552
Distrito de frío	25,257	33,686
Conexión San Nicolás D. Primaria	13,812	74,414
EDEQ Projects	11,813	13,108
Delsur Projects	30,217	34,170
Conexión Ecopetrol-Magdalena Medio	3,602	85,722
AMA projects - Sewer and Sewer Networks	891	11
Proyectos AOR-Reposición Redes de alcantarillado el Retiro	140	-
EMVARIAS Projects - Administrative headquarters and Puntos naranjas	37	122
AMA Projects - Project Merchandise	10	10
AOR Projects - Supply and El Retiro Tank	10	-
EMVARIAS Projects - Lixiviados	-	22,164
Other projects	648,698	794,202
Total	8,618,708	6,499,020

- Figures expressed in millions of Colombian pesos -

⁽¹⁾ As of December 31, 2016, the Ituango Hydroelectric Project presents the following physical progress of 65%, where the current schedule is designed to have all the works located on the site of the plant, necessary for the first generation of energy, in the Last quarter of 2018.

In order to guarantee the connection to the national interconnected system, Interconexión Eléctrica S.A. (ISA), among other actions, executes the procedures for obtaining the required environmental license from the national environmental licensing authority ANLA and other departmental and municipal bodies. The initial goal to be met in this process is to obtain the license no later than the first week of April 2017, in order for this front to be synchronized adequately with the needs of the works on the site of the plant. Any difficulties encountered in this process, if alternative strategies are not generated to recover the impact generated, can affect the current conditions of the start of operation of the Project, scheduled for the last quarter of 2018.

The breakdown of progress is as follows:

Activity	Unit of measure	Total	Executed	%
Dump				
Excavations of the landfill	m ³	14,022,086	11,399,956	81%
Concrete control structure (Water + right wall)	m ³	46,462	31,130	67%
Dam				
Excavation of the prey	m ³	1,094,352	860,161	79%
Full of prey	m ³	19,484,575	9,157,750	47%
Driving				
Total driving tunnels (upper and lower +	m	2,489	2,184	88%
Concrete elbows of lower conduction 1 to 4	m ³	4,709	4,379	93%
Gate Wells - Full Section Excavation (8 x 85 m	m	680	669	98%
Catchment square	m ³	580,000	575,940	99%
Cable well - Excavation complete section	m	336	336	100%
Underground station				
Concrete machine house (Assembly room +	m ³	25,982	9,979	38%
Concrete cave transformers	m ³	3,355	2,305	69%
Concrete beacon 1	m ³	3,013	1,778	59%
Central Download				
Tunnels 1 to 4 - Excavation Vault	m	3,149	3,149	100%
Tunnels 1 to 4 - Excavation Bank	m	3,149	2,847	90%
Concrete in discharge tunnel 1	m ³	1,301	1,301	100%
Concretes in discharge tunnel 2	m ³	1,315	1,315	100%
Concrete in discharge tunnel 3	m ³	1,315	1,315	100%
Concrete in discharge tunnel 4	m ³	1,423	1,252	88%
Auxiliary deflection system				
Auxiliary gallery of deviation GAD (Vault)	m	2,145	2,059	96%
Auxiliary gallery of deviation GAD (Bank)	m	2,145	1,308	61%
GAD bottom discharge tunnel	m	287	287	100%

□ Unit of measurement expressed in cubic meters (m³) and meters (m)

As of December 31, 2016, there are restrictions on the realization of EPM properties, plant and equipment, associated with some automobile fleet equipment for a net book value of \$ 15. These

restrictions are for theft, personal injury and embargoes and have been affected as a guarantee for the fulfillment of obligations. For the rest of the affiliates of the Group no other restrictions were identified restrictions on the realization of the property, plant and equipment or affectations as a guarantee for the fulfillment of obligations.

The most significant commitments to acquire the Group's property, plant and equipment at the report date amount to \$1,033,192 (2015: \$2,941,678).

At December 31, 2016 the Group obtained revenues for compensations from third parties for the loss of property, plant and equipment for \$480,621 (2015: \$2,706) of which \$404,340 correspond to lost profits and \$67,758 to consequential damage related to the loss that occurred in the beginning of 2015 in the Guatape Plant Of EPM; Recorded in other income from indemnities. See note 30. Other income.

The following is the historical cost of fully depreciated properties, plant and equipment that continue to operate in 2016 and 2015:

Group	2016	2015
Plants, ducts and tunnels	14,103	9,702
Communication and Computer equipment ¹	22,235	3,957
Networks, lines and cables	4,831	2,025
Machinery and equipment	4,418	1,992
Buildings	393	48
Other property, plant and equipment	4,519	652
Total	50,499	18,376

- Figures expressed in millions of Colombian pesos -

- (1) The variation corresponds mainly to computer equipment totally depreciated in the subsidiaries EEGSA and TRELEC.

Note 5. Investment property

The fair value of the investment properties is based on an annual appraisal made by experts that have renown professional capacity and a recent experience on the category of the real estate investments object of the valuation; this value has been determined each year by officers of the EPM Group specialist appraisers or by independent appraiser companies such as Vertex Resources Ltda., Lonja de Propiedad Raíz and Panamericana de Avaluos S.A. The appraiser officers and companies use the comparative or market method, which consists in deducing the price by comparison of transactions, supply and demand and appraisals of similar or comparable properties, prior adjustments of time, conformation, and location; and the residual method that is applied only to the buildings and is based on the determination of the updated cost of the construction, less the depreciation for age and conservation condition; And the income method, which is used to determine the possible value of a good according to its ability to generate income taking into account the likely monthly value of the property that renters would be willing to pay in the rental market. See note 41 Measurement of fair value on a recurring and non-recurring basis.

Investment properties	2016	2015
Book value as of January 1	165,488	143,751
Net profit or loss for adjustment of fair value ¹	(12,429)	13,530
Disposals (-)	(1,105)	-
Exchange Rate Differences	(370)	1,622
Transfers ² (-/+)	(26,996)	6,585
Book value as of December 31	116,628	165,488

- Figures expressed in millions of Colombian pesos -

- (1) See note 19 Other accumulated comprehensive income, note 29. - Income from ordinary activities and note 33- Other expenses.
- (2) Includes transfer of investment property to or from inventories, or either to or from property, plant and equipment.

The valuation obtained has been adjusted in order to be used in the financial statements, as shown in the sample of the following reconciliation:

Item	2016	2015
Market value estimated by independent appraiser	7,841	7,775
Fair value for financial information purposes	7,841	7,775

- Figures expressed in millions of Colombian pesos -

Revenue from property leases for the period amounted to \$ 694 and was obtained by EPM, ENSA and EDEQ (2015: \$ 612). As of December 31, 2016 direct expenses related to investment properties were \$ 28, originated by the EDEQ affiliate, of which \$ 14 relate to properties that did not generate revenues from leases.

As of December 31, 2016 and 2015 there were no contractual obligations to acquire, construct or develop investment property or for repairs, maintenance or improvements thereto.

The following are the contractual restrictions on investment properties:

- In EPM for \$1,970 (2015: \$16,970), among which the lot of land of Niquia is outstanding, given that it is affected by an power conduction easement, which may restrict the commercial development of the lot; in addition, the land located next to EPM's smart building where they are located (EPM, Plaza Mayor, Barefoot Park) that may present limitations in a future use of the land of the zone, which has repercussions on the commercial value of the square meter.
- In EDEQ restriction on the property located at Calle 14 No. 10-16 of the Municipality La Tebaida since they were in a Legal process, situation that continued during 2016; therefore, no revenues were received on this good.

Note 6. Other intangible assets

The following is the detail of the book value of the other intangible assets:

Intangibles	2016	2015
Goodwill	2,918,817	3,078,274
Total goodwill	2,918,817	3,078,274
Other intangibles ¹	2,707,560	2,414,166
Accumulated depreciation and impairment	(837,181)	(655,590)
Total other intangibles	1,870,379	1,758,576
Total	4,789,196	4,836,850

- Figures expressed in millions of Colombian pesos -

- (1) Includes balance of intangibles recognized under utility concession agreements for rendering water and sewage services. See note 42. Utility Concession Agreements.
- (2) The movement of cost, depreciation and impairment of intangible assets is detailed below:

2016	Goodwill	Concessions and similar rights	Capitalized development expenses	Software & information technology applications	Licenses	Rights	Other intangible assets ¹	Total
Cost as of January	3,078,274	1,557,054	36,198	171,189	92,622	55,687	501,418	5,492,442
Additions ²	-	92,720	10,861	32,416	25,715	-	406	162,118
Anticipos entregados a terceros (amortizados)	-	-	-	-	-	-	-	-
Transfers (-/+)	-	115,426	-	15,286	1,019	2,931	4,510	139,172
Disposals (-)	-	-	-	(1,360)	(1,279)	(9,943)	-	(12,582)
Exchange difference	(35,668)	(4,698)	(15,576)	(118)	(6,678)	9,576	(21,389)	(74,551)
Other changes	(53,003)	(46,558)	14,840	(1)	4,463	(6,813)	6,851	(80,221)
Cost in books as of December 31	2,989,603	1,713,944	46,323	217,412	115,862	51,438	491,796	5,626,378
Accumulated amortization and impairment as of January 1	-	(394,598)	-	(82,024)	(55,468)	(496)	(123,005)	(655,591)
Amortization of period ⁴	-	(57,678)	-	(19,219)	(9,005)	(472)	(34,280)	(120,654)
Impairment of the period (see notes 7)	(84,144)	(63,305)	(1,472)	(207)	(440)	(17)	(16,104)	(165,689)
Reversal of loss of impairment (-)	-	23,539	-	416	164	-	1,545	25,664
Disposals (-)	-	-	-	1,345	1,206	-	-	2,551
Transfers (-/+)	-	-	-	-	-	-	44,261	44,261
Exchange difference	13,358	15,390	-	1,038	2,059	18	-	31,863
Other changes	-	-	-	(259)	(140)	-	811	412
Cost in books as of December 31	(70,786)	(476,652)	(1,472)	(98,910)	(61,624)	(967)	(126,772)	(837,183)
Intangible assets as of December 31	2,918,817	1,237,292	44,851	118,502	54,238	50,471	365,024	4,789,195

- Figures expressed in millions of Colombian pesos -

2015	Goodwill	Concessions and similar rights	Capitalized development expenses	Software & information technology applications	Licenses	Rights	Other intangible assets ¹	Total
Cost as of January	1,292,022	309,351	32,448	143,727	74,095	41,431	41,527	1,934,601
Business combinations ⁽²⁾	1,492,295	755,972	-	-	-	-	-	2,248,267
Additions ⁽³⁾	-	8,203	-	29,899	14,534	17	1,435	54,088
Transfers (-/+)	-	20,464	-	2,876	475	-	288	24,103
Disposals (-)	-	(13,414)	-	(18,776)	(7,271)	(96)	(75)	(39,632)
Effect on loss of subsidiary control	-	-	-	-	-	-	(9)	(9)
Exchange difference	207,477	74,264	3,750	13,570	10,789	170	6,173	316,193
Other changes	86,480	402,214	-	(107)	-	14,165	452,079	954,831
Cost in books as of December 31	3,078,274	1,557,054	36,198	171,189	92,622	55,687	501,418	5,492,442
Accumulated amortization and impairment as of January 1	-	(121,010)	-	(81,547)	(50,482)	(188)	(6,723)	(259,950)
Amortization of period ⁴	-	(31,801)	-	(32,097)	(7,658)	(308)	(17,605)	(89,469)
Impairment of the period (see notes 7)	-	(8,419)	-	-	(18)	-	-	(8,437)
Business combinations ⁽²⁾	-	(279,148)	-	-	-	-	-	(279,148)
Disposals (-)	-	3,967	-	18,776	7,246	-	-	29,989
Transfers (-/+)	-	7,793	-	-	-	-	-	7,793
Exchange difference	-	40,337	-	12,845	(4,548)	-	(99,172)	(50,538)
Other changes	-	(6,317)	-	(1)	(8)	-	494	(5,832)
Accumulated amortization and impairment as of December 31	-	(394,598)	-	(82,024)	(55,468)	(496)	(123,006)	(655,592)
Intangible assets as of December 31	3,078,274	1,162,456	36,198	89,165	37,154	55,191	378,412	4,836,850
Advances payments made to third parties								
Balance as of January 1, 2016	-	-	-	-	-	-	19	19
Movement (-)	-	-	-	-	-	-	(19)	(19)
Balance December 31, 2016								

- Figures expressed in millions of Colombian pesos -

- 1 Includes easements, intangibles related to customers and other intangibles
- 2 In 2015 and 2014 goodwill generated in the business combination with Aguas de Antofagasta S.A. and Surtidora de Gas del Caribe S.A. E.S.P - SURTIGAS of the municipality of Necoclí, respectively is included. See Note 9 Business combinations.
- 3 Includes the purchases, capitalizable disbursements that meet the recognition criteria. At the end of 2016 and 2015 no government subsidies were received related to intangible assets.
- 4 See note 31 Costs for provision of services and note 32 Administrative expenses
- 5 Corresponds to the decrease of the goodwill resulting in the purchase of Adasa, for the recognition of an asset for deferred tax originated in the tax loss determined at December 31, 2015.

At the closing of the periods an impairment test was made to the assets because there were intangible assets recorded with indefinite useful life. The detail of the impairment recognized in the Comprehensive income statement is in note 7. Impairment of assets.

The useful lives of the intangible assets are:

Concessions and similar rights	As per the contract's effective term
Easements	Indefinite
Capitalized disbursement for development	Indefinite
Software and information technology applications	Indefinite/ definite 3 to 5 years
Licenses	Indefinite/ definite 3 to 5 years
Rights	As per the contract's effective term
Other intangible assets	Indefinite/ definite 7 to 15 years

The amortization of intangibles is recognized as Costs of \$ 82,136 (2015: \$ 35,234) and expenses of \$ 38,517 (2015: \$ 54,235) in the statement of comprehensive income, profit and loss for the period, in the lines of service delivery costs (Note 31) and administrative expenses.

As of December 31, 2016 and 2015 n no restrictions were identified on the realization of intangible assets nor they have been affected as guarantee for the fulfillment of obligations, or contractual commitments for the acquisition of other intangible assets.

The carrying amount at the cut-off date and the remaining amortization period for the significant assets is:

Significant intangible assets	Useful life	Remaining amortization period	2016	2015
Goodwill	Indefinida	N/A	2,918,817	3,078,274
Concession of secondary networks Municipality of Bello	Definida	166 months	-	15,396
La Garcia secondary network concession	Definida	120 months	-	10,986
La Ayura secondary network concession	Definida	120 months	-	9,859
La Mina secondary network concession	Definida	166 months	-	7,267
El Dorado red circuit concession	Definida	77 months	-	5,630
Concession Chile	Definida	192 months	-	1,243,699

- Figures expressed in millions of Colombian pesos -

The following intangible assets have an indefinite useful life: goodwill and easements. By definition an easement is the actual right, perpetual or temporary on someone else's real estate, by virtue of which the property can be used, or exercise certain disposal rights, or prevent the owner from exercising some of his property rights. In the Group the easements are not treated individually, since they are crated for public utility projects, where the general interest prevails over the private one, considering that the objective is

to improve the quality of life of the community; the above-mentioned projects do not have a defined term and thus they are created perpetually supported in their use.

As of December 31, 2016 and 2015 have a book value of \$ 2,953,964 and \$ 3,105,970, as detailed below:

Intangible assets with indefinite useful life	2016	2015
Goodwill		
Aguas de Antofagasta S.A.	1,541,829	1,578,775
Empresa Eléctrica de Guatemala S.A. (EEGSA)	915,784	941,789
Proyecto Hidroeléctrico Ituango	177,667	177,667
Elektra Noreste S.A. (ENSA)	115,353	117,556
Espíritu Santo	82,980	82,980
Tecnología Intercontinental S.A. de C.V. (TICSA)	1,114	82,740
Empresas Varias de Medellín S.A. E.S.P.	78,642	78,642
Parque Eólico Los Cururos Ltda.	-	12,677
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	5,135	5,135
Surtigás Necodí	303	303
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	10	10
Subtotal goodwill	2,918,817	3,078,274
Other intangibles		
Easements	35,147	27,696
Subtotal other intangibles assets	35,147	27,696
Total intangible assets with indefinite useful life	2,953,964	3,105,970

- Figures expressed in millions of Colombian pesos -

Note 7. Impairment of assets

7.1 Impairment of investments in associates And joint ventures

As of the date of presentation of the financial statements no losses for impairment were recognized in the Statement of Comprehensive income, related to investments in associates and joint ventures

7.2 Impairment of Cash Generating Units

The carrying amount of goodwill and intangible assets with indefinite useful lives associated with each CGU are detailed below:

Cash Generating Unit	Carrying value		Impairment losses (reversal)	
	2016	2015	2016	2015
Power Generation Segment				
Goodwill	260,647	273,325	12,626	-
Easements	3,791	3,955	21	-
Concessions and franchises	-	-	229	-
Licensing	-	-	408	-
Disbursements development phases	-	-	1,472	-
Other intangibles	-	-	4,588	-
Real Estate	-	-	7,402	-
Constructions in progress	-	-	838	-
Buildings	-	-	22,111	-
Plants, ducts and tunnels	-	-	210,946	-
Networks, lines and cables	-	-	2,515	-
Machinery and equipment	-	-	11,532	-
Furniture, office requisites and equipment	-	-	6	-
Communication and computer equipment	-	-	9	-
Transport, traction and lifting equipment	-	-	26	-
Generation	264,438	277,280	274,729	-
Energy Transmission Segment				
Servitudes	2,437	276	-	-
Transmission	2,437	276	-	-
Energy Distribution Segment				
Merchant credit	1,036,281	1,064,490	-	-
Intangible asset	22,146	15,795	-	-
Distribution	1,058,427	1,080,285	-	-
Gas Segment				
Servitudes	3,481	3,481	-	-
Merchant credit	303	303	-	-
Gas	3,784	3,784	-	-
Water Supply Segment				
Merchant credit	1,403,065	1,436,685	-	-
Servitudes	2,858	2,841	(1,257)	-
Concessions and franchises	-	-	(24,189)	-
Plants, ducts and tunnels	-	-	(183,011)	5,551
Networks, lines and cables	-	-	(192,420)	1,945
Buildings	-	-	(113,382)	382
Real Estate	-	-	(191,596)	239
Transport, traction and lifting equipment	-	-	(1,349)	174
Machinery and equipment	-	-	(2,957)	161
Furniture, office requisites and equipment	-	-	(185)	37
Medical and scientific equipment	-	-	(489)	29
software	-	-	(143)	-
Replacement goods	-	-	(141)	-
Licensing	-	-	(75)	18
Communication and computer equipment	-	-	(19)	9
Water Supply	1,405,923	1,439,526	(711,213)	8,545
Sanitation Segment				
Merchant credit	218,521	303,472	71,518	-
Servitudes	1,350	1,350	776	-
Concessions and franchises	-	-	63,076	8,419
Rights	-	-	17	-
Licensing	-	-	32	-
software	-	-	207	-
Other intangibles	-	-	10,719	-
Real Estate	-	-	55,404	-
Buildings	-	-	414	-
Plants, ducts and tunnels	-	-	86,876	-
Networks, lines and cables	-	-	418,383	-
Machinery and equipment	-	-	1,720	-
Furniture, office requisites and equipment	-	-	16	-
Communication and computer equipment	-	-	305	-
Transport, traction and lifting equipment	-	-	1,311	-
Sanitation	219,871	304,822	710,774	8,419
Total	2,954,880	3,105,973	274,290	16,964

- Figures expressed in millions of Colombian pesos -

The goodwill is assigned mainly to the segments or CGUs that are detailed below:

Cash Generating Unit	2016	2015	Generated as proceeds from:
Generation EPM	260,647	260,647	Liquidation of the affiliate EPM Ituango S.A. E.S.P. and Espiritu Santo which assets were transferred to EPM
Generation Los Cururos Aeolian Park	-	12,677	Business Combination in the acquisition made by EPM Chile
Distribution EDEQ	5,135	5,135	Business Combination in the acquisition made by EPM Inversiones
Distribution CHEC	10	10	Business Combination in the acquisition made by EPM Inversiones
Distribution EEGSA	915,784	941,789	Business Combination in the acquisition of the Group DECA II made by EPM
Distribution ENSA	115,353	117,556	Business Combination in the acquisition of the Group PDG made by EPM
Gas EPM	303	303	Business Combination with Surtidora de Gas del Caribe S.A. E.S.P. made by EPM
Water Provision ADASA	1,403,064	1,436,685	Business Combination in the acquisition of Aguas de Antofagasta made by Inversiones Hanover
Sanitation ADASA	138,765	142,090	Business Combination in the acquisition of Aguas de Antofagasta made by Inversiones Hanover
Sanitation TICSA	1,114	82,740	Business Combination in the acquisition of Grupo TICSA made by EPM Mexico
Sanitation EMVARIAS	78,642	78,642	Business Combination in the acquisition made by EPM
Total	2,918,817	3,078,274	

The intangible Easements is assigned mainly to the segments or CGUs that are detailed below:

Cash Generating Unit	2016	2015
Generation EPM	444	444
Generation CHEC	2	-
Generation Hidroecológica del Teribe	3,345	3,511
Transmission EPM	2,402	241
Transmission ESSA	35	35
Distribution EPM	9,220	3,320
Distribution EDEQ	254	254
Distribution CHEC	5,097	4,755
Distribution CENS	724	723
Distribution ESSA	3,016	2,725
Distribution EEGSA	476	492
Distribution ENSA	3,359	3,526
Gas EPM	3,481	3,481
Water Provision EPM	2,858	2,841
Sanitation EPM	1,350	1,350
Total	36,063	27,698

Impairment of fixed and intangible assets

UGE Generation HET

For the UGE of the property, plant and equipment the impairment of its assets was calculated based on IAS 36, seeking to make sure that the value of the assets that are being accounted for at the report of December 31, 2016 reflects their recoverable value through its utilization or their sale.

Value in use: Was based on the most recent financial projections, estimating the cash flows that the Group expects to obtain from its assets for a period of 20 years.

The discount rate used for the valuation reflects the Company's capital structure, which considers the return that the owner would require to this type of investment, taking into account: the risk-free rate, the corresponding economic sector, the Market, the country where investment and debt are located.

At the closing of the period an impairment test of CGE was performed, finding evidence of impairment, the global energy market was evaluated, a path of prices lower than those expected is evidenced; the impairment was generated basically because in the commercial operation a generalized drop of energy prices is evidenced in the spot market, the marginal cost of the average energy is lower especially in the meium term, impacted by the price of oil and by the increase of renewable energies and changes in the energy basket of the Panamanian market, also, a lower generation is reflected due to restrictions expected by the control entity, lower water inflows are assumed as a reslt of the climatic conditions.

Based on the above, the value of impairment recorded At December 2016 is the following:

Value in use:	\$158,360,157	United States dollars
Carrying value of CGV:	\$171,806,057	United States dollars
Impairment value:	\$13,445,900	United States dollars

Conversion rate impairment expense 2,992.86

The key assumptions used by the EPM Group in the determination of the value in use/fair value less costs of sale of the CGU Generaton HET are the following:

Item	Key Assumption
Income	<p>The main on which the Company has based the estimate of the income are: The key factor is the estimate of the current and future prices of energy in Panama; for this the sale prices were calculated by simulations of the market of Central America (including exchanges with Ecuador and Venezuela), additionally, they consider aspects such as the hydro-thermal dispatch model MPODE, the projected demand with the expected growths of the GDP in a horizon up to 2034. For the base expansion The Expansion Plan of Panama is taken into account with adjustments in the assumptions of entry in operations of generation projects, and the scenarios of fuel prices in accordance with the WTI projections. The final price was obtained from the prices granted in the free occurrence processes in which the Company participated.</p> <p>The energy sale process of the Company is subject to the bidding processes of the energy distribution companies: EDEMET, EDECHI and ENSA, which, in turn, can determine to purchase energy from other generators in the spot market.</p>
Costs & Expenses	<p>Costs and expenses were estimated in compliance with the regulation that is applied to the generators of energy in the Republic of Panama and taking into account the proposal presented by the deputy management of energy operation of EPM for the AOM of the plant; additionally, expenses associated to the environmental and social management and to the fulfillment of the commitments derived from the compensation and benefits agreement to those acquired with the National Environmental Authority ANAM, were also considered.</p> <p>Given that the investments of the Companies in the generation sector have an extensive useful life, the customary recovery period of 5 years is not considered, because in this period it is not possible that the recovery of the investment will be carried out. The evaluation considered a period of 50 years, longer, where the actual income of the Company can be observed and therefore the return on the investment in this time is correlated to the term established in the generation concession that the Company has.</p>
Investment	<p>In order to estimate the investment required, the disbursements corresponding to costs of development, land, easements and rights of way were considered. Within the investment in physical works was considered the cost of the main civil works, the transmission line, the Changuinola substation and the equipment. Likewise, the disbursements associated to the environmental and social management, engineering and the provision for physical contingencies.</p>

Impairment CGU Aeolian Park Los Cururos Ltda.

Aeolian Park Los Cururos Ltda., Calculated the impairment of its assets based on IAS 36 and IAS 16, seeking to ensure that the value of assets that are accounted for as of December 31, 2016 reflects their recoverable value through their use or sale.

Value in use: An estimate was made of the future cash flows that the Company expects to obtain on the assets; Considering expectations about possible changes in value, it was also based on the most recent financial projections, cash flow was calculated to 20 years with continuity value given the useful life Of assets. The discount rate used for the valuation reflects the capital structure of the company, which considers the performance that the owner would require to this type of investments.

Based on the above, the value of impairment recorded in the report of June and December 2016 is the following:

First half of the year

Value in use:	\$184,624,247	United States dollars
Book value of the CGU:	\$208,707,946	United States dollars
Impairment value:	\$24,083,699	United States dollars
Conversion rate impairment expense	4.42	

Second half of the year

Use value:	\$126,420,210	United States dollars
Carrying value of CGU:	\$180,592,273	United States dollars
Impairment value:	\$54,172,063	United States dollars
Conversion rate impairment expense	4.51	

The key assumptions used by the EPM Group in determining Value in use / fair value less costs to sell of the CGU Generation Aeolian Park Los Cururos Are as follows:

Item	Key Assumption
Income	<p>The energy sale process of the Aeolian Park Los Cururos Ltda. is subject essentially to the sales for the spot market, to the bidding processes with the energy distribution companies and to the bidding processes in the free market, which in turn may determine to purchase energy from other generators in the spot market.</p> <p>The lower results of the income in the horizon of the projections are marked basically by the combination of various commercial elements where the generalized drop in energy prices, the excess offer of renewable energy, the saturation of the transmission network, the lower generation in some periods of the horizon due to climatic conditions and the “decoupling” effect are the most outstanding; all these aspects have impacted the Company’s income both in the determination of the price and of the generation proper of the park.</p>
Costs and expenses	<p>The costs and expenses included in the financial projection behave in a stable manner; they were estimated in compliance with the regulation that is applied to the energy generating companies in the Republic of Chile taking into account the expenses associated to the environmental and social management, and the fulfillment of corporate commitments; the operating costs are due to the operating and maintenance contracts in effect which permit renegotiation of clauses and conditions including rates. It is possible that in the short and medium term, following the market conditions, these rates may decrease, situation that is not reflected in the projection.</p>
Investment	<p>In order to estimate the required investment those disbursements corresponding to those associated to the replacement and overhauls necessary in the horizon of the projection were considered.</p>

UGE Sanitation EPM

The impairment of its assets was calculated based on IAS 36 Impairment of assets, Seeking to ensure that the value of the assets that are accounted for as of December 31, 2016 reflects their recoverable value through their use or sale.

Value in use: Was based on the most recent financial projections, estimating the cash flows that the Group expects to obtain from its assets for a period of 20 years.

The discount rate that was used for the valuation reflects the capital structure of the company, which considers the performance that the owner would require from this type of investments, Taking into account: the risk-free rate, the corresponding economic sector, the market, the country where the investment is located and the indebtedness.

Based on the foregoing, the value of the deterioration recorded At December 2016 is the following:

Value in use:	\$514,857
Book value of the CGU:	\$1,143,376
Impairment value:	628,519

The key assumptions used by the EPM Group in determining the Value in use / fair value minus the costs of selling the EPM Saneamiento EPM are as follows:

Item	Key Assumption
Business Plan update	The plan of the CGU was modified by the following events: (i) rate change with Resolutions CRA 688 of 2014 and CRA 735 of 2015 issued by the Regulation Commission of Potable Water and Basic Sanitation - CRA, which make the fulfillment of the quality and coverage indicators and therefore, the review of investments and operations, (ii) review in demand projections mandatory, and (iii) changes in the remuneration and in the entry in operation of the Aguas Claras Waste Treatment Plant
Income	<p>In the income of the CGU were considered the adjustments for the implementation of the new rate framework, which implies a decrease in the invoice of the Sanitation CFU of -8%, because the most significant investments were recognized in the previous rate framework and are now in their majority reflected, investments for the support; additionally a review was made of the projection of the demand that showed a drop of approximately six million cubic meters for year 2016, resulting from the penalizations to the high consumptions established by the government, in order to mitigate the effects of El Niño, this savings behavior of subscribers is maintained with time.</p> <p>The invoice is also impacted by the indexation by inflation and the vegetative growth of discharges.</p> <p>In August 2017 the variable charge of waste water is increased by the entry into operation of the Aguas Claras Wastewater Treatment Plant.</p>
Cost and expenses	<p>Cost and expenses reflect At August 2017 the recognition to the affiliate Aguas Nacionales for the operation and remuneration of the investment of the Aguas Claras plant; the rest of the costs and expenses are behave in a consistent manner with the business operation.</p> <p>There was a displacement of the entry into operation of the Aguas Claras Waste Water Treatment Plant that moved from April to August 2017. In respect to the previous business plan there was a decrease in the payments to be recognized to the affiliate Aguas Nacionales for the remuneration of the WWTP Aguas Claras for review and decrease in the profitability required by the regulation.</p>
Investment	Investment respond to the market needs, the completion of the Aguas Claras Plant and the fulfillment of the new regulation.

Ticsa Sanitation CGU

The impairment of its assets was calculated based on the IAS 36 Impairment of assets, seeking to make sure that the value of the assets that are accounted for with report at December 31, 2016 reflects their recoverable value through their utilization or their sale.

Value in use: It was based on the most recent financial projections, estimating the cash flows that the Group expects to obtain from its assets for a period of 20 years.

The discount rate that was use for the valuation reflects the company's capital structure, which considers the return that the owner would require from this type of investments, taking into account: the risk free rate, the corresponding economic sector, the market, the country where the investment is located and the indebtedness.

Value in use:	\$0	Mexican pesos
Carrying value of the CGU:	\$446,080,200	Mexican pesos
Impairment value:	\$ 446,080,200	Mexican pesos
Impairment expense conversion rate 160.32		

The key assumptions used by the EPM Group in the determination of the value in use/fair value less costs of sale of the TICSA Sanitation CGU are the following:

Item	Key Assumption
Income	<p>The Cash Generating Unit (CGU) corresponding to the Construction business has as components the management of the companies of the group of companies TICSA and the performance of projects, which takes into account lower expectations of projects as consequence of the contraction of public contracting in the sanitation sector, higher competence in the private sector and the affectation of one of the main customers, particularly Petroleos Mexicanos (PEMEX) due to the drop in the oil prices.</p> <p>In the income of the CGU are considered the continuity of the concessions in effect among which are worth mentioning new income derived from the entry into operation of the project PEMEX Madero, of the Uruapan Plant and of the rate corresponding to the remuneration of the investment in Tuxtla; additionally, the adjustments in the commercial plan are also taken into account, which take into consideration lower project expectations, reducing its success rate to fifty percent of the figure established in the plan thus using a conservative criterion.</p>
Costs and expenses	The costs and expenses respond to the operating needs of the business, both in the operating part corresponding to the management of current concessions, and those corresponding to the ones necessary to carry out the new projects.
Investment	Investments respond to the construction needs for the fulfillment of the commercial plant.

CGU Sanitation Ecosystems of Lerdo City

The impairment of its assets was calculated based on IAS 36 Impairment of assets, seeking to make sure that the value of the assets that are accounted for with report at December 31, 2016 reflects their recoverable value through their use or their sale.

Value in use: it was based on the most recent financial projections, estimating the cash flows that the Group expects to obtain from its assets for a period of 20 years.

The discount rate that was used for the valuation reflects the capital structure of the company, which considers the return that the owner would require from this type of investments, taking into account: the risk free rate, the corresponding economic sector, the market, the country where the investment is located and the indebtedness.

Value in use:	\$ 132,166,670	Mexican pesos
Carrying value of CGU:	\$ 205,254,651	Mexican pesos
Impairment value:	\$73,087,981	Mexican pesos
Impairment expense conversion rate 146.66		

The key assumptions used by the EPM Group in the determination of the value in use/fair value less costs of sale of the Lerdo City Sanitation CGU are the following:

Item	Key Assumption
Income	The service agreement entered into with the customer (Water Operator Entity) indicates that water will be delivered to him in accordance to the demand made by the Federal Commission of Electricity of the zone through its Combined Cycle Thermoelectric Plants (CCC) of Gomes Palacios and Guadalupe Victoria and thus there is not a minimum water consumption floor (demand risk). Since the water treated serves for the cooling of its turbines, there are periods, such as winter, where consumption is very low. The same occurs when they close any of their CCCs to enter into maintenance phases, since there is no consumption. The above sends us to an operation of 60 to 70 liters per second (LPS), while the installed capacity is of 210 LPS. This level of operation places us slightly below the breakeven. The contract has a term of 20 years and its expiration is in 15 years (2031). The income projection is conservative, considering the same percentage of operation, since there are no indications of the construction of a new CCC that will increase the demand for water.
Costs & Expenses	These are projected only with inflationary growth, since by maintaining the same level of operation, the variable costs remain the same (mainly Electric Power and Chemical Products). Maintenances are in accordance with the program of the bid.
Investment	The cash generating unit does not require any additional investments.

Recovery of impairment of fixed assets and intangibles

EPM Water Provision CGU

The impairment of its assets was calculated mainly based on IAS 36, seeking to make sure that the value of the assets that are accounted for with report at December 31, 2016 reflects their recoverable value through their use or their sale.

Value in use: it was based on the most recent financial projections, estimating the cash flows that the Group expects to obtain from its assets for a period of 20 years.

The discount rate used for the valuation reflects the capital structure of the company, which considers the return that the owner would require to this type of investment, taking into account: the risk-free rate, the corresponding economic sector, the Market, the country where investment and debt are located.

In the income of the CGU, the adjustments for the implementation of the new tariff framework are considered, which implies an increase in the turnover of the UGE Provision of 46%.

Based on the above criteria, a reversal of the deterioration in the UGE Provision Aguas was identified in the amount of \$ 711,214. The carrying value of each asset was increased considering the lower of the Value in use of \$1,991,982 And the book value that was determined (net depreciation) in the amount of \$ 1,280,768 as if there had been no impairment loss in prior periods. This increase was recognized in the income statement immediately.

The key assumptions used by the EPM Group in the determination of the value in use/fair value less costs of sale of the EPM Water provision CGU are the following:

Item	Key Assumption
Business Plan Update	The plan of the CGU had changes as a result of the rate change with Resolutions CRA 688 of 2014 and CRA 735 of 2015 issued by the Potable Water and Sanitation Regulation Commission -CRA, which make the fulfillment of quality and coverage indicators mandatory and therefore the review of investments and operations and by review of demand projections.
Income	In the income of the CGU are considered the adjustments for the implementation of the new rate framework, which implies an increase in the invoice of the CGU Provision of 46%, given that a higher level of investments is recognized as a result of the requirements in respect to quality and coverage, increase that will be applied gradually until 2022. A review was made of the demand projection that showed a drop of approximately six million cubic meters for 2016, resulting from the penalizations to high consumption established by the government, to mitigate the effects of El Niño; this savings behavior by subscribers is maintained with time. The invoice also is impacted by the indexation for inflation and the vegetative growth of consumptions.
Costs and expenses	Costs and expenses respond to the needs of the business operation, taking into account, in addition, the disbursements of the prepaid water projects, massive change of meters and the entrance of subscribers from Valle de San Nicolas.
Investment	Investments respond to the needs of the market and to the fulfillment of the new regulation.

Note 8. Investment in subsidiaries.

The detail of the subsidiaries of the Group At the date of the reporting period is the following:

Name of subsidiary	Location (country)	Main activity	Percentage of Ownership and Voting Rights		Percentage of non-controlling interest		Creation date
			2016	2015	2016	2015	
Energy Company of Quindío S.A. E.S.P. (EDEQ)	Colombia	Provides public utilities for electric power purchase, sale and distribution of electricity.	92.85%	92.85%	7.15%	7.15%	12/22/1988
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	Colombia	It provides public energy services, operating power generation plants, transmission and subtransmission lines and distribution networks, as well as the commercialization, import distribution and sale of electricity.	80.10%	80.10%	19.90%	19.90%	9/9/1950
Electrificadora de Santander S.A. E.S.P. (ESSA)	Colombia	Provides public services of electrical energy purchase sale commercialization and distribution of electric energy.	74.05%	74.05%	25.95%	25.95%	9/16/1950
Centrales Eléctricas del Norte S.A. E.S.P. (CENS)	Colombia	Provides public services for electricity, purchase, export, import, distribution and sale of electric power construction and operation of generating plants, transmission line substations and distribution networks.	91.52%	91.52%	8.48%	8.48%	10/16/1952
Elektra Noreste S.A. (ENSA)	Panamá	Acquires energy, transports, distributes to customers, transforms voltage, installs, operates and maintains public lighting, authorized to carry out power generation up to a limit of 15% of maximum demand in the concession area.	51.16%	51.16%	48.84%	48.84%	1/19/1998
Hydroelectric Plant of Teribe S.A. (HET)	Panamá	It finances the construction of the Bonyic hydroelectric project required to meet the growth of the energy demand of the isthmus of Panama.	99.19%	99.19%	0.81%	0.81%	11/11/1994
Empresa Eléctrica de Guatemala S.A. (EEGSA)	Guatemala	Provides electricity distribution services.	80.90%	80.90%	19.10%	19.10%	10/5/1939
Management of Electrical Companies S.A. (GESA)	Guatemala	Provides advice and consulting to distribution companies and electricity transmission.	100.00%	100.00%	-	-	12/17/2004
Storage and Handling of Electrical Materials S.A. (AMESA)	Guatemala	Provides outsourcing services in the area of materials management.	99.94%	99.94%	0.06%	0.06%	3/23/2000
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	Guatemala	Provides services of commercialization of electrical energy.	80.52%	80.52%	19.48%	19.48%	11/5/1998
Transportista Eléctrica Centroamericana S.A.	Guatemala	Provides services of Transmission of electrical energy.	80.90%	80.90%	19.10%	19.10%	10/6/1999
Energetic S.A. (ENERGY)	Guatemala	Provides services of construction and maintenance of projects and goods of the electric sector.	78.19%	78.19%	21.81%	21.81%	8/31/1999
Crediegsa S.A. (CREDIEGSA)	Guatemala	Provides recruitment services and other administrative services	80.90%	80.90%	19.10%	19.10%	12/1/1992
Distribuidora de Electricidad del Sur (DELSUR)	El Salvador	Transformation, distribution and commercialization of electricity supplying the south central zone of El Salvador in Central America.	86.41%	86.41%	13.59%	13.59%	11/16/1995
Innova Tecnología y Negocios S.A. Of C.V.	El Salvador	Provision of specialized services in electrical engineering and sale of electrical appliances to electricity users of Delsur.	86.41%	86.41%	13.59%	13.59%	10/19/2010
Parque Eólico Los Cururos Ltda.	Chile	Generation of electrical energy through all types of fuels and renewable energies such as wind, photovoltaic and biomass, transmission, purchase, sale and commercialization of electric energy.	100.00%	100.00%	-	-	8/26/2011

National Waters EPM S.A. E.S.P.	(1)	Colombia	Provides public utilities for water, sewage and sanitation, treatment and waste management complementary activities and engineering services specific to these public services.	99.99%	99.99%	0.01%	0.01%	11/29/2002
Agua Regionales EPM S.A. E.S.P.	(2)	Colombia	Ensure the provision of public residential water supply and sanitation services and compensate for the lag of the infrastructure of these services in the partner municipalities.	69.76%	75.45%	30.24%	24.55%	1/18/2006
Public Companies of Oriente Antioqueño S.A. E.S.P. (EPOs)	(3)	Colombia	It provides water and sewage services to the rural and suburban areas of the municipalities of Envigado, Rionegro and El Retiro in the so-called Valle de San Nicolás.	-	57.31%	-	42.69%	11/12/2009
Company of Aguas del Oriente Antioqueño S.A. E.S.P.		Colombia	Provides public utilities of water and sewerage, as well as other complementary activities specific to each of these public services.	56.01%	56.01%	43.99%	43.99%	11/22/1999
Regional de Occidente S.A. E.S.P.	(2)	Colombia	It provides residential public services for water, sewage and sanitation, as well as the complementary activities of each of these services and the treatment and use of the garbage.	-	62.11%	-	37.89%	12/26/2006
Aguas de Malambo S.A. E.S.P.	(4)	Colombia	Dedicated to guarantee the provision of public utilities for sewage and sanitation in the jurisdiction of the Municipality of Malambo Department of the Atlantic.	96.23%	88.73%	3.77%	11.27%	11/20/2010
Aquasol Pachuca S.A. Of C.V.	(5)	México	Dedicated to elaborate executive project of construction of a plant of treatment of waste water its equipment and put in operation in the city of Pachuca de Soto, to develop projects of potable water and plants.	-	57.60%	100.00%	42.40%	7/5/2004
Ecosistemas de Colima S.A. Of C.V.		México	Dedicated to elaborate executive project for the plant of treatment of residual waters, its construction equipment and putting into operation, conservation and maintenance stabilization of sludge in municipalities of the State of Colima.	79.99%	79.99%	20.01%	20.01%	2/14/2006
Ecosystems of Tuxtla S.A. Of C.V.		México	Dedicated to the construction, equipment, start-up, operation and maintenance of a waste water treatment system with the total private investment modality recoverable. Develop potable water projects and water treatment plants.	80.00%	80.00%	20.00%	20.00%	11/17/2006
Ecosistemas de Uruapan S.A. Of C.V.		México	Subsidiary dedicated to the provision of wastewater treatment services of the Municipality of Uruapan Michoacán includes construction, equipment, testing and commissioning, maintenance and maintenance of the plant.	80.00%	80.00%	20.00%	20.00%	11/18/2009
Ecosystem of Ciudad Lerdo S.A. Of C.V.		México	Subsidiary dedicated to the construction, equipment, commissioning, operation and maintenance for 20 years of a wastewater treatment system in the city Lerdo Durango, with the total private investment modality recoverable.	80.00%	80.00%	20.00%	20.00%	4/24/2007
Aquasol Morelia S.A. Of C.V.		México	Subsidiary dedicated to the construction of a wastewater treatment plant, as well as the equipment and commissioning of said plant located in the town of Atapaneo in the Municipality of Morelia Michoacán.	80.00%	80.00%	20.00%	20.00%	11/13/2003

Ecosystems of Celaya S.A. Of C.V.		México	Dedicated to the elaboration of the executive project for the wastewater treatment plant, as well as to the treatment, transportation and final disposal of solid waste and sludge in the plant of the city of Celaya state of Guanajuato.	80.00%	80.00%	20.00%	20.00%	12/5/2008
Ecosystem of Morelos S.A. Of C.V.	(5)	México	Dedicated to construction, electromechanical equipment, functional tests, capacity, commissioning, operation, conservation and maintenance of the wastewater treatment plant Acapantzingo Municipio Cuernavaca Morelos.	-	80.00%	100.00%	20.00%	11/17/2009
Hydraulic Developments of Tampico S.A. Of C.V.		México	Dedicated to the construction, equipment, extension, improvement, maintenance maintenance and operation of water supply systems and sewage services, collection, drainage and wastewater treatment works.	79.99%	79.99%	20.01%	20.01%	8/25/1995
Ecoagua de Torreón S.A. Of C.V.		México	Dedicated to providing services of operation of treatment of waste water from any source, be it municipal or domestic, as well as the activity related to the treatment of waste water.	80.00%	80.00%	20.00%	20.00%	10/25/1999
Corporate Engineering Projects S.A. Of C.V.		México	Provision of design, general or construction engineering services, professional and technical services tending to operate, manage, manage and generally carry out all the activities that are necessary for the development of activities of any commercial, industrial or commercial enterprise. Of services, in their modality of physical or moral person.	80.00%	80.00%	20.00%	20.00%	8/1/2008
Corporation of Administrative Personnel S.A. Of C.V.		México	Provision of professional services tending to operate, administer, direct and generally carry out all the activities that are necessary for the development of activities of any commercial, industrial or service company in its modality of natural or moral person, as well as Also the administration, selection, contracting and exchange of personnel that performs functions within the facilities of the requesting companies.	80.00%	80.00%	20.00%	20.00%	8/1/2008
Aguas de Antofagasta S.A.	(6)	Chile	Construction and operation of public services for the production and distribution of drinking water and	100.00%	100.00%	-	-	11/28/2003
Various Companies of Medellín S.A. E.S.P.	(7)	Colombia	Subsidiary dedicated to the provision of the public toilet service within the framework of the integral management of solid waste.	99.93%	99.93%	0.07%	0.07%	1/11/1964
EPM Inversiones S.A.	(8)	Colombia	Dedicated to the investment of capital in national or foreign companies organized as utilities.	99.99%	99.99%	0.01%	0.01%	8/25/2003
Maxseguros EPM Ltd.	(9)	Bermuda	Negotiation, contracting and management of reinsurance for policies that protect the patrimony.	100.00%	100.00%	-	-	4/23/2008
Panamá Distribution Group S.A. - PDG		Panamá	Capital investment in companies.	100.00%	100.00%	-	-	10/30/1998
Central American Electrical Distribution DOS S.A. - DECA II		Guatemala	It makes capital investments in companies engaged in the distribution and commercialization of electric power and in providing telecommunications services.	100.00%	100.00%	-	-	3/12/1999
Inmobiliaria y Desarrolladora Empresarial de America S.A. (IDEAMSA)		Guatemala	Subsidiary dedicated to investing in real estate.	80.90%	80.90%	19.10%	19.10%	6/15/2006
Promobiliaria S.A.	(10)	Panamá	Purchase, sell, construct, modify, manage, lease and generally enter into any contract for the disposition, improvement, use and usufruct of real estate not necessary for the operation of property of the companies that make up the EPM Group.	100.00%	100.00%	-	-	9/8/2015
EPM Latam S.A.		Panamá	Make capital investments in companies.	100.00%	100.00%	-	-	5/17/2007

Electricidad de Centroamérica Ltda. De C.V. (ELCA)	(11)	El Salvador	It makes investments in shares and other securities and advises the company DELSUR.	-	100.00%	-	-	12/9/1997
EPM Capital México S.A. Of C.V.	(12)	México	It develops infrastructure projects related to energy, lighting, gas, telecommunications, sanitation, potable water treatment plants, sewage treatment, wastewater treatment, buildings, as well as its operation, studies and services.	100.00%	100.00%	-	-	5/4/2012
EPM Chile S.A.	(13)	Chile	It develops energy projects, lighting, gas, telecommunications, sanitation, sewage treatment plants and sewage treatment, as well as providing such services and participating in all types of public and private tenders and auctions.	100.00%	100.00%	-	-	2/22/2013
Investments & Consulting South Water Services SpA		Chile	Participate in all types of competitions, bidding, auctions are public and / or private in the purchase of stakes in domestic or foreign companies. Carry out strategic alliances, joint venture partnerships and enter into business collaboration agreements to compete for tenders, obtain concessions and / or authorizations. Provide all types of advisory and services related directly or indirectly to the activities performed and in which society is involved.	100.00%	100.00%	-	-	12/16/2014
Intercontinental Technology S.A. Of C.V. TICSA	(14)	México	Dedicated to the study, development, promotion and execution of industrial projects, to the design, manufacture assembly and assembly of machinery technology development including commercial representation commercial and general trade.	80.00%	80.00%	20.00%	20.00%	7/28/1980
Autonomous Patrimony Social Financing	(15)	Colombia	To manage the resources and payments of the program of social financing created by EPM and UNE to facilitate to its clients the purchase of electrical appliances, gasodomá © cicos and products related to Information technology.	100.00%	86.68%	-	13.32%	4/14/2008
EV Alianza Energética S.A.	(16)	Panamá	Provision of energy efficiency services and all related services such as environmental services, marketing and financing of efficiency projects, as well as the provision of energy and technology solutions, production, transformation, purchase, sale and supply of energy, gas and related products Such as biogas; Consultancy services, studies, reports and projects relating to farms and previous services, as well as those relating to the environment and energy saving.	51.00%	-	49.00%	-	1/22/2016

- ¹ In December 2015, EPM capitalized Aguas Nacionales EPM S.A. by \$250,000.
- ² On December 23, 2015, in accordance with public deed No. 4934 of Notary Third of Medellín, the approval of the merger for absorption was approved whereby Aguas de Urabá S.A. E.S.P. absorbs Regional de Occidente S.A. E.S.P., as evidenced in minutes 17 and 16 of the general stockholders' meetings of the companies, respectively, entered into on October 23, 2015. Based on the merger commitment, it was established that for accounting purposes, the final operation is formalized based on the figures resulting from accounting of the two companies, as of the last day of the month when the solemnization of the respective deed takes place, that is as of December 31, 2015. Consequently, the operations of the Regional de Occidente S.A. E.S.P. (absorbed company) are made by Aguas de Urabá S.A. E.S.P. (absorbing company) as of January 1, 2016.
- ³ On February 5, 2016, according to public deed No. 0000196 of the Sole Notary of Apartado, the company changed its name from Aguas de Urabá S.A. E.S.P. to Aguas Regionales EPM S.A. E.S.P.
- ⁴ Subsidiary liquidated, according to act No. 012 of the General Assembly of Shareholders of January 29, 2016, registered in the Chamber of Commerce of Antioquia East on February 24, 2016 under the number 33233 of book IX.
- ⁵ In March and December 2016, EPM capitalized Aguas Malambo S.A. E.S.P. for \$9,000 and \$4,999, respectively.

- ⁶ Subsidiaries not consolidated at December 31, 2015 for loss of control See note 8.3.2. ⁽⁶⁾ Subsidiary acquired by the EPM Group on June 2, 2015 (see note 9 - business combinations).
- ⁷ And merged with Corvina S.A. In accordance with the provisions of Law 18,046 on joint-stock companies and in accordance with the approval of the Extraordinary Shareholders' Meeting held on November 27, 2015, a document reduced to public deed on November 30, 2015 in Notary No. 27 of Santiago de Chile under the repertoire N ° 35.919-2015. The merger was carried out by absorption or incorporation, in which Inversiones y Asesorías Corvina S.A. Was the absorbing company. Subsequently by reform of statutes assumes the company name of the company absorbed. In addition, the absorbing entity became the owner of the right to operate the sanitary concession of the Sanitary Services Company of Antofagasta S.A., located in the absorbed entity.
- ⁸ In December 2015, EPM Investments and EPM capitalized Empresas Varias de Medellin S.A. E.S.P. by \$35,445 and \$18, respectively.
- ⁹ In June 2016, EPM Investments S.A. returned contributions to EPM for \$165,000.
- ¹⁰ In May 2015, EPM capitalized Maxseguros EPM Ltda. For \$ 24,170.
- ¹¹ Subsidiary incorporated on September 8, 2015 in the Republic of Panama, as per deed No 32.306 of the Fifth Public Notary of the Notary Circuit of Panama.
- ¹² Subsidiary liquidated as per deed of liquidation registered on October 11, 2016 in book 3652, No. 32, Pages 163 to 168 of the Registry of Company, Registry of Commerce of the Department of Commercial Documents of San Salvador, Republic of El Salvador.
- ¹³ As proceeds of the liquidation a remaining balance of cash was received for \$2,322.30 that was received by EPM Latam S.A.
- ¹⁴ In May 2016, EPM Latam S.A. capitalized EPM Capital Mexico S.A. de C.V. by USD \$8,900,000.
- ¹⁵ In December 2015, EPM Latam S.A. and Panama Distribution Group S.A. - PDG, capitalized EPM Capital Mexico S.A. de C.V. by USD 33,000,000 and USD 17,500,000, respectively.
- ¹⁶ \$33,000,000 and USD \$17,500,000, respectively. In May 2016 EPM Latam S.A. capitalized EPM Capital Mexico S.A. de C.V. by USD \$8,900,000.
- ¹⁷ In October 2016, EPM capitalized EPM Chile S.A. for \$87,744 and in June and November of 2015 for 663,749 and \$221,120, respectively.
- ¹⁸ Subsidiary with branch in Colombia, registered at the Chamber of Commerce of Medellin on June 21, 2016, under the name of Ticsa Colombia
- ¹⁹ In November 2016, EPM increased its participation in the standalone trust for retirement from UNE EPM Telecomunicaciones S.A. as participating partner.
- ²⁰ Subsidiary incorporated on January 22, 2016 in the Republic of Panama, as per deed No. 2890 of the Fifth Public Notary of the Notary Circuit of the Panama City. Additionally, the Subsidiary has a branch in Colombia, registered at the Chamber of Commerce of Medellin on July 8, 2016 under the name of EV Alianza Energetica S.A. Sucursal Colombia.

The financial information of the subsidiaries of the EPM Group that have significant non-controlling participations as of the date of the period reported is as follows:

2016	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period	Other comprehensive income	Total comprehensive income	Cash flows
						Continuing operations			
Elektra Noreste S.A. (ENSA)	432,662	1,537,937	867,593	666,581	1,730,697	48,191	(84,676)	13,883	10,865
Empresa Eléctrica de Guatemala S.A. (EEGSA)	434,887	1,345,559	338,027	662,054	1,633,182	180,396	(66,681)	113,715	26,908
Electrificadora de Santander S.A. E.S.P. (ESSA)	226,040	1,123,487	279,694	501,626	1,052,899	87,327	(9,876)	77,451	46,903
Distribuidora Eléctrica del Sur S.A. de C.V. (DELSUR)	172,149	317,521	154,586	205,893	715,500	43,496	(19,947)	23,549	14,306
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	214,039	809,952	127,844	392,748	673,293	70,585	(1,926)	68,659	60,450
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	164,812	715,492	182,738	473,573	614,046	29,887	(23,608)	6,279	30,050
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	72,540	660	19,926	56	269,246	4,360	(5,913)	(1,553)	11,697
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	58,814	181,259	37,713	36,883	229,928	35,600	(1,651)	33,949	19,099
Tecnología Intercontinental S.A. de C.V. (TICSA)	92,858	323,998	156,932	80,348	109,561	(12,703)	(50,537)	(63,240)	45,608
Transportista Eléctrica Centroamericana S.A. (TRELEC)	117,132	446,157	189,749	706	88,201	48,756	(14,206)	34,550	30
Aguas Regionales S.A. E.S.P. (antes Aguas de Urabá S.A. E.S.P.)	20,338	97,236	18,029	23,109	41,505	2,561	-	2,561	7,676
Other participations ¹	1,000,730	3,548,548	519,261	1,110,329	427,121	147,508	(65,499)	82,009	287,665

- Figures expressed in millions of Colombian pesos -

(1) Corresponds to investments in subsidiaries where the non-controlling participation is not significant and includes the following affiliates: Hidrocológica del Teribe S.A. (HET), Enérgica S.A., Credieegsa S.A., Aguas Nacionales EPM S.A. E.S.P., Empresa de Aguas del Oriente Antioqueño S.A. E.S.P., Aguas de Malambo S.A. E.S.P., Ecosistemas de Colima S.A. de C.V., Empresas Varias de Medellín S.A. E.S.P., Patrimonio Autónomo Financiación Social, EPM Inversiones S.A., Inmobiliaria y Desarrolladora Empresarial de América S.A., Innova Tecnología y Negocios S.A. de C.V., Ecosistemas de Tuxtla S.A. de C.V., Ecosistemas de Uruapan S.A. de C.V., Ecosistema de Ciudad Lerdo S.A. de C.V., Aquasol Morelia S.A. de C.V., Ecosistemas de Celaya S.A. de C.V., Desarrollos Hidráulicos de TAM S.A. de C.V., Ecoagua de Torreón S.A. de C.V., Proyectos de Ingeniería Corporativa S.A. de C.V., Corporación de Personal Administrativo S.A. de C.V. and EV Alianza Energética S.A.

In 2016 and 2015 there were no discontinued operations.

2015	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period	Other comprehensive income	Total comprehensive income	Cash flows
						Continuing operations			
Elektra Noreste S.A. (ENSA)	486,523	1,439,286	802,684	691,391	1,651,377	137,243	112,502	197,439	6,759
Empresa Eléctrica de Guatemala S.A. (EEGSA)	454,217	1,360,908	227,024	847,904	1,551,638	159,944	135,286	295,230	15,975
Electrificadora de Santander S.A. E.S.P. (ESSA)	174,645	1,027,022	220,227	418,281	939,669	82,145	3,040	85,185	45,460
Distribuidora Eléctrica del Sur S.A. de C.V. (DELSUR)	201,266	318,589	172,015	213,340	810,508	40,143	27,866	68,965	23,399
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	188,213	803,748	195,519	338,099	633,792	42,671	2,718	45,389	33,069
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	127,821	638,506	156,018	361,353	564,662	25,896	1,763	27,660	23,236
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	98,147	987	41,285	58	358,843	6,316	14,683	20,999	6,714
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	41,940	181,912	36,420	42,274	188,252	17,708	367	18,075	11,176
Tecnología Intercontinental S.A. de C.V. (TICSA)	219,474	195,378	204,798	24,415	146,587	12,727	8,324	21,051	3,407
Transportista Eléctrica Centroamericana S.A. (TRELEC)	65,153	377,161	99,006	766	91,985	45,292	75,389	120,682	59
Aguas de Urabá S.A. E.S.P.	30,933	66,078	14,405	19,410	28,503	519	-	519	4,207
Regional de Occidente S.A. E.S.P.	3,694	22,997	3,320	8,582	8,012	1,275	-	1,275	1,302
Other participations ¹	1,411,635	3,699,205	631,552	1,100,204	429,713	126,133	71,918	198,051	565,114

- Figures expressed in millions of Colombian pesos -

- (1) Corresponds to investments in subsidiaries where the non-controlling participation is not significant and includes the following affiliates: Hidroecológica del Teribe S.A., Energica S.A., Crediegsa S.A. (CREDIEGSA), Aguas Nacionales EPM S.A. E.S.P., Empresas Públicas de Oriente Antioqueño S.A. E.S.P., Empresa de Aguas del Oriente Antioqueño S.A. E.S.P., Aguas de Malambo S.A. E.S.P., Aquasol Pachuca S.A. de C.V., Ecosistemas de Colima S.A. de C.V., Empresas Varias de Medellín S.A. E.S.P., EPM Inversiones S.A., Inmobiliaria y Desarrolladora Empresarial de América S.A. (IDEAMSA), Innova Tecnología y Negocios S.A. de C.V., Ecosistemas de Tuxtla S.A. de C.V., Ecosistemas de Uruapan S.A. de C.V., Ecosistema de Ciudad Lerdo S.A. de C.V., Aquasol Morelia S.A. de C.V., Ecosistemas de Celaya S.A. de C.V., Ecosistema de Morelos S.A. de C.V., Desarrollos Hidráulicos de TAM S.A. de C.V., Ecoagua de Torreón S.A. de C.V., Proyectos de Ingeniería Corporativa S.A. de C.V., Corporación de Personal Administrativo S.A. de C.V.

The profit and loss for the period, the dividends paid and equity assigned to the noncontrolling interests as of the date of the reporting period is the following:

Non-controlling interests	2016				2015			
	Equity	Result of the period	Other comprehensive income	Dividends paid	Equity	Result of the period	Other comprehensive income	Dividends paid
Elektra Noreste S.A. (ENSA)	213,133	48,133	(152)	30,764	210,842	41,480	-	-
Electrificadora de Santander S.A. E.S.P. (ESSA)	147,467	22,664	(2,563)	18,472	146,157	21,319	789	15,781
Empresa Electrica de Guatemala S.A. (EEGSA)	149,034	34,452	(541)	13,437	141,362	30,546	(210)	-
Central Hidroelectrica de Caldas S.A. E.S.P. (CHEC)	100,172	14,046	(383)	4,180	91,206	8,491	541	2,839
Transportista Electrica Centroamericana S.A. (TRELEC)	71,204	9,311	-	814	65,419	8,650	-	1,091
Tecnologia Intercontinental S.A. de C.V. (TICSA)	26,811	(3,932)	689	-	43,987	269	(2,174)	-
Centrales Electricas del Norte de Santander S.A. E.S.P.	18,997	2,535	(2,002)	2,272	21,114	2,196	150	3,213
Distribuidora de Electricidad del Sur S.A. de C.V. (DELSUR)	17,557	5,910	-	3,941	18,378	5,564	80	-
Aguas de Uraba S.A. E.S.P.	23,114	774	-	-	15,514	127	-	-
Comercializadora Electrica de Guatemala S.A. (COMEGSA)	10,163	833	-	638	11,037	1,206	-	2,752
Empresa de Energia del Quindio S.A. E.S.P. (EDEQ)	11,824	2,544	(118)	971	10,372	1,265	26	1,257
Regional de Occidente S.A. E.S.P.	-	-	-	-	5,603	483	-	-
Other uncontrolled shares (1)	13,986	4,476	(79)	2,543	30,928	3,184	314	3,254

- Figures expressed in millions of Colombian pesos -

8.1. Significant restrictions

As of December 31, 2015 y 2014, the Group does not have significant restrictions to access or use the assets, liquidate liabilities of the Group; the uncontrolled interests do not have either protective rights that could restrict the Group's capacity to access or use the assets and liquidate the liabilities of subsidiaries or restrict the dividends and other capital distributions.

8.2. Consolidated structured entities

As of December 31, 2015 and 2014 the Group owns as structured entity consolidated to the Stand-Alone Trust Fundación Social. The interest in that entity is of 86.68%, the value of total assets amounts to \$128,130 (2014: \$120,732), total liabilities are \$9,876 (2014: \$11,131) and the net profit and loss of the period is \$4,286 (2014: \$2,558). The Group does not have obligation to provide financial support to the Entity.

8.3. Loss of control of a subsidiary

At December 31, 2016, investments in subsidiaries Ecosistema de Morelos S.A. de C.V. and Aquasol Pachuca S.A. de C.V. were classified by the affiliate Tecnología Intercontinental S.A. de C.V. TICSA, as financial instruments measures with changes in profit and loss, transaction that was generated as consequence of the loss of control by the EPM Group on those entities.

The effect of the transaction in the result of the period is as indicated below:

Item	Ecosistema de Morelos S.A. de C.V. ⁽¹⁾	Aquasol Pachuca S.A. de C.V. ⁽²⁾
Exchange Value ⁽³⁾	5,688	-
Value of the net assets of the subsidiary ⁽⁴⁾	(6,480)	37
Loss from loss of control of subsidiaries	(792)	37

- Figures expressed in millions of Colombian pesos -

- (1) It performs activities related to the construction, electromecanic equipment, operating tests, capacity, start up, operation, conservation and maintenance of the wastewater treatment plant Acapantzingo Municipality Cuernavaca Morelos.
- (2) Performs activities related to the preparation of the executive construction project of one wastewater treatment plant, its equipment and start up in the city of Pachuca de Soto. In addition, it may perform potable water and purification plants projects.
- (3) It corresponds to the fair value determined in the valuation made at the time of the classification of the investments as financial instruments.
- (4) As of the date of the transaction the value of the net assets of Aquasol Pachuca S.A. de DC.V. was negative.

The net effect as of the date of the transaction in the Consolidated statement of cash flows represents a decrease corresponding to the cash and cash equivalents that were held in the subsidiaries Ecosistema de Morelos S.A. de C.V. and Aquasol Pachuca S.A. de C.V. for \$8 and \$2, respectively.

Note 9. Business combination.

The breakdown of the business combinations made by the Group as of the reporting period is as follows:

Year	Entity	Activity	Transaction date	interest acquired
2015	Aguas de Antofagasta S.A. - ADASA	Establishment, construction, and operation of public services for the production and distribution of drinking water and collection and disposal of wastewater through the exploitation of the sanitary concessions of the Company Concesionaria de Servicios Sanitarios S.A. - Econssa S.A., and the performance of other benefits related to these activities.	6/2/2015	100%

Aguas de Antofagasta S.A.

On April 23, 2015, the EPM Group through its subsidiaries in Chile, Inversiones y Asesorías Hanover S.A. and Inversiones y Asesorías Pascua S.A. ⁽²⁾, signed a contract for the purchase of 100% of the voting rights of Aguas de Antofagasta S.A., formalizing the transaction and acquiring the control of that company on June 2, 2015.

Aguas de Antofagasta S.A. is a joint stock company incorporated on November 28, 2003, with legal domicile established in the city of Antofagasta, Chile and with registration in the Registry of Reporting Entities of the Superintendency of Securities and Insurance of Chile. Its corporate object is the establishment, construction and exploitation of the public utilities of production and distribution of potable water and the collection and disposal of wastewater through the exploitation of the sanitary concessions of the Empresa Concesionaria de Servicios Sanitarios S.A. - Econssa S.A., and the performance of the remaining service related to those activities, all that in the manner and conditions established in Decreed with Force of Law number 382 and 70 of 1998 of the Ministry of Public Works and other relevant regulations.

On December 29, 2003, Aguas de Antofagasta S.A. executed with Empresa de Servicios Sanitarios de Antofagasta S.A. (now Empresa Concesionaria de Servicios Sanitarios S.A. -Econssa S.A.) the “Contract of Transfer of the Right of Exploitation of Sanitary Concessions”, for a term of 30 years as of the date of its execution.

Aguas de Antofagasta S.A. serves approximately 545,000 people and over 40 industrial customers in five (5) towns of the region (Antofagasta, Calama, Tocopilla, Taltal and Mejillones). The water market in Chile presents the following characteristics:

- Most companies providers of the services obtained positive operating profitabilities and profits on equity. Particularly Aguas the Antofagasta was rated with the best indicators of the industry in 2013.
- Chile has the largest copper production in the world (31.5%) and has the largest quantity of proven reserves of this mineral. In 2013 it reported a total of 124 initiatives and USD 71,327 million in investments.
- In this decade investments are projected for USD 2,000 million in desalinization plants for mining, agriculture and supply of potable water, of which USD 1,620 million correspond to the region of Antofagasta, originated in the scarcity of “fresh water” resources.
- Water is an unsubstitutable input for the industry and weighs only 4% of production costs. It is estimated that for one (1) ton of copper 60 m³ of water are required.
- Aguas de Antofagasta constructed and operates the largest desalinization plant in Latin America, with a capacity of 730 liters per second and with an extension projected of 170 liters per second for 2016.

⁽²⁾ As of December 31, 2015, the subsidiaries Investments and Asesorías Hanover S.A. and Inversiones y Asesorías Pascua S.A. were merged with Aguas de Antofagasta S.A. See Note 8 - investment in subsidiaries.

- The growth of the economy in the region has generated a fast growth of the urban population in the zone.
- The total demand of water of the mining companies during 2011 was of 12.6 m³/second.

With the acquisition of this company, the Group EPM explores the sector of water in Chile; it gives it greater knowledge of this sector and of new technologies for water supply and treatment solutions for the industry; for this reason new opportunities are opened for the EPM Group in the main mining zone of Chile, as follows:

- Access to desalination technology which will make viable the development of the sector in the medium and long term.
- In a region with the highest income per capita of Chile and of the highest development in the past few years.
- With increasing demand of water for the mining activity and residential sector.
- It enables new business associated to water supply and treatment for the mining sector or the operation of its own plants.

The detail of the new fair value of net assets as of June 2, 2015, and the goodwill is the following:

Concept	Chilean Pesos (CLP)	Millions of Colombian pesos
Property, plant and equipment	30,905,535,217	126,059
Intangibles	294,222,589,000	1,200,094
Non-current financial assets	2,482,613,696	10,126
Current financial assets	175,592,320	716
Other Current Assets	218,987,973	893
Accounts Receivable ¹	11,049,840,949	45,071
Inventory	919,871,469	3,752
Cash and cash equivalents	13,051,447,293	53,235
Identifiable Assets	353,026,477,917	1,439,946
Other non-current liabilities	2,006,040,455	8,182
Debts to pay	55,165,022,613	225,011
Contingent Liabilities ²	1,211,645,220	4,942
Other Current Liabilities	7,445,667,666	30,370
Deferred tax liabilities	63,156,103,186	257,605
Liabilities assumed	128,984,479,140	526,110
Total identifiable net assets at fair value	224,041,998,777	913,836
Cash and cash equivalents	589,902,284,162	2,406,131
Total fair value of the consideration transferred	589,902,284,162	2,406,131
(Goodwill) / gain on an advantageous purchase generated in the acquisition 2	(365,860,285,385)	(1,492,295)

- Figures expressed in millions of Colombian pesos -

⁽¹⁾ The fair and gross value of the contractual amounts receivable and their composition as of the date of the transaction is the following:

	Chilean Pesos		Millions of Colombian pesos	
	Fair value	Gross contractual amounts receivable	Fair Value	Gross contractual amounts receivable
Trade debtors and other accounts payable	10,641,401,736	10,641,401,736	43,405	43,405
Accounts Receivable Related Entities	408,439,213	408,439,213	1,666	1,666
Total Accounts payable	11,049,840,949	11,049,840,949	45,971	45,971

As of the date of the transaction there was no uncertainty about the recoverability of the contractual amounts of accounts receivable.

- 2 It includes significant provisions and contingent liabilities for a value of COP\$4,942 (CLP\$1,211,645,220) resulting from the provisions of the closing of working capital and legal litigations. The former originate in the obligation to return the working capital existing at the end of the term of the concession of the Sanitary Concession Transfer Contract entered into between Aguas de Antofagasta S.A. and Econssa Chile S.A., the latter are due to legal actions in which Aguas de Antofagasta S.A. was sued as a result of its operations. The working capital closing provision will be resolved at the expiration of the Sanitary Concession Transfer Contract, that is, on December 29, 2033; and the contingent liabilities, upon final judgment of the legal actions. As of the date of presentation the fair value of provisions and contingent liabilities is COP\$7,865 (CLP\$1,771,198,366). Changes have been recognized in the Profit and loss for the period. See Notes 25.1 Provisions and Contingent liabilities and assets.
- 3 The goodwill includes the value of expected synergies that will arise from the acquisition of this entity which corporate object is aligned with the execution of the strategy of the EPM Group of development of investment alternatives that leverage the objective of having future expansion options and increasing its participation in the Chilean market. The goodwill was assigned to the segments of water supply and sanitation.

As consequence of the mergers made on December 23, 2015 (see note 8 - investments in subsidiaries) and in accordance with the provisions of paragraph XIX of transitory article third of Law 20.780 (Tax Reform) and Article 31 No. 9 of DL 824 in its text in force as of 12/31/2014, the Company recognizes, for difference between the investment made in the acquisition of Aguas de Antofagasta S.A. and the latter's own tax capital, an amortizable expense for tax purposes for COP\$2,245,695 (CLP \$505,701,499,000) in 10 consecutive commercial periods as of the date of the merger (year 2015). The legal counsel of the Company estimate that the tax treatment indicated above is applicable in the terms established in the mentioned transitory regulation.

Costs were recognized for transaction for COP\$7,201 (CLP\$585,568,379) that have been recognized as expenses for the period and included in the line of administration expenses in the Income statement.

The income from the ordinary activities and result of Aguas de Antofagasta S.A. included in the consolidated financial statements are:

	2015
From the acquisition date up to the reporting period	
ordinary activities income	228,034
Utility or loss	71,466
From the beginning of the annual reporting period up to the	
ordinary activities income	379,698
Utility or loss	105,420

- Figures expressed in millions of Colombian pesos -

The cash flows analysis of the acquisition of Aguas de Antofagasta S.A. is:

	2015
Transferred consideration	(2,406,131)
Acquisition transaction costs (included in cash flows from operating activities)	(7,201)
Net cash acquired from the subsidiary (included in cash flow from investing activities)	53,235
Net cash flow at the date of acquisition	(2,360,097)

- Figures expressed in millions of Colombian pesos -

Note 10. Investments in associates.

The detail of the associates of the EPM Group as of the date of the period reported is as follows:

Name of partner	Ubicación (país)	Main activity	Percentage of Ownership and Voting Rights		Creation date
			2016	2015	
Hidroeléctrica Ituango S.A. E.S.P.	Colombia	Promotion design construction operation maintenance and commercialization of energy at national and international level of the Hidroango Pescadero Hydroelectric Plant	46.45%	46.45%	6/8/1998
Rio Aures hydroelectric plant S.A. E.S.P.	Colombia	Generation and commercialization of electric power through a hydroelectric power station, located in the jurisdiction of the municipalities of Abejorral and Sonsón. Of the Department of Antioquia	42.04%	42.04%	5/14/1997
UNE EPM Telecomunicaciones S.A. (1)	Colombia	Provision of telecommunications services information and communication technologies information services and complementary activities.	50.00%	50.00%	6/23/2006
Inversiones Telco S.A.S. (2)	Colombia	Invest in companies whose social objects are based on the provision of business process outsourcing (BPO) services for companies, especially but not limited to telecommunications companies.	50.00%	50.00%	11/5/2013

The financial information of the significant associates of the EPM Group as of the date of the period reported is the following. All associates are accounted for by equity method in the consolidated financial statements:

2016	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period	Other comprehensive income	Total comprehensive income	Cash flows
						Continuing operations			
UNE EPM Telecomunicaciones S.A.	1,422,244	5,958,503	1,476,685	3,994,087	5,145,816	(141,307)	(2,472)	(143,779)	-
Hidroeléctrica Ituango S.A. E.S.P.	4,087	72,572	1,100	26,078	-	(220)	-	(220)	-
Río Aures hydroelectric plant S.A. E.S.P.	1,712	4,731	50	93	-	19	-	19	-
Investments Telco S.A.S	128,662	52,789	59,503	2,587	390,748	2,676	-	2,676	-

- Figures expressed in millions of Colombian pesos -

2015	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period	Other comprehensive income	Total comprehensive income	Cash flows
						Continuing operations			
UNE EPM Telecomunicaciones S.A.	1,543,170	5,985,708	1,832,819	3,826,050	5,324,514	(310,689)	-	(310,689)	233,870
Hidroeléctrica Ituango S.A. E.S.P.	4,970	52,343	1,119	24,323	-	(4,336)	-	(4,336)	-
Hidroeléctrica del Río Aures S.A. E.S.P.	1,688	3,906	203	-	-	(227)	-	(227)	-
Inversiones Telco S.A.S.	140,020	58,151	80,166	1,310	378,930	7,043	-	7,043	-

- Figures expressed in millions of Colombian pesos -

The financial information of these companies, the basis for applying equity method, is prepared under IFRS and adjusted to the Group's accounting policies.

The reconciliation of the summary financial information with the book value of associates in the consolidated financial statements is:

Associated	2016			2015		
	Investment value			Investment value		
	Cost	Impairment	Total	Cost	Impairment	Total
UNE EPM Telecomunicaciones S.A.	1,740,983	-	1,740,983	1,835,172	-	1,835,172
Hidroeléctrica Ituango S.A. E.S.P.	22,982	-	22,982	14,803	-	14,803
Hidroeléctrica del Río Aures S.A. E.S.P.	2,627	-	2,627	-	-	-
Inversiones Telco S.A.S.	59,681	-	59,681	58,344	-	58,344
Total associated investments	1,826,273	-	1,826,273	1,908,319	-	1,908,319

- Figures expressed in millions of Colombian pesos -

Significant restrictions

As of December 31, 2016 and 2015, the EPM Group does not have significant restrictions in investments in associates related to the transfer of funds to the EPM Group in the form of dividends in cash or reimbursement of loans or advances made by the EPM Group.

Note 11. Investment in joint ventures

The detail of joint ventures of the EPM Group as of the date of the period reported is the following:

Name of joint venture	Location (country)	Type of business	Percentage ownership		Creation date
			2016	2015	
Parques del Río S.A.S. ¹	Colombia	Construction, operation and support of project Parques del Río Medellín, as well as acting as urban manager of project.	33%	33%	12/26/2015

⁽¹⁾ Joint venture incorporated on November 26, 2015, with the participation of the municipality of Medellín, Interconexión Eléctrica S.A. E.S.P. (ISA), Empresa de Transporte Masivo del Valle de Aburrá Ltda. (Metro) and EPM. The strategic support of the participation of EPM in that company is based on the following aspects:

Apply the experience of EPM in developments of infrastructure at large scale.

EPM is qualified to participate by the POT.

The financial information of the Group's significant joint ventures at the date of the reporting period is as follows. All joint ventures are accounting for by equity method in the consolidated financial statements:

2016	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period		Other comprehensive income	Total comprehensive income	Dividends received
						Continuing operations	Discontinued operations			
Parques del Río S.A.S.	282	-	1	-	-	(17)	-	-	(17)	-

- Figures expressed in millions of Colombian pesos -

2015	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Resultado del periodo		Otro resultado integral	Resultado integral total	Dividends received
						operaciones continuadas	operaciones discontinuadas			
Parques del Río S.A.S.	97	-	-	-	-	(2)	-	-	(2)	-

- Figures expressed in millions of Colombian pesos -

At December 31, 2016 and 2015 the company Parque del Río S.A.S. is in the pre-operational phase, it does not require capitalizations and in case they are required they will have to be authorized by the Board of Directors. Consequently, because it is in the pre-operational phase it does not have operating income.

The financial information of these companies, base for application of equity method, is prepared under IFRS and adjusted to the Group's accounting policies.

The reconciliation of the financial information summarized with the carrying value of the joint ventures in the financial statements is:

Name of joint business	2016				2015			
	Investment value			Dividends	Investment value			Dividends
	Cost	Impairment	Total		Cost	Impairment	Total	
Parques del Río S.A.S.	93	-	93	-	99	-	99	-
Total associated investment	93	-	93		99	-	99	

- Figures expressed in millions of Colombian pesos -

Significant restrictions

At December 2016 and 2015 the Group does not have significant restrictions in investments in joint ventures related to the transfer of funds to the Group in the form of dividends in cash, or reimbursement of loans or advances made by the Group.

Note 12. Trade debtors and other accounts receivable

Details of trade and other receivables of the Group as of the reporting period are as follows:

Trade debtors and other accounts receivable	2016	2015
Non-Current		
Other loans	503,666	506,143
Debtors public services	310,621	280,689
Loans used	75,924	67,663
Dividends and receivables	-	196,288
Impairment of other loans	(1,411)	(22,193)
Impairment of public services	(72,672)	-
Total non-current	816,128	1,028,590
Current		
Debtors public services	2,284,095	2,183,798
Impairment of public services	(358,812)	(265,967)
Loans used	36,517	30,865
Impairment of employees loans	(136)	(136)
Construction contracts	(308)	280
Other loans	658,179	745,157
Impairment of other loans	(97,399)	(30,946)
Total current	2,522,136	2,663,051
Total	3,338,264	3,691,641

- Figures expressed in millions of Colombian pesos -

The non-current portion of the balance of accounts receivable from trade debtors and others, reflects a decrease of \$212,462, mainly by the variation of the account receivable from UNE resulting from the payment that was made by this company during 2016 and that amounted to \$196,288. Additionally, an increase is reflected in the "Impairment of public utilities" for \$72,672 originated by the decision to record in the assessed period, 1005 of the balance due by the customers of the product prepaid water and energy of EPM.

In the current portion the balance of accounts receivables from trade debtors and others, reflects an accumulated decrease for \$140,915 that is explained basically by the following reasons:

- There is a decrease in the balance of the trust of the affiliate Aguas Nacionales that went from \$145,066 in 2015 to \$7,332 in 2016.

- Increase in the balance of subsidies not offset of the energy service for a value of \$126,209 in EPM and affiliates of national energy, which may debtor is the Ministry of Mines and Energy.
- An increase of (\$137,105) in the impairment of receivables originated by events to be emphasized such as: change of model to calculate impairment of receivables, recording of the possible loss of receivables balances from the companies Electricaribe and Termocandelaria en EPM.

In the Group no customer represents more than 5% of the total balance of accounts receivable.

The EPM Group decided to adapt in advance the change of methodology suggested by IFRS 9 for the recognition of the losses for impairment of receivables. The model of Expected Loss corresponds to a forecast tool that projects the probability of default (non payment) in a lapse of one year. Each obligation is assigned an individual probability of non-payment that is calculated based on a probability model.

The Group measures the value adjustment for expected losses over the life of the asset using the simplified approach, which consists of taking the present value of the credit losses arising from all possible non-payment events at any time during the Life of the operation.

As of December 31, the analysis of age of financial assets at the end of the period reported that are in default but not impaired is:

	2016		2015			
	Gross accounting value	Value expected credit losses over the life time	Gross accounting value	Value expected credit losses over the life time		
				Issue	Adjustment	Restated
Debtors public services						
Not past due nor impaired	1,911,408	(66,172)	1,789,225	(2,230)	(72,097)	(74,327)
Less than 30 days	241,538	(21,280)	216,464	(2,655)	(3,309)	(5,964)
30-60 days	70,411	(18,337)	70,687	(1,865)	(13,954)	(15,819)
61-90 days	20,746	(4,635)	20,030	(6,860)	1,884	(4,976)
91-120 days	15,966	(21,598)	19,880	(4,606)	(2,976)	(7,582)
121-180 days	20,616	(10,187)	20,923	(7,690)	(2,010)	(9,700)
181-360 days	31,348	(23,548)	31,223	(17,119)	(5,586)	(22,705)
Greater than 360 days	282,683	(265,726)	296,053	(222,941)	(35,523)	(258,464)
Total debtors public services	2,594,716	(431,483)	2,464,485	(265,966)	(133,571)	(399,537)
Other debtors						
Not past due nor impaired	1,096,579	(3,873)	1,235,283	(18)	(4,359)	(4,377)
Less than 30 days	17,934	(1,697)	21,491	(825)	(314)	(1,139)
30-60 days	9,649	(2,774)	5,236	(133)	(466)	(598)
61-90 days	3,559	(2,042)	4,112	(4,555)	(109)	(4,664)
91-120 days	5,946	(3,631)	4,885	(1,065)	(128)	(1,194)
121-180 days	13,541	(11,361)	1,647	(316)	(340)	(657)
181-360 days	43,974	(32,287)	7,625	(5,357)	1,817	(3,540)
Greater than 360 days	82,796	(41,281)	69,830	(40,870)	(8,261)	(49,130)
Total other debtors	1,273,978	(98,946)	1,350,109	(53,139)	(12,160)	(65,299)
Total debtors	3,868,694	(530,428)	3,814,594	(319,105)	(145,731)	(464,836)

- Figures expressed in millions of Colombian pesos -

The change in the impairment of accounts receivable of the Group amounts to \$211,324 that is concentrated 91% in EPM and its national affiliates.

The reconciliation of expected credit losses of the portfolio is the following:

Movement expected credit losses	2016	2015
Book value as of January 1	(319,107)	(290,181)
Expected credit losses recognized during the period ¹	(101,327)	(49,080)
Utilizations during the period	4,506	13,940
Reversal of expected credit losses during the period	6,468	18,271
Credit losses expected as of January 1, 2016 (1)	(145,731)	-
Difference instead, conversion adjustment	(2,527)	-
Other changes	27,289	(12,057)
Book value as of December 31	(530,429)	(319,107)

- Figures expressed in millions of Colombian pesos -

The variation in the impairment of accounts receivable from the Group as consequence of the change of methodology has evidenced a higher value of the balance exposed since the receivables less than sixty days past due is included, as well as the receivables from the official sector and those balances corresponding to payment agreements (financing), entered into with customers. Additionally, EPM recorded the provisions of the balances of accounts receivable associated to the prepaid energy and water products of the year at 100.

Uses correspond to portfolio write-offs during the year.

The other changes correspond to the recognition in equity of the effect generated by the change of methodology for the recognition of the impairment and the inclusion of new items thereof.

The EPM Group writes down, against the impairment recognized in a corrective account and not directly, the values of the financial assets impaired in accordance with the following criteria:

After evaluating at the end of each month the impairment of receivables and the provision for doubtful accounts, impairment models are used that permit to find the irrecoverableness percentages for the accounting provisions, identifying the impaired receivables of domiciliary public utilities in default and those that do not deteriorate in order to exclude them from the calculation of the provision.

Instances responsible for the write-off

The Director of Institutional Finance, prior approval of the business and of Credit and Receivables Committee, must approve the write-off. The receivables write-off takes place when:

- The accounts receivable recorded do not present any certain rights, goods or obligations for the entity.
- The rights or obligations do not have proper documents and support that permit to carry out the relevant procedures for their collection or payment.
- It is not possible to make the collection of the right or obligation, by coercive or judicial jurisdiction.
- It is not possible to attribute legally to any person, legal or natural, the value of the receivables.
- Upon evaluation and establishment of the cost/benefit ratio, it is more onerous to carry out the collection process than the value of the obligation.
- When there has been an executive action of the invoice.

Note 13. Other financial assets

The breakdown of other financial assets at the end of the period is:

Other financial assets	2016	2015
Non-Current		
Derivatives designated as hedging instruments under hedge accounting		
Swap Agreements	5,252	-
Total derivatives designated as hedging instruments under hedge accounting	5,252	-
Financial assets measured at fair value through profit or loss for the period		
Fixed income securities	1,325	995
Equity securities	43,798	22,293
Fiduciary Rights	381,781	335,682
Total financial assets measured at fair value through profit or loss	426,904	358,970
Financial assets designated at fair value through changes in other comprehensive income		
Heritage instruments	1,161,578	2,087,119
Total financial assets designated at fair value through changes in other comprehensive income	1,161,578	2,087,119
Financial assets measured at amortized cost		
Fixed income securities	7,201	11,457
Total financial assets measured at amortized cost	7,201	11,457
Repurchase rights financial investments		
Financial leasing	1,560	1,571
Total other non-current financial assets	1,602,495	2,459,117
Current		
Derivatives designated as hedging instruments under hedge accounting		
Futures Contracts	18	-
Total derivatives designated as hedging instruments under hedge accounting	18	-
Financial assets measured at fair value through profit or loss for the period		
Derivatives that are not under hedge accounting	-	11,776
Fixed income securities	657,426	257,875
Pledged investments	9,184	-
Investments received as collateral	642	-
Fiduciary Rights	4,824	28,299
Total financial assets measured at fair value through profit or loss	672,076	297,950
Financial assets measured at amortized cost		
Fixed income securities	83,484	212,793
Pledged investments	126	127
Total financial assets measured at amortized cost	83,610	212,920
Repurchase rights financial investments		
Financial leasing	2,390	646
Total other current financial assets	758,094	511,516
Total other financial assets	2,360,589	2,970,633

- Figures expressed in millions of Colombian pesos -

Conventional purchases and sales of financial assets are accounted for by applying the negotiation date.

13.1 Financial assets designated at fair value through the other comprehensive income:

The detail of equity investments designated at fair value through the other comprehensive income is as follows:

Equity investment	2016	2015
Isagén S.A. E.S.P. (1)	-	1,218,329
Electrical Interconnection S.A. E.S.P. (2)	1,123,803	831,029
Gasorient S.A.	18,224	18,224
Promioriente S.A. E.S.P.	11,459	11,459
Reforestadora Industrial de Antioquia S.A.	4,947	4,947
Electrificadora del Caribe S.A. E.S.P.	1,399	1,345
Gensa S.A. E.S.P.	607	594
Bucaramanga Transport Terminal S.A.	142	142
Comatrac S.A.	18	18
Other (3)	979	23,314
Total	1,161,578	2,109,401
Dividends recognized during the period related to investments that are recognized at the end of the period	35,107	93,457
Dividends recognized during the period	35,107	93,457

- Figures expressed in millions of Colombian pesos -

- (1) On September 6, 2016 EPM disposed of the investment in ISAGEN S.A E.S.P. For \$ 1,479,911: cost \$ 901,516 and valuation at fair value \$ 578,395, without effect in the Statement of Comprehensive Income section of the period, the previous as authorized by Agreement No. 002 of March 15, 2016. With this transaction, EPM received \$ 4,130 pesos per Each share and held 358,332,000 shares, which were acquired by Brookfield through a public offering of shares (OPA). Additionally, due to the transaction, the legal expense was incurred for \$ 46,040 detailed in note 30 administrative expenses, and the associated income tax was \$ 111,948 detailed in note 35 income tax.
- (2) As of December 31, 2016, the exchange price of Interconexión Eléctrica S.A. Closed at \$ 9,980 (2015 \$ 7,380).
- (3) Includes investments in Compañía de Alumbrado Eléctrico de San Salvador S.A., Compañía de Alumbrado Eléctrico de Santa Ana S.A., Duke Energy Guatemala y Cia. S.A., Fosfonorte S.A., Central de Abastos de Cúcuta, Hotel Turismo Juana Naranjo, Sin Escombros S.A.S. (Sinesco), Acerías Paz del Río S.A., Cenfer S.A, Unit of Transacciones S.A. de C.V.

Equity investments indicated in the preceding table are not maintained for negotiation purposes, instead, they are maintained with strategic medium and long term purposes. The Administration of the EPM Group considers that this classification for these strategic investments provides more reliable financial information that reflects immediately the changes in their fair value in profit and loss.

Financial leasing as lessor: the most significant financial leasing agreements are:

- Leasing of the Yopal 1 generation unit: the contingent installments are determined base don the producer Price index - PPI -, the purchase option will be the equivalent to the sum of twelve lease payments of the last year of execution of the contract.
- Leasing of storage tank located in Termobarranca: the contingent installments are determined base don the Market's Representative Rate (MRR). Upon expiration of the contract term of 10 years, this is be automatically renewed for annual periods save that any of the parties express its with not to renew it: the agreement does not contemplate the purchase option. Lessee: Technologicals.

As of December 31, future minimum payments for financial leasing, the present value of the minimum payments for financial leasing and the future payments for non-cancellable operating leasing are distributed as follows:

Financial leasing	2016		2015	
	Gross accounting value	Present value of minimum payments	Gross accounting value	Present value of minimum payments
One year	1,101	12	1,101	6
More than a year and up to five years	5,506	672	5,506	342
More than five years	1,340	888	2,441	1,230
Total leases	7,947	1,572	9,048	1,578
Less - value of unearned interest	6,375	-	7,470	-
Present value of minimum lease payments receivable	1,572	1,572	1,578	1,578

- Figures expressed in millions of Colombian pesos -

The Group has not recognized any provision for accumulated uncollectibility of the minimum lease payments receivable from financial leases. There are also no recognized unsecured residual values in financial leases.

Note 14. Guarantees

The EPM Group has granted the following financial asset in guarantees: CDs which book value is \$133 (2015: \$132). The conditions for the use of the guarantees are: to cover contingencies for litigation process against the Municipality of Bucaramanga by the affiliate ESSA S.A. This guarantee is created and granted to Seguros del Estado. The Group has not received warranties in which it is authorized to sell or pledge them without a breach by the owner of the guarantee.

Note 15. Other assets

Details of other assets at the end of the reporting periods is the following:

Concept	2016	2015
Non-Current		
Payments made in advance (1)	42,892	36,567
Benefits to Employees (2)	35,217	30,361
Deferred income from retro leaseback or leaseback operation (4)	23,634	24,309
Goods received in payment form	1,286	1,288
Advances to suppliers (3)	757	791
Total other non-current assets	103,786	93,316
Current		
Sales tax	71,883	103,633
Payments made in advance (1)	71,515	95,021
Advances to suppliers (3)	47,013	91,779
Other balances in favor of other taxes	13,520	5,341
Other advances or balances in favor of taxes and contributions	8,519	19,758
Tax on retained industry and trade	828	-
Benefits to Employees (2)	32	67
Industry and trade tax advance	12	80
Total other current assets	213,322	315,679
Total other assets	317,108	408,995

- Figures expressed in millions of Colombian pesos -

- (1) Includes in the non current portion the payments made by EPM in advance corresponding to the all risks insurance policies of the Hydroelectric Project Ituango for \$24,550 (2015: \$21,432) and extra-contractual civil liability insurance for \$418 (2015: \$609), both effective until March 15, 2020 which are being amortized. It also includes the premium on legal stability contracts for \$ 10,033 (2015: \$ 10,925) and leases for \$ 1,359 (2015: \$ 1,508).

In the current portion includes the value of the insurance policies of EPM, consisting of all risk policies for \$ 27,271 (2015: \$ 24,159), of which \$ 9,496 (2015: \$ 6,616) is from the Ituango Hydroelectric Project, and other insurance for \$ 17,099 (2015: \$ 46,842) of which \$ 14,866 relates to climate change insurance and advance payments for software support and maintenance and other services for \$ 9,131 (2015 \$ 4,218).

- (2) Corresponds to the benefits to employees recognized by the credits delivered at rates lower than those of the market.
- (3) See details of financial leasing agreements in Note 22 Other financial liabilities.
- (4) Corresponds to advances delivered to suppliers for contracts for the acquisition of goods or services that will be recognized as expense.

Note 16. Inventories

Inventories at the end of the period were represented as follows:

Inventories	2016	2015
Materials for the rendering of services ¹	378,343	332,599
Merchandise in stock ²	14,687	16,346
Goods in transit	831	2,306
Total inventories	393,861	351,251

- Figures expressed in millions of Colombian pesos -

- (1) Includes the materials for the rendering of services held by third parties. That are those delivered to contractors performing activities related to the provision of services.
- (2) Includes merchandise in stock that does not require transformation, such as power, gas and water meters, communication equipment, telephones and Supply goods, as well as those held by third parties.

Inventories were recognized for \$221,813 (2015: \$136,243) as cost of goods sold for the rendering of the service during the period. The inventory write-downs recognized as expense during the period ascended to \$1,609 (2015: \$564) and the reversals of write-downs were for \$468 (2015: \$-). As of December 31, 2016 and 2015 no costs or expenses were recognized for impairment or obsolescence of the items in inventories.

At December 31, 2016, the Group has committed inventories to guarantee liabilities for \$197.

Note 17. Cash and cash equivalents

The composition of cash and cash equivalents at the end of the period is as follows:

Cash and cash equivalents	2016	2015
Cash on hand and in banks	874,277	1,013,965
Other cash equivalents	320,222	324,661
Total cash and cash equivalents reported in the statement of financial position	1,194,499	1,338,626
Cash and cash equivalents reported in the statement of cash flows	1,194,499	1,338,626
Restricted cash	186,147	216,815

- Figures expressed in millions of Colombian pesos -

- (1) Includes funds in \$7,820 (2015: \$82), funds of restricted use \$186,147 (2015: \$216,815) and cash equivalents \$126,255 (2015: \$107,764).

Treasury investments expire in a term equal or lower than three months from their acquisition date and earn market interest rates for this type of investments.

The Group has restrictions on cash and cash equivalents at fair value as of December 31 \$186,147 (2015: \$216,815).

Found	Destination	2016	2015
Restricted features EPM array			
Conventions			
Bogota Parks Convention of Rio	Transfer of utility networks for the development of the project called Parques del Rio Medellín.	26,521	25,472
Bogota Gallery Bolivar	To adapt the race 51 (Bolivar) enters the streets 44 (San Juan) and 57 (La Paz) and convert that segment to what will be called La Galeria Boivar.	16,167	6,753
Banco Bogota INCODER	Combine efforts and resources between EPM and INCODER to carry out the project "feasibility study for the construction of the irrigation and drainage district in part of the Urabáantioqueño region" with multi-pronged reach.	11,194	10,641
Framework Agreement Municipio Medellín No. 4600049285	Construction by EPM of platforms and other road elements in the city center, taking advantage of the project Center Parrilla, that is to say, the renovation of networks of aqueduct and sewage system	7,677	22,189
Ministry of Mines and Energy - Special Fund Development Fund	Cofinancing agreement for the construction, distribution infrastructure and connection to lower income users in the municipalities of Amagá, Santafé de Antioquia, Sopetrán, San Jerónimo and Ciudad Bolívar. Compressed Natural Gas and connection to users of Don Matías, Entrerrios, San Pedro, Santa Rosa and Yarumal. Agreement No 106: construction of the connection infrastructure for users of the Aburrá Valley, La Ceja, La Unión and El Retiro. Convention 179: includes the municipality of Sonsón.	5,003	4,781
Municipality of Medellín - Waters	Integral management of water for human consumption of the inhabitants of the municipality of Medellín.	3,124	6,038
Municipality of Guatapé and Cornare	To join efforts to improve the technical, economic and social conditions for the implementation of phase 1 of the project to improve the environmental and landscape infrastructure of the San Juan del Puerto Malecon, for the development of sustainable tourism in the Municipality of Guatape	2,213	-
Autonomous Corporation of Guatapé	To join efforts to improve the technical, economic and social conditions for the implementation of phase 1 of the project to improve the environmental and landscape infrastructure of the San Juan del Puerto Malecon, for the development of sustainable tourism in the Municipality of Guatape	2,011	-
Village Program	To take advantage of timber that completes its maturation cycle in the forests planted by EPM around its reservoirs to build social housing in the municipalities of Antioquia outside the Aburrá Valley and deliver them to families of limited resources, preferably in a displacement situation Forced or voluntary.	1,105	3,791

Inter-administrative Agreement Plaza del Tomatero in the Municipality of Peñol	Combine efforts to improve the technical, economic, environmental and social conditions to boost development and counteract the impact generated by Peñol municipality, the level of the Peñol-Guatape reservoir	1,052	-
Agreements rates of public lighting and grooming with municipalities	Agreement to manage the resources of territorial entities for the payment to municipalities with agreements to collect the rates of public lighting and toilet, are resources exempted from 4x1000.	676	51
Ministry of Mines and Energy	Contributions from the Ministry of Mines and Energy in accordance with the provisions of the FAER GGC 430 contract of 2015 for rural electrification works in the Municipality of Ituango	643	-
Convention points WE ARE	Provision of services for the operation of the key capabilities associated with the Item of the Large Scale Loyalty Program for the EPM Group.	577	-
Agreement Municipality of Itagüí Collector Ajizal	To manage and manage the resources destined by the Municipality of Itagui for the construction of the stabilization works of the channel of the creek the sesteadero for the collector Ajizal	356	-
Montreal Protocol Multilateral Fund	Collaboration agreement with the Ministry of Environment and Sustainable Development for the development of activities in the framework of the implementation in Colombia of the Montreal Protocol.	298	283
Thermal District	Agreement with the Ministry of Environment and Sustainable Development for the development of activities of the La Alpujarra Thermal District.	282	56
National Royalties Fund - Gas	Construction of the compressed natural gas distribution infrastructure and subsidies for the connection to users of strata 1 and 2 of the municipalities of El Peñol and Guatapé.	281	278
IDB Credit 2120	Disbursement for the construction of the sewage treatment plant (WWTP) Bello.	167	2,569
Municipio de Caldas	To manage the resources destined by the municipality, for the development of the project replacement and modernization of secondary networks of aqueduct and sewage and its complementary works.	163	-

Municipio de Barbosa - Subsidies	Agreement to partially subsidize the connection of users in strata 1 and 2.	56	54
Holy Spirit	EPM - Espirito Santo Liquidation	56	55
Municipio de Medellín - Land for sale	Acquisition of land identified and characterized within watershed protection zones that supply aqueduct systems in the municipality of Medellín.	53	49
Green Cuenca	To manage the resources assigned to fulfill the objectives of the Green Basin Corporation	32	2,072
Department of Antioquia, Construction Agreement via the Aro - Municipality of Ituango	Manage the resources provided by the Government of Antioquia to co-finance the construction of the Via El Aro - Connection Via Puerto Valdivia Dam site - Municipality of Ituango	5	-
IDEA agreement 4600003912	Inter-administrative agreement to join efforts for the design and construction of systems of generation and distribution of electric power in rural areas in the Department of Antioquia.	5	9,039
IDEA Agreement 4600003283	Combine efforts to build gas house connections in the different subregions of the Department of Antioquia under the "Gas without Borders" program.	3	6
Bogotá Anori Domiciliaria Agreement	To cover the execution of construction and interventory works in one hundred and seventy-three (173) residential installations and internal energy networks, for the electrification of houses in La Plancha, Chagualo Arriba, Chagualito, La Culebra and El Banco del Municipio Of Anori.	2	2
IDEA Agreement 4600003541	To cover the cofinancing of up to 70% of the cost of home electrical installations in the different subregions of the Department of Antioquia.	1	1
Agreement Department of Antioquia	Joining efforts for institutional development, strengthening, transformation or creation of companies, in order to ensure the provision of public services of the municipalities of the department.	-	190

BBVA construction of electrical networks - Municipality San Luis	Construction of electricity networks in the villages of Bocanegra, El Jordan, La Mesa, El Olivo, Santo Tomas, El Pescado, Santa Rita, Arabia, La Arauca, La Garrucha, Palestine, Altavista and other five villages Municipality of San Luis Municipality Of Antioquia.	-	83
Order EPM-ECOP-70083600976-0	Management of EPM-Ecopetrol contract resources	-	36
BBVA FAER GGC 315 Trust Charge	Construcción de redes eléctricas en las veredas de Bocanegra, El Jordan, La Mesa, El Olivo, Santo Tomás, El Pescado, Santa Rita, La Arabia, La Arauca, La Garrucha, la Palestina, Altavista y otras cinco veredas Municipio de San Luis Municipio de Antioquia.	-	1
Conventional	Manejo de los recursos del contrato EPM-Ecopetrol	-	3,742
Sintraemdes Housing Fund	Aportes del Ministerio de Minas y Energía de acuerdo con lo establecido en el contrato FEAR GGC 315 de 2014 con destino a obras de electrificación rural en el Municipio de Anori.	-	574
Sinpro Housing Fund			
Sinpro Education Fund	To contribute to the acquisition of housing and the improvement of the same, of the beneficiary servers of the agreement signed between EPM and the unions.	16,426	22,622
Education Fund Sintraemdes	To contribute to the acquisition of housing and the improvement of the same, of the beneficiary servers of the agreement signed between EPM and the unions.	10,675	17,455
Sintraemdes Calamity Fund		1,956	1,419
Sinpro Calamity Fund	Promote the welfare of the servers to meet the needs of payment of tuition, texts and endowment required to advance their own studies and the family group.	1,905	1,448
Motorcycle Repair Fund	Promote the welfare of your servers to meet your urgent and unforeseen needs or those of your primary family group.	1,454	1,210

Guarantee	Promote the welfare of your servers to meet your urgent and unforeseen needs or those of your primary family group.	1,131	1,021
Fondo de Reparación de motos	Promote the well-being of the official workers who work in the regional market and use motorcycles of their property for the performance of their work.	349	270
Garantias			
International Energy Transactions	Guarantee corresponding to the "compensation" that must be made between the stock transaction invoice and the prepayments, seeking to make the actual payment to XM.	10,907	167
Fund Adapted Entity of Health and Fosyga Fund	Mechanism of control and follow up to the collection of contributions of the Contribution System of the General System of Social Security in Health.	5,480	861
Deposits Law 820	Guarantee required by the lessor to the tenant, for the payment of the public services. According to Article 15 of Law 820 of 2003 and Regulatory Decree 3130 of 2003.	53	45
Total Resource Restricted EPM Matrix		130,059	145,324
ESSA Restricted Resources			
Auto Insurance Agreement	Auto Insurance Agreement	5,485	5,276
San Gil public lighting	Resources of surpluses of public lighting of the municipality of San Gil.	1,883	496
BBVA guarantees 0408	XM bank account	1,753	3,758
FAER Conventions	Administration and execution of the resources of the financial support fund for the energization of the interconnected rural areas (FAER), assigned to rural electrification projects and standardization of electricity networks.	856	8,744
Puerto Wilches Barranca Line	Construction of a double circuit line Termobarranca Puerto Wilches 115 / 34.5 kv, a substation in Puerto Wilches 115 / 34.5 kV, and expansion of the Termobarranca substation.	550	532

Government of Santander Agreement - ESSA, Phase V	Construction of medium and low voltage networks, assembly of transformers and internal installations for the rural electrification of sidewalks in the department of Santander	435	427
PRONE - ESSA Agreement	Rural electrification agreement signed with the Ministry of Mines and Energy	95	576
Jesus Maria Convention	Construction of medium and low voltage networks, assembly of transformers and internal installations for the rural electrification of the sidewalks of the municipality of Jesús María, in Santander.	93	52
Public hearings	General management and execution of the resources of public hearings by ESSA, assigned to the projects of construction of medium and low voltage networks for rural electrification.	32	101
Total restricted resources ESSA		11,182	19,962
EDEQ Restricted Resources			
Housing Fund	Resources destined to improve the quality of life of its workers through the granting of credits destined to the purchase and improvement of housing.	2,577	2,262
Social Welfare and Training Fund	Resources designed to provide workers and their families access to higher education, health, well-being and recreation.	128	120
Motorcycle Background	Loans to employees to buy motorcycles	11	36
Domestic Calamity Fund	Resources destined for events caused by serious and unforeseen situations that affect the worker or his family.	9	13
Total restricted resources EDEQ		2,725	2,431
CENS Restricted Resources			
Contract FAER GGC 105 - 2013 signed between the Nation (Minminas) and CENS. (FAER Catatumbo III)	Execution of the rural electrification works in the municipalities of Convention, San Calixto, Cáchira, Hacarí, Ocaña, La Playa, Villa Caro, Teorama and La Esperanza in the department of Norte de Santander.	864	1,890
Convention CENS - Government of Santander	Execution of rural electrification works in the municipalities of Ábrego, El Carmen and El Tarra, in the department of Norte de Santander.	755	1,428
CENS Convention - Ecopetrol	Execution of the rural electrification works in the municipalities of Tibú and El Carmen, department of Norte de Santander.	445	542
Custody Account BBVA XM Banking Guarantees	Guarantee and TIES of compliance to cover projects of purchase of energy.	410	214
Fundescat	Execution of rural electrification works in the municipalities of Tibú and El Tarra, department of Norte de Santander	175	246

FAER Morales-Aguachica	Broaden the coverage, improve the quality and continuity of the electric power service and meet the demand for it in the areas of the National Interconnected System - SIN, located in the Market of Marketing of the network operator - power Administration, operation, maintenance and replacement of the rural electrification assets built with the resources of the rural electrification program of Catatumbo and province of Ocaña, stage 1, Norte de Santander.	87	435
Contract AOM		65	62
Revolving Housing Fund	Financing the value of housing for workers who do not own it.	40	358
FAER Convention 021 -003	General administration and execution of resources of the financial support fund for the energization of interconnected rural areas (FAER).	-	218
Total restricted resources CENS		2,841	5,393
<u>CHEC Restricted Resources</u>			
Housing Fund	Resources destined to improve the quality of life of its workers through the granting of credits destined to the purchase and improvement of housing.	2,220	2,148
Agreement Financing Plan	Resources allocated to the company's social financing plan.	959	928
Plant Maintenance Fund	Fund created to attend to the civil maintenance of the CHEC generation plants through a delegated management contract.	290	221
Building Maintenance Agreement	Account destined for the maintenance of the building.	116	64
Fund administration quality of life contract	Quality of life	86	-
Fund management environmental management	Environmental Management	25	-
Total restricted resources CHEC		3,696	3,361
<u>Restricted resources Aguas Regionales EPM</u>			
Agreement-San Jerónimo	Resources received in 2011 from the inter-administrative agreement 08-CF-124850 agreed between the Department of Antioquia and the municipalities of Santafe de Antioquia and San Jerónimo, as well as resources received in 2011	324	407
Housing Fund	Resources destined to improve the quality of life of its workers through the granting of credits destined to the purchase and improvement of housing.	230	268
Financial support 10005431-07-CF12-4842	Balance of the agreement signed with the department of Antioquia for the execution of works.	2	2
Inter-administrative co-financing agreement with the Department of Antioquia	For the formulation, feasibility and management of the drinking water project in the availability of other sources of abstraction for the subregion of Urabá Antioqueño	1	-
Total restricted resources Regional Water EPM		557	677
<u>Restricted resources</u>			
FL Bancolombia 6093-Clausura	Resources destined to the payment of the closing, closing and postclausura of prairie.	6,275	7,137
FL Green Zone Agreement 2014	Agreement of delegated administration with the Municipality of Medellín for the service of cut of green zones.	2,191	1,255
Conv. 18-897796-47 EDU	Agreement of delegated administration with the Municipality of Medellín, for the maintenance of green zones of the institutions of the Municipality and its 5 corregimientos.	210	78
FL BBVA 423 Conv.Poda-Tala	Delegated administration agreement with the Municipality of Medellín for the service of cutting green areas and pruning and cutting of trees.	30	146
FL West Inder	Agreement with the INDER for the washing of bridges and roofs of the stadium.	8	37
FL Conv zon verd 400054603	Agreement of delegated administration with the Municipality of Medellín for the service of cut of green zones.	2	51
FL West 127	Agreement of delegated administration with the Municipality of Medellín for the service of collection of debris.	-	27
Total restricted resources Emissions		8,716	8,731
<u>Miscellaneous Restricted Resources</u>			
Aguas Nacionales	Fondos PTAR Bello y Aguas de Atrato	24,879	29,348
Het	Various	1,492	1,588
Total restricted resources		26,371	30,936
Total restricted resources EPM Group		186,147	216,815

Note 18. Equity

18.1 Capital

Its capital is not divided into shares.

18.2 Reserves

Of the accounts that make up equity, the reserves as of December 31, 2015 and 2014 consisted of the following:

Reserves	2016	2015
Statutory reserves		
Beginning balance	3,018,258	2,604,500
Constitution	231,982	741,053
Appropriation	(563,251)	(327,295)
Total statutory reserves	2,686,989	3,018,258
Occasional reserves		
Beginning balance	572,092	572,092
Constitution	7,336	-
Total occasional reserves	579,428	572,092
Other reserves		
Beginning balance	245,840	(37,020)
Constitution	92,532	282,860
Total Other reserves	338,372	245,840
Total reserves	3,604,789	3,836,190

- Figures expressed in millions of Colombian pesos -

The nature and purpose of equity reserves of the EPM Group are described below:

Statutory reserves: in compliance with Colombian tax provisions contained in Article 130 (reserve of 70% for excess of tax over accounting depreciation) and 211 of the Tax Code, EPM and the companies of the EPM Group that operate in Colombia have created the required reserves in order to be benefited by a special tax treatment and obtain a rationalization in the payment of the income and complementary tax.

For the affiliates of El Salvador, the legal reserve is established in accordance with the Commercial Code in effect, the companies must create annually a legal reserve of 7% of the net profits, with a minimum limit established of one fifth of their capital stock. Additionally, in accordance with the Income Tax Law, when the legal reserve decreases by any circumstance, such as capitalization, application to losses of previous periods or distribution, it will represent taxable income for the company for the amount that was deducted for income tax purposes in tax periods prior to that of its decrease, calculating it separately from the ordinary income, at the rate of 25%. For these purposes, the company will keep a record of the

creation of legal reserve and of the amount deducted for determination of the net or taxable income in each tax period.

For the affiliates of Guatemala according to the Commercial Code, all commercial companies must appropriate annual as minimum 5% of their net profits to create the legal reserve, which cannot be distributed expect at the liquidation of the company. However, this reserve can be capitalized when it is equal to or higher than 15% of the paid capital at the closing of the immediately preceding period, notwithstanding continuing to reserve the mentioned 5%.

For affiliates of other countries in which EPM Group operates the creation of legal reserve has not been established by Law.

Occasional reserves: in accordance with Decree 2336 of 1995, for the profits incorporated in profit and loss in the application of equity method applied under local regulations, EPM and the companies of the EPM Group that operate in Colombia have created these reserves to in order to comply with this Decree.

Other reserves: includes statutory reserves, for reacquisition of shares and quote-parts, equity funds and others that as of December 31 represent the net balance corresponding to the releases made by the Affiliates in those reserves that have already complied with the requirements to be released.

18.3. Retained profits

The movement of retained earnings during the period was:

Retained results	2016	2015
Saldo inicial	11,417,031	11,240,052
Reservation movement	222,874	(696,618)
Surpluses or dividends decreed	(816,521)	(56,139)
Transfer of other comprehensive income	466,447	-
Purchases and sales to non-controlling interests	(6,125)	-
Impact of adoption IFRS 9 as of January 1, 2016	(89,269)	-
Income tax related to transactions with owners	(5,085)	-
Effect on disposal with subsidiaries	4,298	-
Another movement of the period	42,136	45,960
Total cumulative result	11,235,786	10,533,255
Net profit for the period	1,724,000	883,776
Total retained earnings	12,959,786	11,417,031

- Figures expressed in millions of Colombian pesos -

Surplus paid during the year was \$816,521 (2015: \$991,139), \$445,375 Ordinary \$371,146 and Additional.

18.4. Non-controlling participations

The movement of the non-controlling interests at the cut-off date is:

Non-controlling interests	2016	2015
Beginning balance	843,974	736,370
Surpluses or dividends decreed	(78,031)	(168,405)
Participation in the result of the period	141,745	124,708
Participation in other comprehensive income	(5,150)	(484)
Effect by subsidiary disposition	(2,368)	-
Impact of adoption IFRS 9 as of January 1, 2016	(5,667)	-
Purchases and sales to non-controlling interests	29,774	-
Another movement of the period (1)	(120,816)	151,785
Total	803,461	843,974

- Figures expressed in millions of Colombian pesos -

- (1) It corresponds to the adjustment for currency conversion that originates between the balance sheet balances and the movements of the comprehensive income statement corresponding to the non-controlling participations.

Note 19. Components of the other accumulated comprehensive income

The detail of the tax effect corresponding to each component of other comprehensive income of the consolidated statement of financial condition and the corresponding tax effect is the following:

Accumulated other comprehensive income	2016			2015		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Reclassification of properties, plant and equipment to investment properties	13,439	(1,360)	12,079	3,739	(404)	3,335
New measurements of defined benefit plans	(13,770)	(1,180)	(14,949)	87,403	(52,946)	34,458
Equity investments measured at fair value through equity	1,834,037	(88,162)	1,745,875	1,858,063	(83,157)	1,774,906
Participation in other comprehensive income of	(925)	1,113	188			-
Cash flow hedges	(19,374)	11,113	(8,262)			-
Conversion of business financial statements abroad	705,285	-	705,285	860,895	-	860,895
Total	2,518,692	(78,476)	2,440,216	2,810,100	(136,506)	2,673,594

- Figures expressed in millions of Colombian pesos -

During the period, \$ 466,447 (2015 \$ 39,224) was reclassified, previously recognized in the other comprehensive income to the results of the period.

Below is a reconciliation of the opening and closing balances at the cut-off date for each component of the comprehensive income:

19.1 Component: reclassification of properties, plant and equipment to investment properties

The component of the other comprehensive incomes of equity investments measured at fair value through equity represents the accumulated value of profits or losses by the valuation at fair value less the values transferred to the accumulated profits when these investments have been sold. The changes in the fair value do not reclassify to the result of the period.

Reclassification of properties, plant and equipment to investment properties	2016	2015
Beginning balance	3,335	6,115
Net gains or losses on changes in the fair value of investment property	9,700	3,731
Associated income tax (or equivalent)	(956)	(401)
Other changes	-	(6,110)
Total	12,079	3,335

- Figures expressed in millions of Colombian pesos -

19.2. Component of new measurements of defined benefit plans

The component of new measurements of the defined benefit plans represents the accumulated value of the actuarial profits or losses, the returns of the assets of the plan and the changes in the effect of the asset's ceiling, excluding the values included in the net interest over the liability (asset) of net defined benefits. The net value of the new measurements is transferred to the accumulated profits and not reclassified to the results of the period. It includes the portion that corresponds to the EPM Group in its investments in associates and joint ventures.

Component new measurements of defined benefit plans	2016	2015
Beginning balance	46,232	51,047
Profit for the period for new measurements of defined benefit plans	(101,182)	20,322
Associated income tax (or equivalent)	40,118	(15,489)
Other changes	(117)	(9,648)
Total	(14,949)	46,232

- Figures expressed in millions of Colombian pesos -

19.3. Component: Equity investments measured at fair value through equity

The component of the other comprehensive incomes of equity investments measured at fair value through equity represents the accumulated value of profits or losses by the valuation at fair value less the values transferred to the accumulated profits when these investments have been sold. The changes in the fair value do not reclassify to the profit and loss for the period. It includes the portion that corresponds to the EPM Group in its investments in associates and joint ventures to the result of the period.

Equity investments measured at fair value through equity	2016	2015
Beginning balance	1,763,131	1,841,717
Net gains or losses on changes in the fair value of equity investments	538,676	6,959
Associated income tax (or equivalent)	(88,162)	(92,925)
Cumulative gains (losses) transferred to cumulative gains / losses for the period	(466,447)	-
Other changes - net	(1,322)	7,380
Total	1,745,876	1,763,131

- Figures expressed in millions of Colombian pesos -

19.4. Participation in other comprehensive income of associates and joint ventures

The component of the other comprehensive income in the other comprehensive income of associates and joint ventures represents the accumulated value of the application of equity method to profit and loss of other comprehensive income of associates and joint ventures. The accumulated value of the gains or losses will be reclassified to the results of the period or to the accumulated profits, depending on the items that originated equity method, when these investments have been sold.

Participation in other comprehensive income of associates and joint ventures	2016	2015
Beginning balance	1,588	75
New measurements of defined benefit plans	(3,141)	-
Result for business conversion abroad	629	1,513
Associated income tax (or equivalent)	1,113	-
Total	189	1,588

- Figures expressed in millions of Colombian pesos -

19.5. Component: cash flows hedging

The component of the other comprehensive income of cash flows hedging represents the accumulated value of the effective person of the profits or losses that arise from the changes in the fair value of entries hedged in a cash flows hedging. The accumulated value of profits or losses will be reclassified to the profit and loss of the period only when the transaction hedged affects the result of the profit and loss of the period or the highly probable transaction is not anticipated that it will occur, or is included, as part of its book value, in a non-financial hedged entry. It includes the portion that corresponds to the EPM Group in its investments in associates and joint ventures.

Cash flow hedges	2016	2015
Beginning balance	(0)	(10,996)
Gains or losses on changes in the fair value of hedging instruments	(19,375)	(7,789)
Associated income tax (or equivalent)	9,494	18,785
Other changes - net	1,619	
Total	(8,262)	(0)

- Figures expressed in millions of Colombian pesos -

19.6 Component: profits or losses for conversion of business abroad

The component of conversion differences represents the accumulated value of the exchange differences that arise from the conversion to the currency of presentation by EPM Group of the results and of the net assets of the operations abroad, as well as of the profits or losses of hedging instruments that are designated in a hedging of net investment in a business abroad. The accumulated conversion differences reclassify to profit and loss for the period, partial or totally, when the operation is provided abroad. It includes the portion that corresponds to the EPM Group in its investments in associates and joint ventures.

Result for foreign business conversion	2016	2015
Beginning balance	859,308	368,466
Net foreign exchange differences on business conversion abroad	(152,394)	507,576
Other changes - net	-	(4,936)
Associated income tax (or equivalent)	(1,630)	(11,798)
Total	705,284	859,308

- Figures expressed in millions of Colombian pesos -

Note 20. Credits and loans

The following is the detail of the books value of credits and loans:

Credits and loans	2016	2015
Non-current		
Other bonds and securities issued	5,849,555	5,963,779
Commercial banks loans	4,516,748	3,092,837
Multilateral banks loans	1,094,218	640,451
Development banks loans	842,053	-
Bonds and securities issued	652,047	683,567
Total Credits and loans non current	12,954,621	10,380,634
Current		
Commercial banks loans	645,090	1,067,512
Multilateral banks loans	570,337	1,050,265
Otros bonos y títulos emitidos	285,716	290,934
Bonds and securities issued	271,047	334,604
Development banks loans	121,197	1,082,093
Other loans	-	432,830
Total Credits and loans current	1,893,387	4,258,238
Total credits and loans	14,848,008	14,638,872

- Figures expressed in millions of Colombian pesos -

Credits and loans

The detail of credits and loans of the entity is as follows:

Business	Entity / loan	Original Currency	Initial date	term	Nominal interest rate	2016				2015			
						IRR	Nominal value	Amortized cost value	Total Amount	IRR	Nominal value	Amortized cost value	Total Amount
CENS	BBVA Bank	COP	9/15/2016	10.00	IBR + 4.89%	12.41%	4,722	142	4,864	0.00%	-	-	-
CENS	BBVA Bank	COP	10/3/2016	10.00	IBR + 4.89%	12.40%	5,000	122	5,122	0.00%	-	-	-
CENS	BBVA Bank	COP	10/24/2016	10.00	IBR + 4.89%	12.39%	6,140	130	6,270	0.00%	-	-	-
CENS	BBVA Bank	COP	7/5/2016	0.50	DTF + 4.34%	12.00%	10,000	274	10,274	0.00%	-	-	-
CENS	Bank Davivienda	COP	11/17/2016	10.00	IBR + 4.89%	12.40%	3,877	56	3,933	0.00%	-	-	-
CENS	Bank Davivienda	COP	10/14/2016	10.00	IBR + 4.89%	12.40%	4,851	110	4,961	0.00%	-	-	-
CENS	Bank Davivienda	COP	9/16/2016	10.00	IBR + 4.89%	12.40%	5,156	139	5,295	0.00%	-	-	-
CENS	Bank Davivienda	COP	7/15/2016	10.00	IBR + 4.89%	12.39%	5,488	282	5,770	0.00%	-	-	-
CENS	Bank Davivienda	COP	8/18/2016	10.00	IBR + 4.89%	12.40%	6,198	246	6,444	0.00%	-	-	-
CENS	Bank Davivienda	COP	11/24/2016	10.00	IBR + 4.89%	12.40%	11,020	132	11,152	0.00%	-	-	-
CENS	Bank Davivienda	COP	12/5/2016	10.00	IBR + 4.89%	12.39%	14,210	119	14,329	0.00%	-	-	-
CENS	Bank Davivienda	COP	12/16/2016	10.00	IBR + 4.89%	12.39%	15,232	73	15,305	0.00%	-	-	-
CENS	Bank Davivienda	COP	6/16/2016	10.00	IBR + 4.89%	12.58%	40,000	(86)	39,914	0.00%	-	-	-
CENS	Bank of Bogota	COP	5/15/2014	7.00	IBR + 1.88%	8.92%	9,000	152	9,152	0.23%	10,000	23	10,023
CENS	Bank of Bogota	COP	12/18/2015	7.00	IBR + 1.88%	7.79%	10,000	(94)	9,906	0.54%	10,000	82	10,082
CENS	Bank of Bogota	COP	9/4/2012	7.00	IBR + 1.88%	7.73%	18,000	805	18,805	0.59%	24,000	280	24,280
CHEC	DAVIVIENDA	COP	11/23/2015	0.40	IBR + 2.34%	0.00%	-	-	-	8.33%	50,000	404	50,404
CHEC	BANCO AGRARIO- 611516350	COP	1/6/2016	10.00	DTF + 2.99%	9.76%	65,000	1,741	66,741	0.00%	-	-	-
CHEC	BBVA -611515806	COP	8/22/2014	10.00	IPC + 3.5%	9.32%	64,906	1,386	66,293	7.41%	67,000	14	67,014
CHEC	BBVA - 611516345	COP	12/28/2015	10.00	DTF + 2.99%	9.74%	60,000	282	60,282	8.21%	60,000	26	60,026
CHEC	CORPBANCA -611515807	COP	8/22/2014	10.00	IPC + 3.5%	9.32%	49,406	1,058	50,464	7.41%	51,000	9	51,009
CHEC	IPSE-661300007	COP	4/30/1993	24.00	5.84%	6.46%	133	6	139	6.46%	258	11	269
EDEQ	BBVA	COP	6/30/2015	1.25	DTF + 1.47%	0.00%	-	-	-	6.62%	875	1	876
EDEQ	BBVA	COP	7/28/2015	1.25	DTF + 1.47%	0.00%	-	-	-	1.44%	1,010	(15)	994
EDEQ	AGRARIAN	COP	6/25/2015	3.25	DTF + 1.65%	7.23%	5,774	74	5,848	6.51%	9,082	19	9,101
EDEQ	Davivienda	COP	11/12/2015	7.00	DTF + 2.66%	9.57%	7,344	138	7,482	7.69%	7,415	2	7,417
EDEQ	AV VILLAS	COP	6/23/2016	7.00	DTF + 4.78%	12.73%	3,000	10	3,010	0.00%	-	-	-
ESSA	Bank of Bogota	COP	5/20/2013	7.00	IBR + 1.88%	8.57%	4,900	113	5,013	6.89%	6,300	43	6,343
ESSA	Bank of Bogota	COP	3/28/2016	7.00	IBR + 1.88%	9.35%	7,000	16	7,016	0.00%	-	-	-
ESSA	Bank of Bogota	COP	8/28/2016	12.00	IBR + 4.5%	12.25%	8,000	66	8,066	0.00%	-	-	-
ESSA	Bank of Bogota	COP	12/5/2016	12.00	IBR + 4.5%	12.23%	8,000	108	8,108	0.00%	-	-	-
ESSA	Bank of Bogota	COP	4/14/2016	7.00	IBR + 1.88%	9.45%	8,500	178	8,678	0.00%	-	-	-

ESSA	Bank of Bogota	COP	4/16/2014	7.00	IBR + 1.88%	12.23%	9,000	229	9,229	6.81%	10,000	120	10,120
ESSA	Bank of Bogota	COP	10/13/2016	12.00	IBR + 4.5%	8.94%	9,000	247	9,247	0.00%	-	-	-
ESSA	Bank of Bogota	COP	4/30/2015	7.00	IBR + 1.88%	9.37%	13,000	161	13,161	6.70%	13,000	162	13,162
ESSA	Bank of Bogota	COP	2/16/2016	7.00	IBR + 1.88%	9.16%	13,000	278	13,278	0.00%	-	-	-
ESSA	Bank of Bogota	COP	1/27/2016	7.00	IBR + 1.88%	12.25%	15,000	81	15,081	0.00%	-	-	-
ESSA	Bank of Bogota	COP	12/14/2016	12.00	IBR + 4.5%	9.50%	15,000	278	15,278	0.00%	-	-	-
ESSA	Bank of Bogota	COP	4/10/2014	7.00	IBR + 1.88%	8.90%	16,200	482	16,682	6.81%	18,000	233	18,233
ESSA	Bank of Bogota	COP	7/1/2016	12.00	IBR + 4.5%	12.23%	20,000	601	20,601	0.00%	-	-	-
ESSA	Bank of Bogota	COP	4/11/2013	7.00	IBR + 1.88%	8.79%	25,550	748	26,298	6.92%	32,850	377	33,227
ESSA	Bank of Bogota	COP	11/11/2016	12.00	IBR + 4.5%	12.23%	35,000	560	35,560	0.00%	-	-	-
ESSA	Bank of Bogota	COP	2/26/2013	7.00	IBR + 1.88%	8.66%	72,800	1,419	74,219	6.96%	95,200	452	95,652
ANTOFAGASTA	Bank of the State	CLP	10/23/2014	5.00	TF + 1.9%	1.04%	25,853	238	26,091	3.98%	33,230	(29)	33,200
ANTOFAGASTA	Bank of the State	CLP	11/14/2015	10.00	TF + 2.9%	1.51%	174,691	3,351	178,042	4.67%	189,323	(165)	189,158
ANTOFAGASTA	Bank of the State	CLP	9/4/2015	2.00	TAB + 0.25%	4.51%	611,580	1,268	612,848	5.52%	606,737	914	607,652
ANTOFAGASTA	Scotiabank	CLP	9/4/2015	2.00	TAB + 0.25%	4.51%	611,580	1,268	612,848	5.52%	606,737	915	607,653
ANTOFAGASTA	BICE-BCI Bank	CLP	6/1/2016	-	0.41%-0.39%	0.00%	8,183	-	8,183	0.00%	-	-	-
DEL SUR	Bank Davivienda	USD	8/26/2013	10.00	3.7%	1.02%	65,641	18	65,659	1.02%	76,768	(3,197)	73,571
DEL SUR	Bank Davivienda	USD	10/7/2015	10.00	4.2%	1.02%	45,011	471	45,481	1.02%	47,242	3,884	51,126
DEL SUR	Bonds	USD	8/17/2010	10.00	Min 5% - Max 8%	1.52%	63,015	413	63,428	1.52%	66,139	413	66,551
EEGSA	Banco Industrial, S.A.	GTQ	10/29/2012	10.00	PPA + 6.56%	6.96%	169,771	(1,172)	168,599	6.97%	204,890	(1,558)	203,332
EEGSA	Banco G & T Continental, S.A.	GTQ	10/29/2012	10.00	PPA + 6.56%	6.97%	110,321	(778)	109,542	6.97%	133,100	(1,041)	132,059
EEGSA	Banco Reforador, S.A.	GTQ	10/29/2012	10.00	PPA + 6.56%	6.98%	44,010	(300)	43,710	6.98%	53,778	(410)	53,368
EEGSA	Banco Internacional, S.A.	GTQ	7/29/2011	10.00	PPA + 6%	7.65%	9,401	(69)	9,332	7.65%	11,670	(99)	11,572
EEGSA	Banco Agromercantil de Guatemala, S.A.	GTQ	10/29/2012	10.00	PPA + 6.56%	6.98%	59,823	(424)	59,399	6.98%	72,202	(574)	71,628
EEGSA	Banco Industrial, S.A.	USD	12/8/2014	10.00	PPA + 1.56%	4.48%	75,004	2	75,006	4.44%	78,737	(45)	78,692
EEGSA	Banco Internacional, S.A.	USD	12/9/2014	10.00	PPA + 1.5%	4.54%	9,000	(0)	9,000	4.50%	9,448	(5)	9,443
EEGSA	Banco de Desarrollo Rural, S.A.	USD	12/10/2014	5.00	PPA + 1.2%	4.85%	30,002	(2)	30,000	4.82%	31,495	(18)	31,477
EEGSA	Bank of Central America, S.A.	USD	12/8/2014	10.00	PPA + 1.5%	4.54%	30,002	(1)	30,001	4.51%	31,495	(18)	31,476
ENSA	Senior Bonds	USD	7/10/2006	15.00	TASA FIJA + 7.6%	8.16%	300,071	5,959	306,030	8.16%	314,947	5,558	320,505
ENSA	Corporate Bonds	USD	10/20/2008	10.00	LIBOR + 2.375%	3.46%	60,014	597	60,611	3.46%	62,989	705	63,695
ENSA	Bonds (Private Placement)	USD	12/13/2012	15.00	TASA FIJA + 4.73%	4.96%	240,057	(2,813)	237,244	4.96%	251,958	(3,190)	248,768

ENSA	National Bank of Panama	USD	12/22/2015	1.00	LIBOR + 2%	0.00%	-	-	-	1.40%	85,036	-	85,036
ENSA	National Bank of Panama	USD	12/22/2016	0.08	LIBOR + 1.45%	1.45%	51,012	65	51,077	0.00%	-	-	-
ENSA	National Bank of Panama	USD	12/27/2016	0.08	LIBOR + 1.45%	1.45%	60,014	(54)	59,961	0.00%	-	-	-
ENSA	Davivienda	USD	12/21/2016	0.08	LIBOR + 1.4%	1.40%	90,021	35	90,056	0.00%	-	-	-
ENSA	Banistmo	USD	12/4/2016	0.08	LIBOR + 1.45%	1.45%	45,011	44	45,054	0.00%	-	-	-
TICSA	Bank of the Bajío (Ecosystem of Tuxtla)	MXN	7/31/2013	14.67	TIIE + 2.75%	9.08%	65,740	(5,048)	60,692	6.99%	85,928	(16,915)	69,013
TICSA	Bank of America	MXN	7/23/2015	1.00	TIIE + 1.75%	6.11%	60,345	-	60,345	0.00%	40,507	-	40,507
TICSA	Banobras (Ecoagua de Torreon)	MXN	9/1/2001	15.50	8.28%	11.22%	815	4	819	11.22%	3,826	(25)	3,802
TICSA	FIDE (Aguasol Morelia)	MXN	12/9/2015	3.00	0%	8.69%	829	(9)	820	0.00%	-	-	-
TICSA	Interactions (Ecoagua de Torreón (F / 851))	MXN	5/1/2011	8.00	TIIE + 3.9%	11.22%	10,709	(382)	10,327	12.12%	13,407	(881)	12,526
TICSA	Interactions (Lerdo Ecosystem)	MXN	8/1/2007	15.33	TIIE + 3%	7.68%	29,025	(196)	28,829	7.76%	42,384	(1,951)	40,433
TICSA	Santander	MXN	6/10/2016	1.00	TIIE + 3.5%	6.76%	2,112	10	2,122	0.00%	-	-	-
TICSA	Santander (Ecosystem of Celaya)	MXN	6/14/2016	14.00	TIIE + 2.15%	10.09%	18,101	(322)	17,779	0.00%	-	-	-
TICSA	Santander (Aguasol Morelia)	MXN	6/14/2016	7.00	TIIE + 2.15%	9.46%	45,001	(540)	44,461	0.00%	-	-	-
TICSA	Santander (Ecosystem of Colima)	MXN	6/14/2016	10.00	TIIE + 2.15%	9.41%	53,568	(1,028)	52,541	0.00%	-	-	-
TICSA	Banobras (Aguasol Morelia S.A. of C. V.)	MXN	10/17/2013	15.42	11.47%	0.00%	-	-	-	8.85%	3,261	(87)	3,175
TICSA	Banobras (Aguasol Morelia S.A. of C. V.)	MXN	10/1/2006	10.58	9%	0.00%	-	-	-	12.98%	6,547	(46)	6,501
TICSA	Banobras (Aguasol Morelia S.A. of C. V.)	MXN	11/7/2012	9.83	8.16%	0.00%	-	-	-	11.09%	17,243	(290)	16,953
TICSA	Banorte (Ecosystem of Celaya S. of C. V.)	MXN	5/1/2011	16.25	TIIE + 4%	0.00%	-	-	-	8.26%	21,467	250	21,718
TICSA	Interactions (Ecosystem of Colima S.A. of C. V.)	MXN	8/31/2005	21.00	TIIE + 4%	0.00%	-	-	-	11.28%	3,559	(622)	2,938
TICSA	Interactions (Intercontinental Technology S. A. P. I.)	MXN	2/1/2012	11.92	TIIE + 4.07%	0.00%	-	-	-	8.61%	12,270	839	13,109
TICSA	Interactions (Ecosystem of Colima S.A. of C. V.)	MXN	8/31/2005	21.00	TIIE + 3%	0.00%	-	-	-	7.36%	28,716	7,694	36,410
	PPA and Other Adjustments					0.00%	-	-	(14,236)	0.00%	-	-	(20,303)
Total							14,666,655	195,589	14,848,008		14,439,032	220,143	14,638,872

- Figures expressed in millions of Colombian pesos -

Interest paid on loan operations was for 2016 of \$ 1,041,381 (2015: \$ 786,061).

The difference in net assumed change associated with debt was for 2016 of \$ 275,822 (2015: - \$ 1,405,635)

The information of the bonds issued is as follows:

Subseries	Original Currency	Initial date	Term	Nominal interest rate	2016				2015				Awarded amount									
					IRR	Nominal value	Amortized cost value	Total Amount	IRR	Nominal value	Amortized cost value	Total Amount	2016	2015	2014	2013	2012	2011	2010	2009	2008	
A10a	COP	11/20/2008	10	IPC + 7.12%	12.71%	174,410	4,553	178,963	9.71%	174,410	5,776	180,186	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	141,450
A10a	COP	1/22/2009	10	IPC + 5.8%	12.39%	138,600	2,321	140,921	9.31%	138,600	2,209	140,809	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	-
A10a	COP	12/5/2013	10	IPC + 4.52%	11.12%	96,210	(881)	95,329	8.09%	96,210	(750)	95,460	96,210	96,210	96,210	96,210	-	-	-	-	-	-
A10a	COP	3/20/2015	10	IPC + 4.52%	10.94%	130,000	(175)	129,825	7.93%	130,000	90	130,090	130,000	130,000	130,000	130,000	-	-	-	-	-	-
A12a	COP	12/14/2010	12	IPC + 4.2%	10.67%	119,900	(377)	119,523	7.66%	119,900	(469)	119,431	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	-	-
A12a	COP	7/30/2014	12	IPC + 4.17%	10.73%	125,000	(290)	124,710	7.66%	125,000	(129)	124,871	125,000	125,000	125,000	-	-	-	-	-	-	-
A12a	COP	3/20/2015	12	IPC + 3.92%	10.22%	120,000	(356)	119,644	7.27%	120,000	(336)	119,664	120,000	120,000	-	-	-	-	-	-	-	-
A15a	COP	4/21/2009	15	IPC + 6.24%	12.60%	198,400	4,399	202,799	9.50%	198,400	4,823	203,223	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	-
A20a	COP	12/14/2010	20	IPC + 4.94%	11.33%	267,400	(788)	266,612	8.33%	267,400	(722)	266,678	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	-	-
A20a	COP	12/5/2013	20	IPC + 5.03%	11.55%	229,190	(2,393)	226,797	8.50%	229,190	(1,788)	227,402	229,190	229,190	229,190	229,190	-	-	-	-	-	-
A20a	COP	7/30/2014	20	IPC + 4.5%	11.01%	250,000	(723)	249,277	7.94%	250,000	(208)	249,792	250,000	250,000	250,000	-	-	-	-	-	-	-
A20a	COP	3/20/2015	20	IPC + 4.43%	10.78%	260,000	(446)	259,554	7.75%	260,000	(327)	259,673	260,000	260,000	-	-	-	-	-	-	-	-
A5a	COP	12/5/2013	5	IPC + 3.82%	10.71%	41,880	(186)	41,694	7.73%	41,880	(306)	41,574	41,880	41,880	41,880	41,880	-	-	-	-	-	-
A5a	COP	3/20/2015	5	IPC + 2.72%	9.12%	120,000	(519)	119,481	6.26%	120,000	(759)	119,241	120,000	120,000	-	-	-	-	-	-	-	-
A6a	COP	12/14/2010	6	IPC + 3.25%	0.00%	-	-	-	8.05%	112,700	(702)	111,998	112,700	112,700	112,700	112,700	112,700	112,700	112,700	112,700	-	-
A6a	COP	7/30/2014	6	IPC + 3.57%	10.31%	125,000	57	125,057	7.25%	125,000	(127)	124,873	125,000	125,000	125,000	-	-	-	-	-	-	-
C10a	COP	1/22/2009	10	10.8%	10.81%	74,700	7,566	82,266	10.81%	74,700	7,537	82,237	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	-
C10a	COP	11/20/2008	10	13.8%	13.79%	58,000	857	58,857	13.82%	58,000	826	58,826	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000
International bond	USD	7/29/2009	10	7.63%	8.16%	1,500,355	35,420	1,535,775	8.16%	1,574,735	32,297	1,607,032	1,500,355	1,574,735	1,196,230	963,415	884,115	971,350	956,990	1,022,115	-	-
International bond	COP	1/31/2011	10	8.38%	8.70%	1,250,000	82,054	1,332,054	8.70%	1,250,000	79,058	1,329,058	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	-	-	-
International bond	COP	9/10/2014	10	7.63%	7.73%	965,745	16,169	981,914	7.73%	965,745	15,502	981,247	965,745	965,745	965,745	-	-	-	-	-	-	-
TOTAL						6,244,790	146,261	6,391,051		6,431,870	141,496	6,573,366	6,357,490	6,431,870	5,553,365	3,854,805	3,278,225	3,365,460	2,101,100	1,666,225	199,450	

- Figures expressed in millions of Colombian pesos -

The exchange rate used was the closing TRM of each period

The detail of the national bonds issued by the Group is as follows:

Subseries	Original Currency	Initial date	Term	Nominal interest rate	2016				2015				Awarded amount									
					IRR	Nominal value	Amortized cost value	Total Amount	IRR	Nominal value	Amortized cost value	Total Amount	2016	2015	2014	2013	2012	2011	2010	2009	2008	
National bond	COP	11/20/2008	10	IPC + 7.12%	12.71%	174,410	4,553	178,963	9.71%	174,410	5,776	180,186	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	141,450
National bond	COP	1/22/2009	10	IPC + 5.8%	12.39%	138,600	2,321	140,921	9.31%	138,600	2,209	140,809	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	-
National bond	COP	12/5/2013	10	IPC + 4.52%	11.12%	96,210	(881)	95,329	8.09%	96,210	(750)	95,460	96,210	96,210	96,210	-	-	-	-	-	-	-
National bond	COP	3/20/2015	10	IPC + 4.52%	10.94%	130,000	(175)	129,825	7.93%	130,000	90	130,090	130,000	130,000	130,000	-	-	-	-	-	-	-
National bond	COP	12/14/2010	12	IPC + 4.2%	10.67%	119,900	(377)	119,523	7.66%	119,900	(469)	119,431	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	-	-
National bond	COP	7/30/2014	12	IPC + 4.17%	10.73%	125,000	(290)	124,710	7.66%	125,000	(129)	124,871	125,000	125,000	-	-	-	-	-	-	-	-
National bond	COP	3/20/2015	12	IPC + 3.92%	10.22%	120,000	(356)	119,644	7.27%	120,000	(336)	119,664	120,000	120,000	-	-	-	-	-	-	-	-
National bond	COP	4/21/2009	15	IPC + 6.24%	12.60%	198,400	4,399	202,799	9.50%	198,400	4,823	203,223	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	-
National bond	COP	12/14/2010	20	IPC + 4.94%	11.33%	267,400	(788)	266,612	8.33%	267,400	(722)	266,678	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	-	-
National bond	COP	12/5/2013	20	IPC + 5.03%	11.55%	229,190	(2,393)	226,797	8.50%	229,190	(1,788)	227,402	229,190	229,190	229,190	229,190	-	-	-	-	-	-
National bond	COP	7/30/2014	20	IPC + 4.5%	11.01%	250,000	(723)	249,277	7.94%	250,000	(208)	249,792	250,000	250,000	250,000	-	-	-	-	-	-	-
National bond	COP	3/20/2015	20	IPC + 4.43%	10.78%	260,000	(446)	259,554	7.75%	260,000	(327)	259,673	260,000	260,000	-	-	-	-	-	-	-	-
National bond	COP	12/5/2013	5	IPC + 3.82%	10.71%	41,880	(186)	41,694	7.73%	41,880	(306)	41,574	41,880	41,880	41,880	41,880	-	-	-	-	-	-
National bond	COP	3/20/2015	5	IPC + 2.72%	9.12%	120,000	(519)	119,481	6.26%	120,000	(759)	119,241	120,000	120,000	-	-	-	-	-	-	-	-
National bond	COP	12/14/2010	6	IPC + 3.25%	0.00%	-	-	-	8.05%	112,700	(702)	111,998	112,700	112,700	112,700	112,700	112,700	112,700	112,700	112,700	-	-
National bond	COP	7/30/2014	6	IPC + 3.57%	10.31%	125,000	57	125,057	7.25%	125,000	(127)	124,873	125,000	125,000	125,000	-	-	-	-	-	-	-
National bond	COP	1/22/2009	10	10.8%	10.81%	74,700	7,566	82,266	10.81%	74,700	7,537	82,237	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	-
National bond	COP	11/20/2008	10	13.8%	13.79%	58,000	857	58,857	13.82%	58,000	826	58,826	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000
TOTAL						2,528,690	12,618	2,541,308		2,641,390	14,640	2,656,030	2,641,390	2,641,390	2,141,390	1,641,390	1,144,110	1,144,110	1,144,110	644,110	199,450	

- Figures expressed in millions of Colombian pesos -

The exchange rate used was the closing TRM of each period

The detail of the international bonds issued by the Group is as follows:

Subseries	Original Currency	Initial date	Term	Nominal interest rate	2016				2015				Awarded amount								
					IRR	Nominal value	Amortized cost value	Total Amount	IRR	Nominal value	Amortized cost value	Total Amount	2016	2015	2014	2013	2012	2011	2010	2009	2008
International bond	USD	7/29/2009	10	7.63%	8.16%	1,500,355	35,420	1,535,775	8.16%	1,574,735	32,297	1,607,032	1,500,355	1,574,735	1,196,230	963,415	884,115	971,350	956,990	1,022,115	-
International bond	COP	1/31/2011	10	8.38%	8.70%	1,250,000	82,054	1,332,054	8.70%	1,250,000	79,058	1,329,058	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	-	-	-	-
International bond	COP	9/10/2014	10	7.63%	7.73%	965,745	16,169	981,914	7.73%	965,745	15,502	981,247	965,745	965,745	965,745	-	-	-	-	-	-
TOTAL						3,716,100	133,643	3,849,743		3,790,480	126,857	3,917,337	3,716,100	3,790,480	3,411,975	2,213,415	2,134,115	2,221,350	956,990	1,022,115	-

- Figures expressed in millions of Colombian pesos -

The exchange rate used was the closing TRM of each period

Subseries	Original Currency	Initial date	Term	Nominal interest rate	2016				2015				Awarded amount									
					IRR	Nominal value	Amortized cost value	Total Amount	IRR	Nominal value	Amortized cost value	Total Amount	2016	2015	2014	2013	2012	2011	2010	2009	2008	
Preferred bonds	Dollar	10/7/2006	15	7.60% Libor 3 meses	8.16%	300,071	306,030	606,101	8.16%	314,947	320,505	635,452	-	-	-	-	-	-	-	-	-	223,879
Corporate Bonds	Dollar	10/20/2008	10	más 2.375% anual	3.46%	60,014	60,611	120,625	3.46%	62,989	63,695	126,684	-	-	-	-	-	-	-	-	44,872	-
Preferred bonds	Dollar	6/12/2012	15	4.73%	4.96%	240,057	237,244	477,301	4.96%	251,958	248,768	500,726	-	-	-	-	141,458	-	-	-	-	-
TOTAL						600,142	603,885	1,204,027		629,894	632,968	1,262,862	-	-	-	-	141,458	-	-	-	44,872	223,879

- Figures expressed in millions of Colombian pesos -

The exchange rate used was the closing TRM of each period

Tipo de bono	Moneda Original	Fecha inicial	Plazo	Tasa de interés nominal	2016				2015				Monto adjudicado									
					TIR	Valor nominal	Valor costo amortizado	Valor Total	TIR	Valor nominal	Valor costo amortizado	Valor Total	Monto adjudicado a 2016	Monto adjudicado a 2015	Monto adjudicado a 2014	Monto adjudicado a 2013	Monto adjudicado a 2012	Monto adjudicado a 2011	Monto adjudicado a 2010	Monto adjudicado a 2009	Monto adjudicado a 2008	
CERTIFICADOS DE INVERSION - CIDELESUR1 (Scottialversiones, BVES)	Dólar	16 de Agosto de 2010	10 años	-	6.21%	63,015	63,428	126,443	8.16%	66,139	66,551	132,690	-	-	-	-	-	-	-	-	40,194	-
TOTAL						63,015	63,428	126,443		66,139	66,551	132,690	-	-	-	-	-	-	-	-	40,194	-

-Cifra en millones de pesos colombianos-

La tasa de cambio usada fue la TRM de cierre de cada periodo

In 2016, the EPM group obtained the following new loans:

-On December 29, 2015, the company signed a USD1 billion credit agreement with a group of seven international banks, which will be used to finance the company's 2016 budget and investment plan. The loan was granted with a term of five years, with payment of single capital at maturity, without the requirement of guarantees, prepaid, with a Libor rate + 1.40%, and may be disbursed in a period of 18 months. The banks participating in this credit operation were Bank of America N.A., HSBC Securities (USA) Inc., Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation, Citigroup Global Markets, JP Morgan Securities and Mizuho Bank. In 2016, disbursements of this loan were made for \$ 1,745,425 (USD560 million). On April 26, 2016 the company signed a credit agreement for USD111 million with the Brazilian Development Bank - BNDES, which will be used to finance the turbines and

generators of the Ituango hydroelectric project. The loan was granted with a term of twenty-three points five years (23.5), a grace period of 5.5 years, and a period of availability of 9.5 years, with a fixed rate of 4.887%, to be amortized every six months.

- On May 26, 2016, the capital of the Treasury loan with BNP Paribas was paid for \$ 581,384 (USD190 million).
- On August 4, 2016, EPM signed a USD300 million credit agreement with the Canadian Export Credit Agency Export Development Canada (EDC). 45% of the credit resources, USD135 million, will be used to partially finance the investments required by the Ituango project and 55% of the credit resources, USD165 million, will be used to finance the 2016-2022 investment plan. The loan was granted with a term of five years, with payment of single capital at maturity, with a Libor interest rate + 1.40% and a disbursement period of 12 months. During 2016 no disbursements were made for this credit.
- On October 3, 2016, EPM signed a USD200 million loan agreement with CAF - Latin American Development Bank, whose resources will be used to partially finance the Company's investment plan. During 2016 no disbursements were made for this credit.

During 2016, disbursements of IDB 2120 have been made to finance the Bello NPP for \$ 238,010, equivalent to USD78 million (2015: \$ 239,057).

- In the third quarter of 2016 EPM Matriz made a prepayment of transitional loans worth \$ 580,000 million: Banco de Bogotá was paid a total of \$ 300,000 million and Banco BBVA \$ 280,000 million.
- On December 14, 2016, \$ 112.7 billion of capital was paid due on the maturity of local bonds IPC tranche 1 awarded on December 14, 2010.
- On December 27, 2016, the prepayment of the capital of the Local Club Credit a value of \$318,286 million as follows: to Banco Davivienda is paid the total of \$154,286 million, to BBVA \$102,857 million, to Helm Bank \$20,000 million and to Banco Corpbanca \$42,143 million.
- Aguas de Uraba and Aguas de Occidente were merged on January 1, 2016 changing their name to Aguas Regionales, the company created assuming the total of the credits.
- Empresa de Energía de Quindío (EDEQ) acquired a new financial obligation With Banco AV Villas valued at \$ 3,000 disbursed on June 23, 2016, for a term of 7 years and an interest rate of DTF + 4.78%.

Norte de Santander Power Plant (CENS) contracted seventeen loans, as follows:

With Empresas Varias de Medellín it disbursed a transitory credit on February 1, 2016 for a value of \$10,000 at a term of 1 year and a DTF +3.30%, principal paid at expiration.

With Banco Davivienda it disbursed 9 credits, on June 16, 2016 for a value of \$40,000 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on July 15 for a value of \$5,488 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on August 18 for a value of \$6,198 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on September 16 for a value of \$5,156 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on October 14 for a value of \$4,851 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on October 24 for a value of \$6,140 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on November 17 for a value of \$3,877 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on November 24 for a value of \$11,020 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on December 05 for a value of \$14,210 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%; on December 15 for a value of \$15,232 at a term of 10 years, 2 years of grace and a rate of IBR+ 4.89%.

With BBVA it disbursed a treasury credit on July 5 for a value of \$10,000 a term of 6 months and a rate of DTF+ 4.34%, principal payable at expiration.

- Central Hidroeléctrica de Caldas (CHEC) obtained a commercial line loan with Banco Agrario disbursed on January 6 for a value of \$65,000 at a term of 10 years and a rate of DTF + 2.99% and 2 years of grace period of principal.

- Electrificadora de Santander (ESSA) disbursed 10 loans with Banco de Bogota, as follows: January 27, 2016 for a value of \$15,000 at a term of 7 years and a rate of IBR+ 1.88%; on February 16 for a value of \$13,000 at a term of 7 years and a rate of IBR+ 1.88%; on March 28 for a value of \$7,000 at a term of 7 years and a rate of IBR+ 1.88%; on April 14 for a value of \$8,500 at a term of 7 years and a rate of IBR+ 1.88%; on July 01 for a value of \$20,000 at a term of 12 years and a rate of IBR+ 4.50%; on August 19 for a value of \$8,000 at a term of 12 years and a rate of IBR+ 4.50 %; on October 13 for a value of \$9,000 at a term of 12 years and a rate of IBR+ 4.50%; on November 11 for a value of \$35,000 at a term of 12 years and a rate of IBR+ 4.50%; on December 5 for a value of \$35,000 at a term of 12 years and a rate of IBR+ 4.50%; on December 5 for a value of \$8,000 at a term of 12 years and a rate of IBR+ 4.50%; and on December 14 for a value of \$15,000 at a term of 12 years and a rate of IBR+ 4.50%.
- TICSA in June 2016 closed a credit operation with Banco Santander to improve the company's indebtedness profile. The amount of \$832.4 million Mexican pesos (US\$ 46.2 million). This transaction consisted in the re-profiling of the debt for a value of MXN \$582.5 million corresponding to the plants Morelia, Celaya and Colima. In addition, the financial conditions were improved, in respect to the rate and term and increase of the medium life of the credit by 3 years.
- Empresa de Distribución de Energía del Noreste de Panama (Ensa) received 4 credits in 2016 disbursed in the month of December as follows: on December 4 a value of \$45,916 (USD 15 million) at a rate of Libor + 1.45% with a term of one month; on December 21, a value of \$89,642 (USD 30 million) at a rate of Libor + 1.45% at a term of one month; on December 22 a value of \$50,815 (USD 17 million) at a rate of Libor + 1.45 at a term of one month and on December 27 a value of \$59,932 (USD 20 million) at a rate of Libor + 1.45% at a term of 1 month.

Conversion to dollar denominated loans: some of the IDB credits have the possibility of converting currencies, which allows the conversion into Colombian pesos of the balance in dollars, eliminating the exchange risk of the balance presented. EPM made the following conversions in 2016:

On March 31, EPM applied a currency conversion to BID 1664 for USD153.8 million.

On August 23, EPM applied a currency translation to BID 2120 for USD154.3 million

Debt Covenant / EBITDA

EPM has active a financial covenant, measured in the ratio long term financial debt to EBITDA, Calculated on the basis of the consolidated figures of the EPM Group , of maximum 3.5 times, in the credit contracts: French Development Agency - AFD, Inter American Development Bank - BID 1664, and Guarantee from Japan Bank for International Cooperation -JBIC a credit with the Japanese commercial bank. In addition, it has agreed this credit, but inactive, to count with double degree of investment, in the international bond issue with expiration in 2019.

As of December 2016 the result of the indicator is 3.69 times. This result is due to the emergence of conjunctural circumstances that affected the EBITDA of the Generation Energy business line during the last quarter of 2015 and the first two quarters of 2016, due to the materialization of the "El Niño" climatic phenomenon, in addition to macroeconomic aspects that affected The long-term debt denominated in dollars during 2015.

Contractually, one of the schemes to avoid that this fact will become a nonfulfillment is that the banks grants a waiver.

EPM must report on compliance with this indicator as follows: to the Japan Bank for International Cooperation (JBIC) on a quarterly basis, to the French Development Agency (AfdF) every six months and to the Inter-American Development Bank (IDB) annually. The three entities are waived for the results of December 2016. For the periodicity of measurement, the AFD waivers like IDB cover the 2017 period, while JBIC will review quarterly the fulfillment of this indicator. The latter explains the reclassification to current liabilities of the balance of the Japanese commercial bank credit with guarantee Of JBIC for \$ 372,104.

It should be noted that the fact that EPM exceeds the covenant debt / EBITDA agreed does not generate a direct activation of the declaration of default by the banks, nor of payment in advance, because it is an action contractually subject to the decision of the bank (S) to exercise that declaration and in addition to having remedial periods agreed in the contracts to address any breach.

During the accounting period, the EPM Group has not defaulted in the payment of the principal and/or interest of its loans.

Note 21. Creditors and other accounts payable.

Creditors and other accounts payable consist of:

Creditors and other accounts payable	2016	2015
Non-Current		
Creditors	146,722	175,415
Deposits received under guarantee	105,319	188,662
Resources received in administration	34,273	33,044
Insurance and reinsurance operations	24,048	-
Construction contracts	17,308	18,207
Adquisition of goods and services	2,121	9,252
Advances and advances received	-	20,037
Total creditors and other non-current accounts payable	329,791	444,617
Current		
Adquisition of goods and services	1,573,205	1,561,932
Creditors	493,194	534,615
Deposits received under guarantee (1)	118,794	22,578
Advances and advances received	51,594	22,821
Construction contracts	26,152	29,991
Resources received in administration	25,627	23,024
Other accounts payable	24,691	3,545
Insurance and reinsurance operations	8,998	-
Assigned grants	4,247	100,754
Commissions payable	2,110	2,110
Total creditors and other accounts payable current	2,328,612	2,301,370
Total creditors and other accounts payable	2,658,403	2,745,987

- Figures expressed in millions of Colombian pesos -

- (1) In Guatemala the General Law of Electricity establishes that every new user must deliver to the distributor a payment guarantee. This guarantee may be given in monetary form or through a bond and will be calculated for each user category as the amount equivalent to two average monthly invoices of a typical user of his same category. EEGSA collects from its customers such guarantees and records the amounts received as "Deposits from Consumers". According to the provisions of the General Law of Electricity, Decree No. 93-96 of November 15, 1996, article 94, from that date until March 10, 2007, the deposits received from customers earned actual interest of 5% annually. As of March 11, 2007 the deposits received must be refunded adding to the capital the active average monthly weighed interest rate of the banking systems. It also establishes that, upon termination of the contract, the distributor must make a liquidation that includes the initial amount of the guarantee plus the total of the interest earned and capitalized each year less the debts outstanding and costs that the user would have caused.

As of December 31, 2006, EEGSA records a provision for the amount of the interest originated by the payment guarantees.

The deposits received from consumers, plus the interest earned and less any debt outstanding for past services, are reimbursable to the users when they cease to use the electric energy service provided by EEGSA. The latter has classified these deposits as current liabilities on the basis that it does not have legal rights to defer this payment in a period in excess of one year. However, the company does not anticipate making significant payments in the coming year, in accordance with the estimates and recurrence of the retirement of customers, in addition to the premise of the going concern within the financial statements, EEGSA has a provision to respond to the events that may arise, which covers the interest earned at the closing of the year.

As of December 31, 2016 the amount of the deposits from consumers was \$86,501 (2015: \$86,053).

In the Group the term for payment to suppliers is 30 calendar days, with exceptions that are documented in the processes and determined among others, by the type of obligation and contract.

Defaults

During the accounting period, the Group has not failed to pay the principal and / or interest of creditors and other accounts payable.

Note 22. Other financial liabilities

The other financial liabilities consist of:

Other financial liabilities	2016	2015
Non-Current		
Financial leasing	196,308	197,214
Pension bonds (1)	336,483	351,903
Derivatives for the purpose of hedging cash flows (see note 23)	2,032	-
Total other non-current financial liabilities	534,823	549,117
Current		
Financial leasing	906	1,190
Pension bonds (1)	289,136	237,288
Derivatives for the purpose of hedging cash flows (see note 23)	68,919	68,919
Total other current financial liabilities	358,961	238,478
Total other financial liabilities	893,784	787,595

- Figures expressed in millions of Colombian pesos -

Conventional purchases and sales of financial liabilities are accounted for applying the negotiation date.

The Group has not designated financial liabilities at fair value with changes in profit and loss.

¹The variation was generated by the amortized cost and the payments made during the period.

22.1. Financial leasing

At the reporting date, the carrying amount of property, plant and equipment under finance lease is as follows:

2016	Land and buildings	Communication and computer equipment	Machinery and equipment	Total Assets
Cost	223,369	2,380	2,063	227,811
Accumulated depreciation	(66,857)	(1,375)	(1,011)	(69,243)
Total	156,512	1,005	1,052	158,569

- Figures expressed in millions of Colombian pesos -

2015	Land and buildings	Communication and computer equipment	Machinery and equipment	Total Assets
Cost	200,057	4,368	2,063	206,488
Accumulated depreciation	(60,926)	(2,921)	(946)	(64,793)
Total	139,131	1,447	1,117	141,695

- Figures expressed in millions of Colombian pesos -

The most significant financial leasing agreement is the real estate property called “Edificio Empresas Publicas de Medellin”. The agreement has a term of 50 years counted as of December 2001, automatically renewable for an equal term if none of the parties expresses otherwise. The value of the rent is \$1,500 monthly, which will be adjusted each year by the Consumer Price Index (CPI):

At the date of the cut, the minimum future payments and the present value of the minimum lease payments are as follows:

Financial leasing	2016		2015	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
At one year	18,000	17,181	22,365	17,543
At more than one year and up to five years	72,000	55,613	91,124	56,050
More than five years	540,000	124,420	600,909	136,669
Total leasing	630,000	197,214	714,398	210,262
Less - value of interest not earned	(432,786)	-	(449,975)	-
Present value of minimum payments for leasing	197,214	197,214	264,423	210,262

- Figures expressed in millions of Colombian pesos -

The expense for contingent leasing of financial leasing recognized in the profit and loss of the period was \$16,407 (2015: \$15,115).

22.2. Defaults

During the accounting period the Group EPM has not defaulted in the payment of principal and/or interest of its loans.

Note 23. Derivatives and hedging

The company has the following types of cash flow hedges:

Classification of Hedging	Description	Risk covered	Trench	Item covered	Carrying value of item hedged	Carrying value of hedging instrument	Changes in fair value of hedging instrument in the period	Changes in fair value of item hedged in the period	Inefficacy of hedging recognized in profit and loss of period	Efficacy of hedging recognized in other comprehensive income	Reclassification from other comprehensive income to profit and loss for period ¹
Cash flow hedging											
Swaps	Cross Currency Swap	Exchange rate USD / COP and interest rate Libor/fixed of debt service	Total Credit Club Deal	Credit in US Dollars	1,686,230	70,951	70,951	5,833	N.A	70,951	498
Futures	Derivex	Sale price in Energy Exchange	N.A.	Sales of Energy Highly Probably Item	N.A.	18	18	N.A	N.A	282	264

Figures in millions of Colombian pesos -

¹ The reclassification of other comprehensive income to income for the period affected the difference in exchange for swap instruments, corresponding to the difference in interest and capital of the right and for the futures contract instruments affected the sales of Energy in the bag.

Hedging cash flow

The characteristics of the main cash flow hedging instruments which is under a hedge accounting in the following:

Swaps:

Characteristics	Trench 2	Trench 2	Trench 3	Trench 4	Trench 5	Trench 6	Trench 7	TrenchS	Trench 9	Trench 10	Trench 11	Trench 12
Credit	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal	Club Deal
Date	24-May-16	24-May-16	26-May-16	3-Jun-16	3-Jun-16	7-Jun-16	8-Jun-16	20-Jun-16	8-Jul-16	12-Jul-16	21-Jul-16	8-Aug-16
Entity	Bank of America Merrill Lyth	JP Morgan	JP Morgan	Bank of America Merrill Lynch	JP Morgan	Bank of America Merrill Lynch	JP Morgan	Bank of America	BNPParibas	BNP Paribas	BNP Paribas	BNP Paribas
								Merrill Lynch				
Nominal	USD 50,000,000	USD 50,000,000	USD 50,000,000	USD 50,000,000	USD 50,000,000	USD 50,000,000	USD 50,000,000	USD 60,000,000	USD40,000,000	USD 50,000,000	USD 30,000,000	USD 30,000,000
Exchange Rate	3,058	3,058	3,053	3,025	2,997	2,945	2,907	2,976	2,965	2,907	2,924	2,990
Obligation COP	152,900,000,000	152,900,000,000	152,650,000,000	151,250,000,000	149,850,000,000	147,250,000,000	145,350,000,000	178,560,000,000	118,600,000,000	145,350,000,000	87,720,000,000	89,700,000,000
EPM pays	IBR+ 2.1077	IBR+2.17										
			IBR + 2.17	IBR + 2.16	IBR + 2.20	IBR + 2.25	IBR + 2.19	9.30%	8.42%	8.55%	8.48%	8.44%
EPM receives		LIBOR 6 months + 140	LIBOR 6 months + 140	LIBOR 6 months + 140	LIBOR 6 months + 140	LIBOR 6 months + 140	LIBOR 6 months + 140	LIBOR 6 months + 140	LIBOR 6 months + 140		LIBOR 6 months + 140	LIBOR 6 months + 140
	LIBOR 6 months+ 140									LIBOR 6 months + 140		
Periodicity	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually	Biannually
Effective date	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16	12-Jul-16
Expiration date	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20	29-Dec-20

Implicit Derivatives

The Group has not entered into contracts containing embedded derivatives.

Note 24. Employee benefits

The item of employee benefits recognized recognized at the reporting date have the following composition:

Employee benefits	2016	2015
Non-Current		
Post-employment benefits	744,047	546,062
Long Term Benefits	80,196	191,041
Termination benefits	2,205	75
Other benefits	173	-
Total non-current employee benefits	826,621	737,178
Current		
Short-term benefits	117,763	104,769
Post-employment benefits	101,722	73,172
Termination benefits	-	-
Total benefits to current employees	219,485	177,941
Total	1,046,106	915,119

- Figures expressed in millions of Colombian pesos -

Current

24.1. Post-employment benefits

It covers plans of defined benefits and the defined contributions plans detailed below:

24.1.1. Defined benefits plans

Planes de beneficios definidos	Pensions ¹		Retroactive benefits ²		Subsidio servicios públicos ³		Other defined benefit plans ⁽⁴⁾		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Present value of defined benefit obligations										
Beginning balance	936,716	992,517	122,552	119,658	34,513	35,107	24,270	15,287	1,118,051	1,162,569
Cost of the present service	6,671	6,615	4,705	4,782	193	85	3,233	2,432	14,802	13,914
Interest income or (expense)	64,235	60,650	8,752	7,370	2,490	2,304	446	218	75,923	70,542
New Measurements	-	-	-	-	-	-	355	-	355	-
Assumptions by experience	48,138	4,092	10,809	5,315	7,353	(65)	30	110	66,330	9,452
Financial Assumptions	58,709	(36,221)	2,576	(1,654)	3,223	(964)	7	(865)	64,515	(39,704)
Past service cost	1,138	-	-	-	-	337	-	276	1,138	613
Exchange rate difference	31,173	762	-	-	(660)	-	(833)	-	29,680	762
Contributions made to the plan	(23,597)	-	(1,524)	-	(1,164)	-	(150)	-	(26,435)	-
Payments made by the plan ⁴	(77,694)	(99,513)	(14,123)	(12,919)	(1,733)	(2,547)	(3,624)	(1,581)	(97,174)	(116,560)
Business Combinations	-	8,124	-	-	-	-	-	-	-	8,124
Other changes	(234)	(209)	-	-	-	256	-	8,393	(234)	8,440
Present value of obligations as of December 31	1,045,255	936,817	133,747	122,552	44,215	34,513	23,734	24,270	1,246,951	1,118,152
Fair value of plan assets										
Beginning balance	375,616	416,580	-	-	-	-	-	-	375,616	416,580
Contributions made to the plan	4,396	-	-	-	-	-	-	-	4,396	-
Payments made by the plan ⁽⁴⁾	(60,090)	(51,584)	-	-	-	-	-	-	(60,090)	(51,584)
Interest income	27,141	26,683	-	-	-	-	-	-	27,141	26,683
Actuarial gains or losses:	5,949	(9,035)	-	-	-	-	-	-	5,949	(9,035)
Expected return on plan (excluding interest income)	12,478	(610)	-	-	-	-	-	-	12,478	(610)
Exchange rate difference	36,128	-	-	-	-	-	-	-	36,128	-
Other changes	(436)	(5,263)	-	-	-	-	-	-	(436)	(5,263)
Fair value of plan assets December 31	401,182	376,771	-	-	-	-	-	-	401,182	376,771
Surplus or (deficit) of the defined benefit plan	644,073	560,046	133,747	122,552	44,215	34,513	23,734	24,270	845,769	741,381
Adjustment to surplus by asset limit	-	-	-	-	-	-	-	-	-	-
Net Asset or (liability) of the defined benefit plan	644,073	560,046	133,747	122,552	44,215	34,513	23,734	24,270	845,769	741,381
Other defined benefit items	-	405	-	-	-	-	-	-	-	405
Total defined benefits	644,073	560,451	133,747	122,552	44,215	34,513	23,734	24,270	845,769	741,786

- Figures expressed in millions of Colombian pesos -

- (1) Includes for the EPM Group the retirement pension plans that each company is in charge of, in accordance with the regulations of each country. Includes contributions to social security and burial allowance.
- (2) Includes for the EPM Group the plans corresponding to retroactive severance pay. This is recognized and paid based on the latest salary earned by the number of years of employment, in accordance with the terms established in the collective bargaining agreements in effect of each company or the labor regulations of the country.
- (3) The public utility benefit is a plan consisting of a total or partial discount on the monthly value payable of the public utility of energy and in some companies also with discount in the water and telephone services, in the following companies of the Group: Central Hidroeléctrica de Caldas S.A. E.S.P., Centrales Eléctricas del Norte de Santander S.A. E.S.P., Electrificadora de Santander S.A. E.S.P., and Elektra Noreste S.A. In Electrificadora de Santander S.A. E.S.P., the benefit is granted to former employees whose time of services as of the date of retirement was minimum 15 years of employment. The benefit for public utilities is supported in the collective bargaining agreements in effect on those dates.
- (4) Correspond to the education aid that by law is granted to the children of retired persons who depend economically from the latter up to 25 years of age.

No risks have been identified for the EPM Group, generated by post-employment benefit plans, or modifications, or reduction or assessments that have an impact on the present value of the obligation.

The weighted average of the duration in years, of the obligations by defined benefit plans at the cut-off date, is presented below:

Benefit	2016		2015	
	From	To	From	To
EPM Pension	8.7	11.9	7	11
EPM Educational Aid	6.2	8.3	4	8.7
Related searches	11	12.7	11	13
Other defined benefit plans	2	5.7	1.0	8

The Group does not have restrictions on the actual realization of the surplus for the defined benefits plan.

The Group did not make contributions for defined benefits during the period.

⁵ The fair value of the plan assets is made up as follows:

Assets that support the plan	2016		2015	
	% participation	Fair value	% participation	Fair value
Cash and cash equivalents	4.03%	16,154	0.88%	3,626
Heritage instruments				
Financial sector	0.23%	927	0.52%	2,160
Service sector	0.01%	43	-	-
Real sector	-	7	-	-
Government Sector	0.01%	43	0.00%	-
Total equity instruments	0.25%	1,020	0.52%	2,160
Debt instruments				
AAA	74.11%	297,316	74.06%	305,716
AA	4.74%	19,020	7.26%	29,977
TO	0.44%	1,773	0.00%	-
BB and minor	-	-	-	-
Unrated	12.56%	50,371	8.22%	33,925
Investment Funds (1)	2.51%	10,058	1.40%	5,800
Total debt instruments	94.36%	378,538	90.94%	375,418
Other assets	1.36%	5,470	7.66%	31,618
Total assets that support the plan	100%	401,182	100%	412,822

- Figures expressed in millions of Colombian pesos -

- (1) Includes in EPM open-ended collective investment funds with no agreement of permanence of \$ 3,747 and International Exchange Trade Fund (ETF) that replicates the Capitalization Stock Index (COLCAP) in the amount of \$ 6,311.
- (2) The main actuarial assumptions used to determine the obligations under the defined benefit plans are as follows:

Assumptions	Colombia			
	2016		2015	
	From	To	From	To
Discount rate (%)	5.80%	7.31%	6.00%	7.75%
Annual salary increase rate (%)	3.50%	7.09%	3.00%	4.00%
Real rate of return on plan assets	6.50%	6.50%	3.61%	3.61%
Rate of future increase in annual pension	3.50%	6.39%	3.00%	4.00%
Annual inflation rate (%)	3.50%	5.89%	3.50%	3.50%
Survival tables	Rentistas válidos 2008			

	Panamá			
	2016		2015	
	From	To	From	To
	4.35%	4.35%	4.39%	4.90%
	4.00%	4.00%	4.00%	5.50%
	0.00%	0.00%	5.25%	5.25%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	Tabla de mortalidad de la población urbana República de Panamá 2005-2010			

Assumptions	Guatemala			
	2016		2015	
	From	To	From	To
Discount rate (%)	6.70%	6.70%	7.40%	7.40%
Annual salary increase rate (%)	4.50%	4.50%	0.00%	0.00%
Rate of future increase in annual pension	0.00%	0.00%	0.00%	0.00%
Annual inflation rate (%)	4.00%	4.00%	4.00%	4.00%
Survival tables	Tabla RP-2000			

	México			
	2016		2015	
	From	To	From	To
	6.00%	6.00%	6.75%	6.75%
	0.00%	0.00%	5.58%	5.58%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%

Assumptions	El Salvador			
	2016		2015	
	From	To	From	To
Discount rate (%)	6.00%	6.00%	6.00%	6.00%
Annual salary increase rate (%)	1.50%	1.50%	1.50%	1.50%
Rate of future increase in annual pension	0.00%	0.00%	0.00%	0.00%
Annual inflation rate (%)	3.00%	3.00%	3.00%	3.00%
Survival tables	Tabla CSO-80			

	Chile			
	2016		2015	
	From	To	From	To
	1.34%	1.34%	4.60%	4.60%
	6.20%	6.20%	6.30%	6.30%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%

The following table shows the effect of a variation of more than 1% and less than 1% in the salary increase, in the discount rate and in the increase in the benefit over the obligation for post-employment defined benefit plans:

Assumptions	Increase in the discount rate by +1%	Decrease in the discount rate by -1%	Increase in salary increase by +1%	Decrease in salary increase by -1%	Increase in salary increase by +1%	Decrease in salary increase by -1%
Bed And Breakfast	499,453	593,781	-	-	99,087	98,243
Retroactive Leave	90,971	102,927	106,595	87,459	-	-
Other post-employment benefits	180	186	-	-	187	180
Total post-employment benefits	590,604	696,894	106,595	87,459	99,274	98,423

- Figures expressed in millions of Colombian pesos -

The methods and assumptions used to prepare the sensitivity analysis of the Present Value of the Obligations (DBO - Defined Benefit Obligations) was made using the same methodology that for the actuarial calculation as of December 31, 2016 and 2015: Projected Unit Credit (PUC) method. The sensibility does not present limitations, or changes in the methods and assumptions used to prepare the analysis of the current period.

24.1.2. Defined contribution plans

The Group made contributions to defined contribution plans recognized in the income statement as an expense of \$ 17,603 (2015: \$ 16,670), as a cost of \$ 37,264 (2015: \$ 33,135) for a total of \$ 54,867 (2015: \$ 49,806).

24.2. Long-term employee benefits:

Benefits Long term	Seniority bonus (1)		Other long-term benefits		Total	
	2016	2015	2016	2015	2016	2015
Present value of obligations for other long-term benefits						
Beginning balance	68,316	55,932	173	-	68,489	55,932
Cost of the present service	5,479	4,328	212	122	5,691	4,450
Interest income or (expense)	4,865	3,398	98	46	4,963	3,444
New Measurements	-	11	-	-	-	11
Assumptions by experience	7,414	10,681	104	81	7,518	10,762
Demographic assumptions	174	-	-	-	174	-
Financial Assumptions	1,549	(2,119)	36	(23)	1,585	(2,142)
Past service cost	567	2,814	(31)	-	536	2,814
Exchange rate difference	(1,134)	204	1,087	-	(47)	204
Payments made by the plan (3)	(8,559)	(7,355)	(173)	(53)	(8,732)	(7,408)
Other changes	19	422	-	-	19	422
Present value of obligations as of December 31	78,690	68,316	1,506	173	80,196	68,489
Surplus or (deficit) for long term benefits	78,690	68,316	1,506	173	80,196	68,489
Adjustment to surplus by asset limit	-	-	-	-	-	-
Net asset or liability for long-term benefits	78,690	68,316	1,506	173	80,196	68,489

- Figures expressed in millions of Colombian pesos -

(1) Includes for the EPM Group the plans corresponding to seniority bonus. It is granted according to the years of service of the employee, it is recognized and paid in accordance with the terms established in the collective bargaining agreements in effect of each company or the labor regulations of the country.

The Group has not identified risks generated by long-term benefit plans, or modifications, reductions or settlements that impact the present value of the obligation.

The weighted average duration in years, of the obligations for long-term benefit plans at the cut-off date, is as follows:

Benefit	2016		2015	
	From	To	From	To
Seniority bonus	4.8	11	5.4	9
Cessation	4.8	11	4	8.7

The Group does not expect to contribute to the plan for the next annual period.

The main actuarial assumptions used to determine the obligations under the long-term employee benefit plans are as follows:

Assumptions	Colombia				Guatemala			
	2016		2015		2016		2015	
	From	To	From	To	From	To	From	To
Discount rate (%)	4.80%	7.10%	6.50%	7.90%	6.70%	6.70%	7.50%	7.50%
Annual salary increase rate (%)	3.50%	7.09%	3.00%	5.00%	4.50%	4.50%	4.50%	4.50%
Annual inflation rate (%)	3.50%	5.89%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%
Survival tables	Valid Rentistas 2008				Table RP-2000			

The following table shows the effect of a variation of more than 1% and less 1% in the salary increase, in the discount rate and in the increase in the benefit over the obligation for long-term benefits:

Assumptions	Increase in the discount rate by + 1%	Decrease in the discount rate by - 1%	Increase in salary increase by + 1%	Decrease in salary increase by - 1%	Increase in profit increase by + 1%	Decrease in increase in profit by - 1%
Seniority bonus	63,370	71,471	71,206	63,554	-	-
Other long term benefits	943	1,069	1,066	945	-	-
Total long-term benefits	64,313	72,540	72,272	64,499	-	-

- Figures expressed in millions of Colombian pesos -

The methods and assumptions used to prepare the sensibility analysis of the Present Value of Obligations (DBO - Defined Benefit Obligations) was made using the same methodology as for the actuarial calculation as of December 31, 2015: Forecasted Credit Unit (FCU). The sensibility does not present any limitations, or changes in the methods and assumptions used to prepare the analysis of the current period.

24.3. Short-term benefits

The composition of short term benefits is as follows:

Short-term benefits	2016	2015
Cessation	35,651	31,010
Holiday bonus	28,225	25,376
Holidays	21,676	20,425
Other premiums, salaries and social benefits	10,624	10,430
Bonuses	7,751	6,694
Payroll payable	8,282	6,314
Interest on layoffs	5,213	4,200
Christmas bonus	207	184
Premium services	134	136
Total short-term benefits	117,763	104,769

- Figures expressed in millions of Colombian pesos -

Note 25. Taxes, contributions and rates

The detail of taxes, contributions and rates, other than income tax, is as follows:

Taxes, contributions and fees	2016	2015
Withholding tax and stamp duty	84,457	76,645
Tax of industry and commerce	35,639	32,844
Value added tax	17,500	26,166
Rates	14,329	12,602
Contributions	4,918	3,118
Taxes, contributions and taxes abroad	4,248	537
Other national taxes	3,261	7,028
Sanctions	124	139
Unified property tax	85	85
Registration tax	29	-
Royalties and monetary compensations	23	205
Other municipal taxes	5	24
Audit fee	-	1
Motor vehicle tax	-	26
Total Taxes, contributions and current rates	164,618	159,420
Total Taxes, contributions and fees	164,618	159,420

- Figures expressed in millions of Colombian pesos -

Note 26. Provisions, contingent assets and liabilities

26.1. Provisions

The reconciliation of provisions is as follows:

Concept	Dismantling or restoration	Onerous contracts	Litigation	Business combination	Other provision	Total
Beginning balance	39,222	162,046	194,342	152,591	80,856	629,057
Additions	18,492	-	28,509		95,647	142,648
Uses (-)	(3,379)	(20,851)	(5,144)	(333)	(43,733)	(73,440)
Reversals, unused amounts (-)	(612)	-	(51,698)	(416)	(5,396)	(58,122)
Effect of loss of control	-	-	2		-	2
Adjustment for changes in estimates	2,198	(5,348)	(26,650)	326	(6,147)	(35,621)
Exchange Rate Differences	(607)		(137)		(2,762)	(3,506)
Other changes	5,439	5,337	8,049	(4,755)	(327)	13,743
Closing Balance	60,753	141,184	147,273	147,413	118,138	614,761
Non Current	47,818	105,144	106,469	18,647	57,474	335,552
Current	12,935	36,040	40,804	128,766	60,664	279,209
Total	60,753	141,184	147,273	147,413	118,138	614,761

- Figures expressed in millions of Colombian pesos -

26.1.1 Dismantling or restoration:

The EPM Group has the obligation to incur dismantling or restoration costs of its facilities and assets, in the following events:

- Removal of transformers that contain PCB (polychlorinated biphenyls), the group has agreed to dismantling these assets from 2008 to 2026, supported on resolution 222 of December 15, 2011 from the Ministry of Environment and Sustainable Development and the Stockholm Convention of May 22, 2008. It applies in Colombia, Panama and El Salvador.
- In the sanitation service, for the disposal of solid waste. It is a land in which cells are built for the deposit of waste, it being necessary to restore that land through a series of activities intended to make the closing, decommissioning and post-commissioning thereof. The obligation starts from the time when the landfill is in optimum conditions for the final disposal and goes until the regulating entity, by means of resolution, decrees the termination of the closing, decommissioning and post-commissioning phase.
- Dismantling of a coal mine located in the Municipality of Amagá, Department of Antioquia, Colombia, with Resolution 130 AS-1106242 of October 21, 2011 issued by the competent environmental authority (Corantioquia), the component Environmental project of the closure of the mines of coal of the mining title and for this are carried out contracts of construction of civil works, several, of urbanism and monitoring in the mines of coal of the mining title, code RPP 434 of the area of Amagá. The Group, through EPM, has committed to the dismantling of these assets from 2013 to 2016. At present, EPM is in the final stretch of the actions contemplated in the aforementioned resolution and awaiting a pronouncement from (Corantioquia) In this regard, which could imply more monitoring. However, it is clear that independent of this pronouncement, EPM must carry out the necessary actions for the delivery of the title, which include legal, technical processes and the structuring of decision-making schemes.
- The closing and abandonment plan of the Eolic Park Los Cururos in Chile, contemplates the dismantling of facilities such as wind turbines, substation and civil works, among others. Two years after the closing of the eolic park a closing and abandonment plan will be delivered to the competent authority, in accordance with the legal requirements in effect
- Environmental provision is presented in the construction of infrastructure projects, it arises as a legal obligation derived from the granting of the environmental license to compensate for the loss of biodiversity during the construction phase, as well as compensation for the subtraction of reserve areas, Closed species and forest use; Obligations that are formalized, through the resolutions of ANLA (National Environmental Licensing Authority), CAR - Regional Autonomous Corporation and / or MADS - Ministry of

Environment and Sustainable Development. Executions of biotic environmental compensations of the project extend beyond the time in which the asset begins to operate technically, being necessary to implement the figure of the provision with the intention that such expenditures remain as greater value of the construction in progress. The company is committed to compensate for the loss of biodiversity, subtraction and closures from 2016 to 2019 according to the resolutions: Res. 1313/2013 ANLA, Res. 519/2014 ANLA, Res LA. 0882/04/08/2014 ANA, Res. 1166/2013 MADS, Res. 1852/2013 CAR, Res. 2135/2014 CAR, Resolution 1189/22/07/2104 MADS, Res. 1120907 / 17-03-2015 CORNARE , Res. 141011206 / 16-10-2014 CORANTIOQUIA, Res LA. EIA1-9872 04/21/2014 CVS, among others

The provision is recognized for the present value of the costs expected to pay the obligation using estimated cash flows. The major assumptions considered in the calculation of the provision are: estimated costs, CPI and discount rate calculated with reference to the market returns of the bonds issued by the National Government. As of this date no future events have been evidenced that could affect the calculation of the provision.

26.1.2 Contracts for valuable consideration

As of December 31, 2016, the Group has recognized \$ 141,184 (2015: \$ 162,045) for the fuel supply and transportation contract signed between EPM and TGI- Gas International Carrier S.A. E.S.P., which unavoidable costs of complying with the obligations exceed the economic benefits that are expected to be received from them. This contract was established with the objective of supporting the thermosierra plant and obtaining the income from the reliability charge established by the Energy and Gas Regulatory Commission.

The major assumptions considered in the calculation of the provision are: costs associated to the agreement with the mentioned conditions, utilization factor or suspension of payments for maintenance of the agreement, Libor rate, discount rate calculated with reference to the market returns of the bonds issued by the National Government, the Market's Representative Exchange Rate and macroeconomic scenario projected.

The main hypothesis used on the future events are: from 2016 to 2020 the following assumptions are maintained: Suspension of the contract for 30 days every year and utilization of the contract only for 15 days each year for generation for the Termosierra plant and the rest of the time would be paid without using the contract (only fixed costs).

26.1.3 Litigations

With this provision the EPM Group covers the estimated losses probable related to labor, civil, administrative and tax litigations (through administrative and government channels) that arise in the operations of the Group companies. The major assumptions considered in the calculation of the provision are: Average CPI to actual data in previous years and projected data in future years, discount rate calculated with reference to the market returns of the bonds issued by the National Government, estimated value to be paid and the estimated payment date for those litigations that their occurrence exceeds 50% probability. As of this date no future events have been evidenced that may affect the calculation of the provision.

In the variations presented by the litigation, EPM highlighted the recovery of the litigation 14001154 with the plaintiff Germán Guillermo Márquez Vargas caused by a favorable decision to the Company and litigation 14000735 with Carmen María Alzate Rivera for a ruling in the second instance that decreased the Value of the claim initially requested by the applicant.

In order to lessen the uncertainty that may arise with respect to the estimated date of payment and the estimated value to be paid in litigation or a lawsuit, in the Group the following aspects are considered:

For the affiliates in Colombia: There are business rules based on statistical studies with which the average length of the proceedings per share were obtained and also the application of the jurisprudence to the maximum ceilings that it defines for the value of the extra-equity or intangible claims when they exceed their amount, as described below:

Average duration of processes per action:**Administrative and fiscal**

Action	Average years
Abbreviated	4
Compliance Action	4
Group Action	6
Popular Actions	4
Harmful Conciliation	2
Constitution of civil party	4
Contractual	13
Demarcation and demarcation	5
Executive	5
Singular executive	3
Expropriation	4
Incident of integral reparation (penal)	2
Imposition of easement	4
Nullity of administrative acts	5
Nullity and restoration of right	10
Nullity and reinstatement of labor law	11
Ordinary	7
Ordinary of Membership	5
Criminal Accusatory (Law 906 of 2004)	4
Partitioning processes	4
Protection of Consumer Rights	6
Police complaints	3
Claim	7
Direct repair	12
Verbal	5

Labor Processes

Action	Average years
Solidarity	3.5
Pension	3.5
Extra hours	3.5
Reimbursement	4
Salary Scale Leveling	3.5
Related searches	3.5
Re liquidation Social benefits	3.5
Work accident compensation	4
Return Health-Pension Contributions	4

Application of jurisprudence

Typology: The values of claims for compensation of off-balance damages will be recorded according to the following typology:

- Moral prejudice.
- Damage to health (physiological or biological damage), resulting from bodily or psychophysical injury.
- Damage to the life of relationship.
- Damage to constitutional and conventional property.

The values of other off-balance-sheet claims not recognized by the case-law will not be recorded, unless the claim can be inferred that, despite being otherwise denominated, it corresponds to one of the accepted typologies. Neither will claims for off-balance compensation for damages to property.

Quantification: The amount of the off-balance sheet claims will be recorded uniformly as follows, regardless of its typology:

For direct victim 1000 Minimum Monthly Legal Wages in Effect

For indirect victim 50 Minimum Monthly Legal Wages in Effect

- **For affiliates in Chile:** As refers to the probable payment date of the lawsuits, the type of process and the previous cases are taken into consideration; in this sense the labor process since it is verbal and has only two hearings, has a maximum term of six months, save specific cases where there are problems to notify the complaints. In civil judgments, since it is a process of broad knowledge and the available instances, may last minimum two years, and thus the time estimated in the judgments that currently is processing the affiliate Aguas de Antofagasta S.A., considering their progress status, should be up to 2019.
- **Quantification:** In order to determine the amount of the judgments in principle the amount of the claim by the plaintiff is considered, since the law cannot be applied in that sense, amount that will vary depending on the Court and the cause to claim. Additionally in the civil judgments, the amounts of the indemnifications will depend on the
- **For the affiliates in Panama:** in respect to the estimated payment date, each case is assessed in particular with external legal advisors, for which the average term of similar processes is taken into consideration.
- **Quantification:** The estimated value payable of a litigation is determined by taking as a base the amount of the claim by the plaintiff and an analysis of the specific condition that motivates the complaint to be able to determine the recognition of a possible damage. For this purpose the company has available the valuation by external legal counsel of each company and in certain cases with the support of insurance advisors in case that an actuarial valuation is required.
- **For the affiliates of El Salvador:** the estimated date of payment for administrative or legal processes is estimated based on the average term of the processing of similar processes, obtained from statistical data throughout 20 years of operation of the affiliates.
- **Quantification:** The estimated value payable of litigation is determined taking as a base the amount of the initial claim of the complaint presented against the company.
- The detail for each type of action is the following:

Labor Court Actions:

Action	Average years	Maximum estimated value payable
Legal Labor Process of Restitution and Back Wages	5 years	The amount that is established in the initial claim by the worker if decided in favor of the worker, the salaries not earned up to the date of pronouncement of the last ruling, not exceeding the salary of 55 calendar days.
Legal Labor Process Indemnification for Termination without Cause	5 years	The amount that is established in the initial claim by the worker and if it is ruled in favor of the worker, the salaries not earned up to the date of pronouncement of the latest decision are added, not exceeding the salary of 55 days of salary.

Legal Administrative Actions:

Action	Average Years	Maximum estimated value payable
Illegal Acts by the Public Administration	6 years	The amount that is established in the initial claim, which is usually that resolved by the Administrative Entity against the Affiliate, or the amount required by the Municipal Mayor's Offices

Action at Administrative Instances:

Action	Average Years	Maximum estimated value payable
Municipal Administrative Procedures	2 years	The amount that is established in the initial claim by the Municipality.
Administrative Regulatory Procedures	6 months	The amount that is established in the initial claim by the worker

The following are the litigations recognized:

Entity	Third Party	Claim	Value
EPM	Consorcio Dragados Porce II	To pay to the plaintiffs, among others, the sums of money that result from the return of all the compensation illegally deducted by EPM in the contracting process No. CD002376.	15,181
	Germán Guillermo Márquez Vargas	Project Riogrande II, compensation to the community for not having acquired the mine deposits Versalles mine.	9,444
	Carmen María Álzate Rivera	To pay the damages derived from the increase of the flow of the River Guatapé to 42 families.	7,531
	Fiduciaria Colpatria S.A.	Free payment warrant against EPM and in favor of Fiduciaria Colpatria S.A. Acting as spokesperson for the Autonomous Heritage FC - ENERTOTAL.	4,251
	Velpa Soluciones Integrales S.A.	Impossibility of contracting with the State for a period of 5 years, product of the decision taken in the contracting process No. 2009 - 0974.	4,130
	Trainco S.A.	The nullity of resolutions Nos. 62.862 of 02/18/1997 and 65774 of 04/18/97 were declared invalid and through which the contract No. 9 / DJ-637/27 was unilaterally settled.	4,008
	Giovanny Alberto Vargas Castro	Moral damages due to landslide that was presented on 03/24/2006, in the village of La Loma in the township of San Antonio de Prado.	2,946
	Construciviles Ltda.	Breach of contract 1 / DJ-1680/41 whose purpose was to build two water storage tanks.	2,239
	Francisco Javier Casas Berruecos	Paid direct and direct victim relationship life damages.	2,034
	Various	Other processes of less than \$ 2,034 million pesos.	39,258
Total EPM			91,022

CENS	Chivor S.A. E.S.P.	That decree the termination of the contract of energy supply by CENS with the consequent condemnation to compensation of the corresponding damages.	14,052
	Luis Alberto Peña Villamizar Y Otros	They request the cancellation of legal and conventional social benefits between the period in which they were recognized the retirement pension and on August 31, 2009, the recognition of the additional allowance of June or fourteen month, compensation	2,844
	Elsa Reyes de Buitrago y Otros	Indexing of the first pension allowance, indexation of the same and recognition of interests at the maximum legal rate.	1,979
	William Alexis Ramírez y otros	Cesar in the charge for public lighting to the municipality of Cúcuta, reimbursement of the balances for public lighting to the municipality, payment of contractual and extracontractual damages. Pretense: \$ 928,023,004.78 Incentive: 15% of the value	1,244
	Jesus Efraín Ibarra Ochoa y otros	That the pension compatibility between the retirement pension recognized by CENS and the old-age pension recognized by the ISS pensions Colpensiones be declared.	889
	José Francisco -Arango -Bautista y Otros	To condemn those responsible for the damages suffered by virtue of the traffic accident occurred on November 2, 2012 on the road leading from Aguachica to Gamarra and consequently the following amount is recognized: \$ 722,162,659.24	734
	Carmen Alicia Rodriguez y Otros	Indexing of the first pension allowance, indexation of the same and recognition of interests at the maximum legal rate.	715
	Ismael Cruz Cardozo y Otros	To declare to the nation Ministry of Defense National Army and to CENS S.A E.S.P. Jointly and severally, administratively and patrimonially responsible for the damages of the material and moral order and damage in the life of relationship, caused to the	617
	Ermelina Pérez de Rivera y Otros	Recognition of payment of contributions to social security (12% on the pension allowance), and also to refund the contributions left to be paid from the pension sharing date.	527
	Yesid Jaimes y Otros	Readjustment pension according to article 1 of Act 71 of 1988, pay retroactive to the amounts left to cancel, the respective indexation and default interest.	419
	Luis Alberto Peña Villamizar	That the monies that were deducted illegally from his liquidation, due to salaries and social benefits caused in the period between December 1, 2008 and the date of withdrawal of the company, be canceled.	350
	Jesús Alejandro Sinisterra	To cancel the monies that were deducted illegally from his liquidation, in terms of wages and social benefits caused in the period between May 18, 2009 and the date of retirement of the company.	207
	Cesar Augusto Labastidas Arias	Recognition of an employment contract to work continuously from December 11, 2001 until January 9, 2006.	200
	Melba Sofía Nieto	It requests recognition and payment of the pension adjustment established in article 116 of law 6 of 1992 and its regulatory decree 2108 of the same year.	162
Otros	Labor groups are grouped for \$ 1,281,797,918 and administrative for \$ 336,711,911	1,619	
Total CENS			26,558

CHEC	José Gustavo Morales Guarín and others (41)	Compensation for damages	7,190
	Albeiro Valencia y otros (26)	Compensation for damages	4,165
	Jairo Castaño Hoyos y otros	Compensation for damages	2,571
	Norma Cecilia Osorio Montoya	Compensation for damages	1,821
	Lucía Mery Cárdenas	Compensation for damages	1,751
	Juan Alberto Betancur Soto	Compensation for damages	1,588
	Cartones y Papeles del Risaralda	Compensation for damages	1,583
	Sor Piedad Valencia García y otros	Full compensation for work accident damages Solidarity	1,108
	José Ancizar Trejos Henao y otros	Compensation for damages	1,023
	Compañía de Seguros Positiva S.A.	Compensation for damages	982
	John Fredy Venegas	Compensation for damages	981
	Aldibey Tapiero Cruz	Non-contractual civil liability	965
	Jesus Maria Osorio Giraldo	Compensation for damages	955
	José Fernando Jiménez Vélez	Payment professional fees	949
Others	Various	10,494	
Total CHEC			38,126
EDEQ	Donaldo Fabián Santander	That he be jointly and severally liable for the payment of any and all of the various damages caused to the claimants, due to the serious injuries suffered by Mr. DONALDO FABIÁN SANTANDER in events that occurred on July 11, 2012 in La Vereda la Palmera, jurisdiction of the Municipality of Salento (Q.) and when he performed his own work as linero.	2,197
	Maria Amparo Fernández Gil	That he be jointly and severally liable for payment of all damages, owing to the death of Mr. Otaño Sánchez.	2,008
	Paola Andrea Giraldo Cadrasco y otros.	Compensation for damages caused by the death of Wilmer Marín Marulanda due to an electric discharge from high voltage rope.	1,741
	Fanny Henao Cuervo	Compensation for damages caused by the death of a worker hired by a contractor engineer of Edeq in an accident occurred in the development of electrical works.	1,706
	Sorleny Gamba Aldana y otros	Statement of employer guilt in the work accident suffered by Mr. Golver Enrique Rincón Yate in events occurred on October 10, 2007 when he was doing electrical work in the circuit Baraya el Cusco, in the service of the contractor Julio César Arcila Espinosa and, consequently, Condemns the payment of full and ordinary compensation for damages.	1,229
	Luz Enidith Londoño Patiño	That it be declared to Edeq S.A. E.S.P. And to the Previsora SA, administratively and jointly and severally liable, for the damages derived from the death of Mr. Jorge Eliecer Quintero Ospina, which took place on September 30, 2011, by the sector of race 18 with 11th street of Armenia, Quindío.	995
	Leonilde Jiménez Chala	Compensation for the death of Mr. Sergio Antonio Zuluaga, which occurred as a consequence of the fall of the second floor of a building located in the La Lorena neighborhood of the city of Armenia. The death was caused by the fall, but the plaintiff attributed it to an electric shock. The autopsy report says that death occurred because of the fall.	835
	Sandra Liliana Palacio Castaño	Indemnification for easement of electric power conduction in the San Juan de Carolina Estate, of the Municipality of Salento.	800
	José Anibal Gallego Peláez	Declaration of Extracontractual Civil Liability for the material and moral damages derived from the injuries suffered by Mr. José Anibal Gallego Peláez in events that occurred on April 12, 2003 at the Antonio Nariño School in Pueblo Tapao.	572
	José Hugo Pinzón y Otros	Death of Mr. Alexander Pinzón Esquivel on 11-07-2011 when the advance of construction work in a work that was carried out in Cra 22 No. 15-45, Urbanization the Alamos of Armenia, a steel rod that manipulated makes contact with A primary line of electrical energy which generates an electric shock that causes death.	515
	Sandra Milena Sánchez	That it be declared administratively responsible to Los Codemandados for the acts and omissions that caused the death of Mr. Otaño Sánchez, and that as a consequence of said statement, the Co-claims are ordered to pay damages that occur according to the established amounts In the Petition; In addition, it requests a condemnation in costs to the demands.	491
	Maria Lindelia Vargas Molina	Compensation for damages caused by the death of a worker hired by a contractor engineer of Edeq in an accident occurred in the development of electrical works.	458
	Hugo de Jesús Marín García	The plaintiff claims payment of 200 s.m.l.m.v. For moral damages, plus future loss of earnings, without calculating.	347
	Erick Alex Aguirre	Compensation for injuries caused by electric shock of internal transformer of Edificio Pardo Cruz Armenia.	229
Constructora Buendía Ltda.	Claim for the largest amount of underground work in the center of Armenia in the reconstruction process - the plaintiff was hired by the NGO Chamber of Commerce with resources from FOREC.	105	
Total EDEQ			14,228

ESSA	Municipio de Bucaramanga	Nullity of resolutions No. 35 of December 18, 2008, issued by the Secretary of Finance and Tax of the Municipality of Bucaramanga, with which modified the Private Declaration of Industry and Commerce of the year 2006 of the taxpayer.	4,507
	Municipio de Bucaramanga	Nullity of resolutions No. 34 of December 18, 2008, issued by the Secretary of Finance and Tax of the Municipality of Bucaramanga, with which modified the Private Declaration of Industry and Commerce of the year 2006 of the taxpayer.	3,446
	Hernán Uribe Niño	Work accident claim, which generated certificate of disability due to non-compliance with prevention measures and health standards by ESSA.	1,071
	Eduardo Portilla Plata	That ESSA be declared extra-contractually liable for the damages caused to the claimant.	969
	Juan Gabriel Henao	Work accident claim, which generated certificate of disability due to non-compliance with prevention measures and health standards by ESSA.	880
	Edwin Anaya Nieves	That ESSA be declared extra-contractually liable for the damages caused to the claimant.	806
	Concepción Rueda	It is administratively declared responsible for ESSA for the death of Mr. Luis Alberto González, consequently, full compensation for the moral and material damages caused to his spouse and children.	704
	Alberston Carmona Castaño	Solidarity responsibility labor contract.	422
	Municipio de Bucaramanga	Resolution 869 of June 16, 2011, issued by the Municipal Treasury of Bucaramanga, by means of which an official review liquidation was made to the taxpayer ELECTRICADORA DE SANTANDER for the taxable year 2008.	351
	Ludy Bueno y Alberto Guerrero Hernandez	Compensation for material, moral, caused damages.	350
	Pablo Arturo Niño Lopez	Demand for salary readjustment and relinquishment of the integral salary.	323
	Martha Cecilia Rodriguez Ardila y Otros	The plaintiffs request that ESSA be held liable for all of the damages caused to the claimants by the acts in which Mr. Hugo Feliz Duarte Rojas was killed.	319
	José Milton Salazar Sierra	If ESSA is declared S.A. E.S.P. Responsible for pecuniary damages caused to the claimant, as a result of the failure of the service for omission and partial permanent occupation of the property of his property.	247
	Municipio de Bucaramanga	Inapplication for illegality of article 68 of the agreement No. 039 of 1989, by which the municipal statute of the tax of industry and commerce and warnings is issued	171
Otros	Other processes.	755	
Total ESSA			15,321

ENSA	Yaneth E. Cristóbal	Ordinary civil procedure for personal involvement.	945
	Alex Montenegro y otros	Civil process for development of the Llano Bonito substation project.	367
	Electrical Technology	Civil process for discount made on your billing.	19
	Leandro Carasquilla	Civil liability for damages in equipment.	8
Total ENSA			1,339
DELSUR	Otras Contingencias Legales	Other legal claims.	454
	Contingencia Tarifa SPE 2006-2007	Claim for overcharges	285
	Getcom Internacional, S.A de C.V.	Electric Power Charges.	144
	Salvaplastic, S.A. de C.V.	Compensation for damaged appliances.	79
	Lactosa, S.A. de C.V.	Compensation for damaged appliances.	79
	Luis Fernando Gómez Gallegos	Removal of electrical infrastructure.	47
	Agepym	Claim by rate classification.	34
	Otras Contingencias Comerciales	Other commercial pretensions.	30
Total DELSUR			1,152
Other subsidiaries	Emvarias		4,178
	Aguas Nacionales		1,265
	Empresas Publicas de Oriente		129
	Regional de Occidente		28
	Aguas de Antofagasta		996
Total other subsidiaries			6,596
Total Litigation			194,342

- Figures expressed in millions of Colombian pesos -

26.1.4 Joint Ventures

It corresponds to contingent considerations related to the acquisition of the subsidiaries Espiritu Santo Energy S. de R.L. and Empresas Varias de Medellín S.A. E.S.P. - EMVARIAS, the balance as of December 31, 2016 amounted to \$ 129,076 (2015: \$ 135,123) and \$ 18,337 (2015: \$ 17,468), respectively.

The main assumptions considered in the calculation of the provision associated to Espiritu Santo Energy S. de R.L. are: estimated date of occurrence of milestones associated to the contingent payment, probability of occurrence associated, and additionally the discount of the flows of payments was considered applying a discount rate (Libor Rate) in accordance with the risk of the liability. As of this date no future events have been evidenced that may affect the calculation of the provision.

The main assumptions used in the future events of the contingent consideration related to the acquisition of EMVARIAS are: ongoing litigation against EMVARIAS at the date of the transaction, definition of the year of materialization of each litigation, definition of the related value To each of the disputes, estimate of future contingent expenses related to the litigation estimated for each year and fixed TES rate to **discount future** contingent expenditure flows. To date, there have been no future events that could affect the calculation of the provision.

26.1.5 Other provisions

Includes in the affiliate Aguas Nacionales EPM S.A. E.S.P. provisions for \$6,680 related to some controversies that presented the Consortium CICE to the Committee of Controversies and Claims for Contracts. The major assumptions considered in the calculation for each type of provision are the same that are applied to the litigations. As of this date no future events have been evidenced that may affect the calculation for the provision.

The Group maintains other provisions for events such as: employer's policy, multiplier points, Somos program, technical reserve and provision for high-cost and catastrophic diseases, compensation to customers for non-compliance with the quality of service standards, which are regulated by the Authority National Public Services of Panama (ASEP), provision for compliance with the indicators of quality and energy not served.

The main assumptions considered in the calculation for each type of provision are:

Employer policy: Awarded to EPM servers as an extralegal benefit. An aggregate deductible was contracted from November 1, 2016 through December 31, 2018, for \$ 5,500. The main assumptions considered in the calculation for each type of provision are: discount rate TES fixed rate, estimated value to be paid and estimated date of payment. To date, there have been no future events that could affect the calculation of the provision.

Multiplying points: For every point 1.0% of the Minimum Monthly Legal Salary in Effect (MMLSE) will be recognized. One point for an immersion - study of foreign language - is equivalent to 3% of the MMLSE of the period to be provisioned. A percentage of 90% of the points corresponds to claim in cash at the time the points are earned. The remaining 10% is estimated for immersion.

Program Somos: The program operates under the modality of accumulation of points. According to the statistics' behavior the points are accounted for with a probability of 80% redemption.

Technical reserve: The base to calculate the reserve is that corresponding to all the authorization of services issued and that on the closing date in which the reserve is going to be calculated have not been collected, except those that correspond to authorizations with over twelve months of issue or those that after at least 4 months of having been issued, there is evidence that they have not been used.

High cost and catastrophic diseases: The base for calculation of said provision is that corresponding to the analysis of the entire population served of affiliates and beneficiaries of the Entidad Adaptada de Salud (EAS) of EPM, that suffer any of the authorized pathologies.

Delay transmission projects: This provision is due to the payment of guarantees by EPM for the non - entry into operation of the Bello - Guayabal - Ancón and Nueva Esperanza projects.

For other provisions, the main assumptions considered in the measurement are: It is estimated that the life expectation, estimated payment date, estimated payment value, discount rate calculated with reference to the market returns of bonds issued by the National Government

As of this date no future events that could affect the calculation of provisions have been evidenced.

26.1.6 Estimated payments

The estimate of the dates on which the Group considers that it will have to face the payments related to the provisions included in the Consolidated statement of financial position as of the report date, is the following:

Concept	Dismantling or restoration	Onerous contracts	Litigation	Business combination	Others	Total
2017	14,678	16,646	48,404	119,583	58,978	258,289
2018	13,575	10,209	38,799	10,709	3,387	76,679
2019	5,601	2,065	3,140	11	2,870	13,687
2020 and others	25,645	55,079	70,448	6,629	7,306	165,107
Total	59,499	83,999	160,791	136,932	72,541	513,762

- Figures expressed in millions of Colombian pe:

26.2. Contingent liabilities and assets:

The breakdown of liabilities and contingent assets is as follows:

Type of contingency	Contingent liabilities	Contingent assets	Net
Litigation	716,410	200,491	(515,919)
Guarantee	233,630	133	(233,497)
Others	52,054	-	(52,054)
Total	1,002,094	200,624	(801,470)

- Figures expressed in millions of Colombian pesos -

The Group has litigations or procedures that are currently in process with the legal, administrative and arbitration bodies. Taking into consideration the reports from the legal counsel it is reasonable to estimate that those litigations will not affect significantly the financial position or solvency, even assuming an unfavorable conclusion of any of them.

As of December 31, 2016, the net estimated value determined by the experts payable by the Group in respect to the contingent liabilities and assets is of \$801,470.

The detail of contingent liabilities and assets are indicated below:

Contingent liabilities:

In respect to the uncertainty of the estimated payment date and the estimated value payable, for the contingent liabilities the same business rules indicated in note 26.1.3. Litigations apply.

Company	Third Party	Claim	Value
EPM	Federación Nacional de Cafeteros	Recognition and payment of investments made by the Colombian National Coffee Growers Federation in electrical infrastructure works.	99,643
	Compañía Minera La Cuelga Ltda.	Compensation for all economic damages caused to La Cuelga Mining Company, which have their origin in the works of execution, filling of the reservoir and start-up of the Porce III hydroelectric project.	32,284
	ALOS Transporte S.A.	EPM be ordered to enable and classify Alos Conveyors within the contracting process PC-2009-0480, provision of the ground transportation service.	21,110
	Juan Carlos Cárdenas Arboleda	EPM and other entities shall be held liable for damages caused to the claimants by landslides in calle Vieja in the neighborhood of La Gabriela de Bello on December 5, 2010 and be ordered to pay damages.	19,284
	Transportadora de gas Internacional TGI S.A. E.S.P. - TGI S.A. E.S.P.	That it will be declared that contract ESTF -026-2008 binding on the parties is valid; that the charges will be those established in the contract and that they will be subject from the modifications established by the GREG.	13,590
	Aura De Jesús Salazar Mazo	Violate and jeopardize the collective right to destroy, interrupt and cut the ancestral horseshoe roads that lead from the village of Alto Chiri in the municipality of Briceño to the district of Toledo.	8,855
	Oscar Antonio Giraldo Avendaño	That EPM and other entities will be declared responsible for damages caused to the plaintiffs for landslide in Calle Vieja of the neighborhood La Gabriela Bello on Dec. 5/10.	6,194
	Industrias Lehner S.A.	That it will be declared that in the performance of contract No SCN-32253 an economic unbalance was produced between the performance by the parties and unfavorable to the contractor.	6,108
	CONINSA S.A.	That it will be declared that EPM incurred in a breach of contract No. 2/DJ-2183/43 and its additional covenants, for	5,557

Company	Third Party	Claim	Value
		the failure to pay the damages suffered, originating an economic unbalance by not having timely recognized the value of the higher costs suffered by the Consortium.	
	Alba Nancy Madrigal Maya	EPM and other entities of damages caused to the plaintiffs by landslide in calle Vieja of the district La Gabriela Bello in dec 5/10 are declared responsible.	5,463
	Doris Elena Quintero Cortés	EPM and other entities shall be held liable for damages caused to the claimants by landslides in calle Vieja in the neighborhood of La Gabriela de Bello on December 5, 2010 and be ordered to pay damages.	5,218
	Varios administrativos: Velpa Soluciones S.A., Alejandra Betancur Giraldo, Mateo Aristizábal Tuberquia, entre otros	Processes of less than \$ 5,218 million pesos.	144,822
	Demandas laborales	Reimbursements, salary levels, overtime, conventional benefits, among others.	10,795
	Municipios de Medellín y Yumbo	Industry and trade, special contributions.	4,552
Total EPM			383,475
Aguas Nacionales	Sintransmedes	Protect the public equity of the district, the administrative morality and the access to the efficient rendering of the public utility.	184,832
	Conjunto Residencial Tarento	Enforcement of guarantee: Monetary recognition for the damages caused in the strong rains that occurred in the month of March 2006, that caused a flood in the residential complex, where a works contract was underway where we were making the works audit.	7,864
	Maité Valderrama Forero	It binds Aguas Nacionales EPM for enforcement of guarantee by means of writ of March 2, 2012. Object of the Action repair of the damages caused by the floods in the neighborhood of Carmen Fontibon Bogota of March 17, 2006.	218
	Seguros Comerciales Bolívar S.A.	A pecuniary award for damages caused to one of the Insurer's customers due to a downpour that occurred in March 2006 that caused flooding.	552
	Maria Ismenia Rozo Ruiz	Monetary acknowledgment for the damages caused in a downpour that occurred in March 2006, which caused flooding in the Barrio El Carmen de Fontibón.	143
	Víctor Manuel Díaz Restrepo	Declaration of veneration of the collective rights of the administrative morality, the public equity, the access to public utilities and that the provision will be efficient and timely and to the Free Competition by effects of the subscription of contracts of operation-management that were took place with EAAB.	13
	Matilde Andrade de Palacios and others	To declare administrative and jointly responsible without dividing quotas of all the damages suffered by the plaintiffs because of the reckless and irresponsible conduct that caused the accident decisively.	2,213

Company	Third Party	Claim	Value
	CODECHOCO	That the company be sanctioned for the inadequate disposal of solid waste in the Marmolejo de Quibdó dump.	306
	Rosalba Valoyes Palomeque	That based on article 90 of the Constitution, the municipality of Quibdo, Aguas Nacionales EPM S.A. ESP, INGECOR S.A.S. will be declared administratively and jointly responsible for all damages caused by the injuries to Ms. Rosalba Valoy Palomeque.	561
	Higinio Mena Córdoba	That based on art. 90 of the CN, declare administrative and jointly responsible to the municipality of Quibdó, Aguas Nacionales EPM S.A. ESP and EPO in Liquidation for all damages and losses caused by the injuries to Mr. Higinio Mena Córdoba	278
	Adrián Heber Murillo Ortiz	That the Municipality of Quibdo, Aguas del Atrato and Aguas Nacionales EPM S.A. E.S.P, be declared administratively responsible without quota division of participation for all immaterial damages of a moral type, of alteration to the conditions of existence and material in the modality of consequential damage suffered by all plaintiffs, caused by the negligent, imprudent and irresponsible conduct that originated in a determinant manner the accident that caused damages to Mr. ADRIAN HEBER MURILLO ORTIZ occurred on May 30, 2014.	1,263
	Carlos Martínez Pino	That the Municipality of Quibdo, Aguas Nacionales EPM S.A. E.S.P, Aguas del Atrato and Empresas Públicas de Quibdo en Liquidation, be declared civil and administratively responsible for the damages caused (injuries) to Mr. Carlos Martinez Pino, when the latter fell the in a sewer located in the neighborhood of Medrano Las Brisas Sector, Municipality of Quibdo.	38
	Consorcio CICE	Recognition of the excess financial costs in the performance of the contract of the WWTP of Bello.	52,054
	EEAAB	Recovery for payment by EAAAB of the judgment of direct repair of Clara Marina Pintor for damages in the execution of works of those that National Water was the works auditor.	20
Total Aguas Nacionales			250,355
Emvarias	Beatriz Elena Restrepo Rendón	Solidarity with CORPRODEC	20
	Francelly Zulieth Duque López	Liability for solidarity with Coomultreevv contract 140 of 2010.	20
	Fabiola Londoño Higueta	Liability for solidarity with Coomultreevv cctocontrato 140 of 2010.	20
	Juan Guillermo Gonzalez Velasquez	Labor liability for solidarity with Coomultreevv cctocontrato 129 of 2010.	20
	Martha Cecilia Echavarría Rojas	Liability for solidarity with Coomultreevv cctocontrato 140 of 2010.	20
	Iván de Jesús Grisales Cano	Labor responsibility for solidarity with Came 093.	20
	Luz Dary Echavarría Rojas	Work responsibility with Coomultreevv	20
	Jesús Alberto Cifuentes Ospina	Partial nullity of Resolution No. GNR 47228 of February 20, 2014, by means of which Colpensiones recognizes an old-age pension.	20
	APEV Laura Chica Valencia	Pension substitution.	20

Company	Third Party	Claim	Value
	Luis Fernando Hernández	Direct repair by pruning and cutting.	9,070
	Superintendencia de Servicios Públicos Domiciliarios	Non-compliance with the standard.	200
	Superintendencia de Servicios Públicos Domiciliarios	Non-compliance with the standard.	3
Total Emvarias			9,453
Aguas de Malambo	T & A Proyectos Ltda.	That an order to pay be issue against Aguas de Malambo S.A. E.S.P. and in favor of T&A Proyectos Ltda., for the sums of money represented in the Invoice No. 0175 of 01/08/2013 and minutes of execution of works No. 8 of 15/03/2013 to 28/03/2013 of the Works Contract No. 022-2012-AM, as well as the default interest applicable.	565
	Delfidia Matilde Pertuz Pedroza	Direct recovery for administrative liability of damages of a material and immaterial nature for the accident suffered by the later, on August 13, 2015, on occasion of a fall suffered by her when walking by Calle 4 2 between carreras 4 South and 5 South of the Municipality of Malambo - Atlantico, for bad management of waste water that caused a crater and subsiding of the mentioned street.	26
Total Aguas de Malambo			591
CENS	Orlando Emiro Conteras Velasco and others	That it be declared that the claimants are entitled throughout their entire pension life, to the pension being adjusted according to the parameters indicated in article 1 of Law 71 of 1988 and not to those established in article 14 of Law 100 of 1993 .	1,800
	Geomara Carreño and others	That the defendant entities and legal entities are declared, are administrative, patrimonial and civilly responsible for the damages and damages caused to the accusers by the injuries suffered by the minor Frayner Fernando Arango Carreño, when being imprisoned by a pole of the electrical energy system .	1,215
	Jeison Orlando Ortiz Vargas and others	That CENS and the Municipality of Aguachica- Municipal Planning Secretary of Aguachica (Cesar) be administratively responsible for the total damages caused to the plaintiffs for the death of Mr. Fabio Alberto Ortiz Valenzuela.	736
	German Francisco Silva Colmenares y German Francisco Silva Bermúdez	That CENS be declared responsible for the fire that occurred in the farm called the Danube, in which 4 horses were killed and a cédbreira was burned and that is condemned to the sum of: emergent damages: \$ 96,050,739 and \$ 361,754,533. Loss of income: \$ 181,531,530. Moral damage: \$ 50,000,000	711
	Julio Cesar Peña Villamizar and others	Condemn CENS to pay the sum of 800 SMLMV for moral damages in favor of the plaintiffs and 8 SMLMV for material damages, as well as the costs of the process.	559
	Luis Freddy Vergel Torrentes	That it be condemned to CENS responsible for the fire caused in the haciendas La Tora and the Azufrada, ordering him the payment of the damages of the following way: -For emergent damages an approximate value of \$ 231,324,485. - Loss of income taxed at \$ 170,973,000.	447

Company	Third Party	Claim	Value
	Carlos Augusto Rangel Álvarez and others	Conventional Benefits	331
	Carlos Augusto Ropero Gaona	That it be declared that CENS has violated fundamental rights of the actor, due to the company's disengagement with violation of due process to which it was submitted from February 7 and 18, 2013 and the consequent refund.	286
	Manuel Jesús Navarro Andrea Yisela Olivos Sánchez Deimar Javier Valderrama Olivos Manuel Stiven Navarro Olivos	To declare administrative and extracontractual responsibility to CENS for the damages caused to the plaintiffs on the occasion of the death of the minor Katherine Dayana Olivos Sánchez, which occurred on May 11, 2013 in Cúcuta.	274
	Condominio Banco Santander	Declare the nullity of resolutions 442275 of 11/24/06 and 443833 of 03/01/07 issued by CENS, by way of restoration of the right to comply with resolution 44038 of 09/10/06.	240
	SYM Ingeniería Ltda. e Inecel Ltda.	That it be declared to CENS responsible extracontractual and administratively for declaring the inability of the plaintiffs to contract with the State and as a consequence of the above, economic damages for loss of opportunity in the amount of \$ 177,622,565	209
	Oscar Sánchez Molina Parra	It is stated that the accident suffered by the complainant was caused by CENS S.A. E.S.P. As an employer. To condemn to pay the material, moral, material loss, loss of profit, emergent damages and physiological damages caused by the work accident, as well as to the payment of the indemnity established in the collective agreement in force at the date of the work accident. Additionally, it claims payment of interest arrears.	176
	Álvaro Ascanio Ropero And others	It requests the recognition and payment of the pension established in article 63 of the Collective Labor Convention of CENS, ordinary and additional allowances that have been caused, interest arrears and indexation.	175
	Agrícola de la Llana LTDA	To declare CENS civilly responsible for the material and moral damages suffered by the plaintiff company, that was forced to eradicate 145 African palms and permanently clear the area occupied by the energy networks that are in the properties of the farm Los Pampanos and El Delirio located in the Municipality of Tibu.	155
	Doris Rangel Sierra	Conventional Benefits	106
	Otros	Other	807
Total CENS			8,227
CHEC	Honorio Herrera López	That CHEC will be administrative and materially responsible for the damages caused to the group of plaintiffs generated by the water release of the San Francisco Lake.	11,000
	Municipio de Salamina	Value of the energy failed to generate and commercialize.	4,806

Company	Third Party	Claim	Value
	AES Chivor & Cía S.C.A. E.S.P.	Indemnification for damages.	3,924
	María Marleny Montoya De García	For damages of a material and immaterial damages.	3,283
	Mauricio Vélez Giraldo	Damages	2,175
	Heriberto García Giraldo	Damages	1,916
	Lucía Mery Cárdenas	For moral damages	1,655
	José Gustavo Morales Guarín and other 40	For moral damages	1,362
	Positiva Compañía de Seguros SA	Refund of mathematical reserve of capital created.	994
	Oscar Nicolás Osorio Ciro	Claims for moral damages.	917
	Jesus María Osorio Giraldo	Claims for moral damages.	797
	Alba Lucía Huertas Bohórquez	For moral damages.	644
	Andrés Mauricio Arenas Bolívar	Indemnification for injuries.	589
	Alfredo Carvajal Gonzáles	Claim for moral damages	483
	Unidad Administrativa De Gestión Pensional Y Contribuciones Parafiscales De La Protección Social	To declare the partial nullity of the official assessment No. RDO 513 of March 28, 2014	350
	Others	Other processes	791
Total CHEC			35,686
EDEQ	Danielly Arcila de Gil and others	That the defendants will be declared responsible for administrative, extracontractual, joint and material damages for the injuries suffered by Ms. Danielly Arcila de Gil, which are consequence of the fallsufferend by an iron hook thaforms a part of the coupling box, which is made of concrete and that belongs to the Municipality of Armenia the Empresas Publicas de Armedia E.S.P. and the Empresa de Energia del Quindío S.A. E.S.P. Public Utility Company - EDEQ	2,816
	Donaldo Fabián Santander	That the defendant will be jointly ordered to the payment of all each an all the damages of various kinds caused to the plaintiffs, because of the serious injuries duffered in event occurred on July 11, 2012 in the Village of Palmera, jurisdiction of the Municipality of Salento (Q) and when they performed the tasks proper of their job as lineman.	2,341
	María Amparo Fernández Gil	The it will be ordered jointly to the payment of all damages, because of the death of Mr. Otalvaro Sanchez.	2,172
	Paola Andrea Giraldo Cadrasco and others.	Indemnification of damages caused for the death of Wilmer Marín Marulanda on occasion of the electric shock from a high voltage cable.	1,705

Company	Third Party	Claim	Value
	Willson Grisales Henao and others	Declaration of employer fault in the work accident suffered by Mr. Wilson Grisales Henao in events occurred on October 17, 2012 when he was performing electrical tasks in the farm La Montaña, village Pekin municipality of Quinbaya by the contractor EDEQ INGELEL S.A.S., therefore it orders to the payment of the full and ordinary indemnification for damages. EDEQ is jointly sued.	1,380
	Luz Enidith Londoño Patiño	That EDEQ S.A. E.S.P. and Previsora S.A. be declared administratively and jointly responsible for the damages derived from the death of Jorge Eliecer Quintero Ospina, that took place on September 30, 2011 in Armenia, Quindio.	1,059
	Leonilde Jimenez Chala	Indemnification for the death of Mr. Sergio Antonio Zuluaga, as consequence of the fall from the 2nd floor that according to the plaintiff he attributes it to an electrical shock.	892
	Jhon James Montoya Marín and others	That the defendant entity be declared administratively responsible for the damages caused to Mr. Jhon James Montoya Marin and Others as consequence of an electrical shock caused by a electrical conduction cable.	639
	José Anibal Gallego Peláez	Declaration of extracontractual Civil Liability for material and moral damages derived from the injuries suffered by Mr. Jose Anibal Gallego Pelaez in events occurred on April 12, 2003 in the school Antonio Nariño of Pueblo Tapao.	587
	Sandra Milena Sánchez	That the co-defendants will be declared administrative responsible for the events and omissions that caused the death of Mr. Otalvaro Sanchez, and that as consequence of that declaration the Co-defendants will be convicted.	524
	Leonardo Castaño López	That it will be declared that Mr. Leonardo Castaño Lopez was dismissed without a cause and therefore it is entitled to the indemnifications that situation involves.	419
	Jhon Jairo Rendón Londoño	A complaint is filed against Instelec and jointly against EDEQ for the presumptive dismissal without a cause of Jhon Jairo Rendon Londoño and the payment of indemnification for termination without a cause, moral damages, severance pay and court fees is requested.	15
	Reinel Giraldo	Complaint filed by Reinel Giraldo against EDEQ and Colpensiones to be granted payment of the 14th month pension payment.	7
	Francisco Luis Uribe Delgadillo	Complaint filed by Francisco Luis Uribe Delgadillo against EDEQ and Colpensiones to be granted payment of the 14th month pension payment.	7
	Jairo Moncada Galvis	Complaint filed by Jairo Moncada Galvis against EDEC and Colpensiones to be granted payment of the 14th month pension payment.	5
Total EDEQ			14,568
ESSA	TOMON Ltda.	It is requested that the existence of a strategic alliance contract between Essa and the Temporary Union "San Gil enlightened" be declared,	8,344
	TOMON Ltda. (AD-Excludendum)	The Santander Electrificador, TOMON LTDA and electric utilities, shall be jointly and severally liable to pay San Gil ill. S., Emergent damages and loss of profits for breach of contract.	8,344
	José Manuel Hernández Reyes	That Electrificadora de Santander SA ESP be declared responsible for material and moral damages caused for failure or lack of the service or of the administration on occasion of the undue and permanent location of the electric	4,100

Company	Third Party	Claim	Value
		interconnection tower in the property located at Transversal 25 No. 1-160 neighborhood Ruitoque Bajo of Floridablanca.	
	Helena Morales Pabón Blanca Amelia Morales Castillo and others	Declarar administrativamente responsable a Essa por los perjuicios morales y a la vida de relación ocasionados por el deceso de Joselin Morales Pabón ocasionado por electrocución	2,476
	Gerson Emanuel Duarte Pabón	That Essa will be declared responsible for the damages caused to Gerson Duarte and its Family Group (4 people) for the damages derived from the improper location of energy networks that caused the electrocution of the plaintiff on July 30, 2011 when working in the property located at Calle 10 with Carrera 14 No. 10-37 neighborhood San Antonio de Piedecuesta. That Essa will be ordered to pay for the material and moral damages derived from this event.	2,470
	Ana Aydee Prada Ochoa	Payment of compensation for the death of Mr. Alirio Silva in an accident at work in the municipality of San Joaquín	1,582
	Carlos Enrique Perez	To declare administratively responsible to Essa for material and immaterial damages for failure of the service that originated the death for electrocution of Carlos Yovani Perez Diaz.	1,500
	Promotora Agrotropical Colombia S.A.S.	That the non-fulfillment be declared of commercial offer No. on-013-2008 of October 3, 2008 and Essa be ordered to pay the corresponding damages.	1,064
	Lida Consuelo Becerra Cartagena and others	To declare administratively responsible to Essa for material and immaterial damages for lack in the service by negligence in the acting by Essa that led to the death of Rodrigo Becerra Zarate.	789
	Gloria Edilse Gómez	That Essa will be declared administratively responsible for the death by electrocution of Omar Mendez Lozano and be ordered to pay moral and material damages.	788
	Carlos Eduardo Solano Socorro Camacho	To declare Essa administratively responsible for material and immaterial damages caused by the death by electrocution of Mauricio Solano Camacho.	684
	Luis Ernesto Acevedo Silva	That Essa will be declared responsible for injuries, after effects, loss of work capacity and other damages suffered by Luis Ernesto Acevedo by the fall caused by colliding against the pole located near Balcon del Tejar.	508
	Ana Mercedes Leal and others	To declare Essa jointly responsible for the damages caused by the death in work accident of Oscar Alberto Camacho Lean worker of MECM	503
	Carlos Abel Pérez Mantilla and others	That Electrificadora de Santander SA ESP be declared responsible for moral damages for the death by electrocution of Brayan Alexis Perez Velandia.	499
	Osmel Rodriguez	Work accident	460
	Otros	Other Processes	6,351
Total ESSA			40,462
ADASA	Superintendency of Sanitary Services (SISS)	Penalization process for deficiency in the quality of the Potable Water during the months of November and December 2015.	74
	Superintendency of Sanitary Services (SISS)	Penalization process for deficiency in the continuity and mandatory nature of the Potable Water distribution service.	74

Company	Third Party	Claim	Value
	Superintendency of Sanitary Services (SISS)	Penalization process for deficiency in the continuity of the Potable Water supply service in certain sectors of Antofagasta.	74
	Superintendency of Sanitary Services (SISS)	Penalization process for nonfulfillment in time and manner of the instructions issued and notified by SISS.	74
	Superintendency of Sanitary Services (SISS)	Penalization process for having incurred in infractions that entail deficiencies in the Potable Water supply service in the locations of Antofagasta and Calama.	74
	Superintendency of Sanitary Services (SISS)	Penalization process for having incurred in infractions that entail the fulfillment of the obligation to establish the reading of meters in a cycle of 33 days.	74
	Rubén Tapia con Aguas Antofagasta S.A.	Civil complaint of indemnification of damages in vehicle caused by works on the public roads.	54
	Humberto Rojo Vásquez and other	Civil complaint of indemnification of damages for logging Potable Water	211
	Inmobiliaria vistas Antofagasta	Civil complaint of indemnification of damages breakage of matrix.	224
Total ADASA			933
ENSA	Autoridad Nacional de los Servicios Públicos	To guarantee obligations	45,011
	Compañías generadoras	To guarantee obligations	178,106
	Empresa de Transmisión Eléctrica S.A.	To guarantee obligations	3,766
	Empresa de Transmisión Eléctrica S.A.	To guarantee obligations	5,475
	Ente Operador Regulador de El Salvador	To guarantee obligations	1,272
	Autoridad Nacional de los Servicios Públicos	To guarantee obligations	21,185
	Others	Other Processes	3,529
Total ENSA			258,344
Total contingent liabilities			1,002,094

- Figures in millions of Colombian pesos

Contingent Assets:

Litigation

Third Party	Claim	Value
EPM		
Ministry of Environment and Territorial Development	Declaration of nullity invoked, declare that within the costs related to the construction and operation of the Porce III Hydroelectric Project, EPM may include costs related to readjustments and other concepts.	4,295
Electrical Interconnection S.A. E.S.P. ISA	It is civilly responsible for not recognizing EPM's share of the remuneration that ISA received between 1995 and 1999, for the line modules that correspond to assets of use of the STN in the substations Playas and Guatapé.	2,846
Poblado Club Campestre Ejecutivo S.A.	Responsibility for the damage of the EPM owned collector, which collects and transports wastewater from the sanitary basin of the La Honda stream in the municipality of Envigado.	2,651
Municipality of Envigado	Declare the inapplicability of Decree 259 of August 14, 2002 of the Municipality of Envigado, "By means of which urbanistic sanctions are established", as it is contrary to the Political Constitution, the Law and the Public Utilities Regime.	768
Seguros Generales Suramericana S.A.	Payment warrant is filed against Suramericana de Seguros S.A. And in favor of EPM, plus default interest since September 23, 2002.	653
Society Vélez Arango y Cía. SCA	Expropriation servitude of two farms: the tank the pines and the tank of pumping located a lot of greater extension identified M.I. 017-512 and 017-513 of the Vélez Arango Society required for the Valle San Nicolás aqueduct project.	413
Other administrative staff: Caridad Marín Vélez, Leonardo Ramírez Montoya, among others	Processes of less than \$ 413 million pesos.	533
Municipality of Bello	Integral nullity of the complex administrative act contained in Resolutions 2717 of 2009 and 0531 of 2010. PTAR Bello.	96,110
Municipality of Bello	Reimbursement of monies paid by EPM for the purpose of determining and liquidating the goodwill effect, PTAR Bello.	89,917
SENA	Nullity in payment of contributions	268
Total EPM		198,454

Guarantee

The Group has granted the following guarantees:

Entity	Third Party	Claim	Value
ESSA	Seguros del Estado	Constituted and granted with the purpose of covering litigious (tax) proceedings against the Municipality of Bucaramanga	133
Total ESSA			133
Total contingent assets - guarantees			133

Estimated payments and collections

The estimate of the dates on which the EPM Group considers that it will have to face the payments related to the contingent liabilities or will receive the collections for the contingent assets included in this note of the consolidated statement of financial condition At the cut-off date, is as follows:

Year	Contingent liabilities	Contingent assets
2016	421,784	2,199
2017	47,047	-
2018	7,740	-
2019 and others	404,627	-
Total	881,198	2,199

- Figures expressed in millions of Colombian pesos -

Note 27. Other liabilities.

The composition of other liabilities is as follows:

Other passives	2016	2015
Non-Current		
Assets received from customers or third parties	36,030	39,805
Transfer of assets and financial guarantees	34,096	33,626
Government Grants	26,018	27,957
Other deferred receivables	21,298	20,989
Revenue received in advance	16,202	9,569
Collection for third parties (1)	10	10
Subtotal other non-current liabilities	133,654	131,956
Current		
Collection for third parties (1)	109,338	97,798
Revenue received in advance	76,026	110,772
Other deferred receivables	2	-
Government Grants	558	504
Subtotal other current liabilities	185,924	209,074
Total	319,578	341,030

- Figures expressed in millions of Colombian pesos -

(1) Corresponds to collection in favor of third parties for public lighting agreements, collection of receivables, sanitation service, taxes, among others.

27.1 Government grants

The detail of government subsidies as of the report date was:

Subsidies	2016	2015
Beginning balance	28,461	18,586
Granted during the period	255	5,862
Recognized in income for the period	(1,152)	(1,230)
Difference instead, conversion adjustment	(988)	5,243
Closing Balance	26,576	28,461
Non-Current	26,018	27,957
Current	558	504
Book value at 31 December	26,576	28,461

- Figures expressed in millions of Colombian pesos -

The EPM Group received during the period grants from the Inter American Development Bank -IADB - for the financing program to medium and small companies; by Financiera del Desarrollo - FINDETER - as favorable rate credit for the construction of water and sewer infrastructure; by Fondo para la Reconstrucción del Eje Cafetero - FOREC - for the reconstruction of power networks as a consequence of

the earthquake the coffee growing area; by the Fondo Financiero para Proyectos de Desarrollo - FONADE - for the promotion of telecommunications in rural schools and by the Oficina Electrificación Rural (Panama) and by the Fondo de Inversión Nacional en Electricidad y Telefonía (El Salvador) for the construction of rural electric infrastructure.

The EPM Group has not failed to comply with any of the conditions related to the grants.

27.2 Income received in advance

The detail of the income received in advance of the EPM Group as of the reporting date is the following:

Revenue received in advance	2016	2015
Non-Current		
Other income received in advance	11,175	3,853
Sale of energy service	4,220	4,547
Leases	807	1,997
Customer Service	-	(828)
Total income received in advance	16,202	9,569
Current		
Sale of energy service	56,155	32,958
Sale of fuel gas service	8,746	9,530
Customer Service	7,246	51,669
Other income received in advance	2,688	15,346
Sale of cleaning services	677	677
Leases	483	575
Sale of sewerage service	31	17
Total income received in advance	76,026	110,772
Total revenue received in advance	92,228	120,341

- Figures expressed in millions of Colombian pesos -

Note 28. Deferred regulatory accounts

The balance of the deferred regulatory accounts as of the date of presentation of the financial statements corresponds to the local regulatory framework of application to the subsidiary Elektra Noreste S.A. - ENSA, established by the National Authority of Public Utilities of Panama (ASEP). This entity is the one in charge of regulating and establishing the final rates that the Company bills to its customers. The company keeps its accounting records in accordance with the uniform accounts system established by the ASEP for electric companies.

The regulated system under which the company operates permits that any excess or deficiency between the estimated cost of energy considered in the rate and the actual cost incurred by the Company will be included as a compensatory adjustment, to be recovered from or refunded to the customers, in the next rate review. Any excess in the cost of energy charged to customers is accumulated as credit balance in deferred regulatory account in the balance sheets of the company and entails a reduction in the next rate review to be applied to customers. Likewise, any deficient in the cost of energy charge to customers is accumulated as debit balance in deferred regulatory account in the balance sheets of the company and entails an increase in the next rate review to be recovered from the customers.

The movement of the regulatory accounts is as follows:

Regulatory accounts	Assets (Liability)	
	2016	2015
Beginning balance	(59,891)	60,603
Recognized in income for the period	72,160	(97,720)
Effects on exchange rate / discount rate	3,544	11,260
Other concepts	-	(34,034)
Closing Balance	15,813	(59,891)

- Figures expressed in millions of Colombian pesos -

Balances associated to deferred regulatory accounts in accordance with the regulation must be recovered or refunded in the two following months.

The movement of the deferred tax associated to the regulatory accounts is the following:

Deferred tax associated with regulatory accounts	Assets (Liability)	
	2016	2015
Beginning balance	17,967	(18,181)
Increases	(21,792)	29,316
Effect on foreign currency translation	(919)	(3,378)
Other movement	-	10,210
Closing Balance	(4,744)	17,967

- Figures expressed in millions of Colombian pesos -

Note 29. Income

The detail of income from ordinary activities is as follows:

Ordinary activities income	2016	2015
Sale of goods	36,156	20,159
Provision of services		
Power supply ⁽¹⁾	11,706,597	11,400,232
Service of aqueduct ⁽²⁾	808,527	581,285
Fuel Gas Service	802,268	699,005
Sanitation service ⁽²⁾	537,383	502,797
Toilet service	178,602	147,739
Other services	114,592	105,392
Construction contracts	114,563	158,330
Insurance and reinsurance services	9,186	6,744
Computer Services	333	371
Returns ⁽³⁾	(76,987)	(47,147)
Total provision of services	14,195,064	13,554,748
Leases	62,954	57,472
Income from sale of assets	42,112	28,708
Total	14,336,286	13,661,087

- Figures expressed in millions of Colombian pesos -

- ⁽¹⁾ During The year presented two relevant situations that affected the commercial operation of energy:
- El Niño event in Colombia caused an increase of the average exchange price between the months of January and April, therefore, an increase in the income of generators.
 - In EPM, in the first half of the year, the unavailability of the Guatapé power plant due to the fire of the power cables was present.
- ⁽²⁾ For the subsidiaries in Colombia, a tariff change was presented with Resolutions CRA 688 of 2014 and CRA 735 of 2015 issued by the Commission for Regulation of Drinking Water and Basic Sanitation - CRA, which obligate the fulfillment of quality and coverage indicators and therefore Review of investments and operations in the two segments. (See Note 7 Impairment of Assets).
- ⁽³⁾ Includes the return of the charge for reliability tied to the lowest power generation for \$ 33,144 (2015:\$ -).

The EPM Group does not have ordinary income pledged, contingencies that have not been recognized affecting income, or firm commitments with customers for the provision of future services from which it is estimated that losses will be generated.

29.1 Construction contracts

The Group recognized revenue from ordinary activities for asset-building agreements within the scope of IAS 11 Construction Contracts at the Cut-Off Date \$ 114,563 (2015 \$158,330).

The method applied to determine the degree of progress of the previous construction contracts is the proportion of the costs of the contract incurred in the work already performed as of this date, in relation to the total estimated costs for the contract.

The Group recognized the following values in the period for the agreements in effect at the cut-off date described in the previous paragraph:

2016	Costs incurred plus profits recognized	Pending outstanding amounts	Expected losses	Total balance of the statement of financial position	Advances received from customers for construction contracts	Withholdings on payments
Convenios Municipio de Medellín	5,739	-	-	-	-	-
Convenio Electrificadora de Santander	3,545	-	-	-	-	-
Convenio Ministerio de Minas y Energía	1,325	-	-	-	-	-
Convenio Aguas 3 Municipio de Medellín	1,321	-	-	-	-	-
Convenio Aguas 7 Municipio de Medellín	833	-	-	-	341	-
Convenio Municipio de Caldas	584	-	-	-	174	-
Convenio Aguas 5 Municipio de Medellín	-	-	-	-	2,385	-
Convenio Aguas 6 Municipio de Medellín	-	-	-	-	6,803	-
Convenio Gobernación Urabá	-	-	-	-	1,000	-
Convenio Municipio de El Peñol	-	-	-	-	1,046	-
Convenio Municipio de Guatapé	-	-	-	-	3,118	-
Convenio Cornare	-	-	-	-	1,106	-
Convenio Aguas 8 Municipio de Bolívar	-	-	-	-	16,514	-
CENS - Contrato FAER GGC-105	998	-	-	864	864	-
CENS - Convenio Fundescat	115	-	-	133	133	-
CENS - Convenio Ecopetrol	105	-	-	444	444	-
CENS - Contrato Gobernacion	901	-	230	594	364	-
CENS - Contrato FAER GGC-313	351	-	-	87	87	-
Chec- Construcción subestación Armenia	23	-	-	-	1	-
Edeq - Parque del Café	280	-	-	-	-	-
Edeq - Movimiento De Infraestructura Eléctrica	57	-	-	-	-	-
Essa - FAER 302 de 2014	5,052	-	-	-	-	-
Essa - FAER 301 de 2014	2,070	-	-	-	-	-
Essa - PRONE 294 de 2014	944	-	-	-	-	-
Essa - PRONE GGC 383	340	-	-	-	95	-
Essa - CAFAR 44 2015	5,868	-	-	-	764	-
Essa - Gobernacion-ESSA Fase V	-	-	-	-	435	-
Essa - FAER 014	146	-	-	-	-	-
Essa - FAER GGC 426 2015	1,737	-	-	-	7,607	-
Essa - Audiencias Publicas	36	-	-	-	32	-
Ticsa - PEMEX Tampico	53,754	2,832	-	-	-	-
Ticsa- Gilbane Alberichi Piedras Negras	4,336	-	-	-	-	1,741
Ticsa - CBI Nava	8,209	-	-	-	-	-
Ticsa - PTAR's Tuchtlán y Páso el Limón	4,158	459	-	-	-	-
Adasa-contratos de construcción	502	-	-	-	-	-
Other construction contracts Group	11,237	-	-	-	145	-
Total	114,563	3,292	230	2,123	43,459	1,741

- Figures expressed in millions of Colombian pesos -

2015	Costs incurred plus profits recognized	Pending outstanding amounts	Expected losses	Total balance of the statement of financial position	Advances received from customers for construction contracts	Withholdings on payments
EPM Convenio Aguas 3 Municipio de Medellín	1,486	-	-	-	-	-
EPM Convenio Aguas 5 Municipio de Medellín	-	-	-	-	3,912	-
EPM Convenio Aguas 6 Municipio de Medellín	-	-	-	-	11,269	-
EPM Convenio Aguas 7 Municipio de Medellín	525	-	-	-	1,734	-
EPM Convenio Barbosa	15	-	-	-	1	-
EPM Convenio CM Caldas	-	-	-	-	381	-
EPM Convenio Electrificadora de Santander	3,323	-	-	-	-	-
EPM Convenio Empresas Varias de Medellín	209	-	-	-	-	-
EPM Convenio FAER 2 - Electrificación rural	-	-	-	-	646	-
EPM Convenio Municipio de El Peñol	-	-	-	-	1,000	-
EPM Convenio Municipio de Guatapé	-	-	-	-	1,000	-
EPM Convenio Cornare	-	-	-	-	1,106	-
EPM Convenio Aguas 8 Municipio Bolívar	-	-	-	-	16,850	-
EPM Otros convenios	-	-	-	-	245	-
CENS Contrato FAER GGC-105	4,356	-	-	-	1,821	-
CENS Convenio Fundescat	1,700	-	-	-	237	-
CENS Convenio Ecopetrol	2,548	-	-	-	411	-
CENS Contrato Gobernación	8,089	-	822	-	1,270	-
CENS Contrato FAER GGC-313	675	-	-	-	115	-
TICSA Plantas de tratamiento de aguas de Tuxtlán y Paso El	35,586	2,951	-	-	-	-
TICSA Planta de tratamiento de aguas de PEMEX Ciudad	44,816	44,816	-	-	-	-
TICSA Planta de tratamiento de aguas para Gilbane Alberichi en planta de Piedras Negras	40,683	-	-	-	5,470	-
Total	144,011	47,767	822	-	47,468	-

- Figures expressed in millions of Colombian pesos -

29.2 Leasing as Lessor

The most significant operating lease agreements are for the electrical infrastructure for the installation of telecommunications networks by the telecommunications operators. The contingent quotas of these leases are determined based on the updating of the IPP and IPC variables as well as the updating of the lease payments. The lease contracts contemplate the option of being renewed by mutual agreement between the parties and do not contemplate the purchase option.

The value of non-cancellable operating lease payments are:

Leases	2016	2015
	Non-cancellable operating leases	Non-cancellable operating leases
One year	41,765	18,523
More than a year and up to five years	15,976	35,041
More than five years	14,151	25,829
Total leases	71,891	79,393
Less - value of unearned interest	6,375	-
Present value of minimum lease payments receivable	78,267	79,393

- Figures expressed in millions of Colombian pesos -

The Group does not have recognized any provision for accumulated uncollectibility of minimum payments of rent receivable for financial leasing, and there are no residual values not guaranteed recognized in financial leasing.

Contingent lease income recognized in income for the period is \$ 16,854 (2015: \$ 15,463), of which \$ 16,067 (2015: \$ 14,853) are operating leases.

The Group as lessor, has not contracts that adopt the legal form of a lease but that in essence do not correspond to it.

Note 30. Other income

The breakdown of other income, which is part of income from ordinary activities, is as follows:

Other income	2016	2015
Reversal loss for property, plant and equipment deterioration (1)	685,550	-
Compensation (2)	480,621	2,706
Recoveries (3)	179,588	111,784
Other income	73,245	59,409
commissions	43,502	38,230
Reversal impairment loss intangible assets (1)	25,664	-
Achievements	7,664	8,620
Valuation of Investment Property	7,077	9,819
Reversal loss due to impairment of accounts receivable	6,468	18,271
Government Grants	4,017	9,428
Margin in the commercialization of goods and services	2,303	2,357
Fee	1,342	3,053
Sale of sheets	848	640
Leftovers	35	67
Photocopying	1	-
Total Other Income	1,517,925	264,384

- Figures expressed in millions of Colombian pesos -

- (1) Corresponds to the reversal of impairment in the Water Supply segment of EPM, detailed in Note 7 Impairment of assets.
- (2) Includes \$ 472,098 of compensation for lost profits and emerging damages recognized in EPM for the loss of the Guatapé plant.
- (3) Corresponds to recoveries of provisions of litigations in EPM.

Note 31. Costs for rendering of services

The detail of the costs for rendering services is as follows:

Costs for provision of services	2016	2015
Cost of public goods and services for sale (1)	6,723,659	6,562,089
Impairment of property, plant and equipment (2)	819,813	8,526
Depreciations	700,213	647,896
Personal services	622,874	541,357
Orders and contracts for other services (3)	553,687	509,904
Consumption of direct inputs (4)	479,571	338,187
Orders and contracts of maintenance and repairs (3)	331,763	315,629
Materials and Other Operating Costs	203,719	216,281
Impairment of intangible assets (5)	165,689	8,437
Licenses, contributions and royalties	133,299	110,649
General	105,935	89,236
Insurance	85,771	51,056
Fee	82,508	69,185
Amortization	82,136	35,234
Taxes and rates	63,933	60,707
Leases	42,402	32,158
Traded goods	22,813	22,353
Public services	21,471	21,085
Cost of losses in the provision of the aqueduct service	5,376	3,877
Insurance and reinsurance	5,074	-
Exhaustion	4,961	1,475
Value reduction inventories	468	564
Total cost of providing services	11,257,135	9,645,885

- Figures expressed in millions of Colombian pesos -

1. Includes the value of the purchases of energy in block and in the exchange, connection cost, use of lines, networks and ducts, cost of commercialization and distribution of natural gas, among other costs. The increase in those costs in respect to the previous period is due mainly to the increase in the prices of energy purchased in the exchange, STN, STR and SDL (National and Regional Transmission Systems and Local Distribution System) charges for higher sales to the NRM (non regulated market) and changes in the calculation according to the regulation; caused by the difficult climatic conditions (descent of water resources and low levels of reservoirs), especially during the first four months of 2016, when the phenomenon of El Niño became more acute and the unavailability of the Guatapé hydroelectric power plant since February 15, 2016, however, its operation began between April and June.
2. In 2016 corresponds to the impairment of recognized value on the property, plant and equipment of the cash generating units of the subsidiaries Parque Eólico Los Cururos Ltda. And Hidroecológica del Teribe S.A. (HET) for \$ 215,156 and \$ 39,991, respectively. In addition, it includes the deterioration in the Sanitation segment of EPM for \$ 564,429. See detail in note 7. Impairment of assets.

3. Includes the value of maintenance and repairs orders and contracts of buildings, machinery and equipment, land, network lines and ducts, plants and other services such as cleaning, surveillance, security, taking readings, and installations, among others.
4. It includes the cost of chemical products, fuel gas, energy, ACPM and fuel oil, which basically increased due to the higher consumption of gas and ACPM for power generation in the EPM's La Sierra thermoelectric plant in the first four months Of 2016 and due to restrictions and deviations, due to the generation of energy with liquid fuels throughout the system, associated to the market conditions caused by the Niño phenomenon. El Niño and the unavailability of the Guatapé hydroelectric power station of EPM.
5. Corresponds to the impairment recognized on intangible assets and commercial credits originated in the investments in the affiliates Tecnología Intercontinental S.A. de C.V. TICSA and Parque Aeólico Los Cururos Ltda. for \$82,254 and \$19,093 respectively. In addition, it includes impairment of other intangible assets in the segment of Sanitation of EPM for \$64,090. See detail in Note 7. Impairment of assets.

Note 32. Administration expenses

The breakdown of administrative expenses is as follows:

Administration fees	2016	2015
Personal expenses		
Wages and salaries	326,694	292,621
Social Security Expenses	93,863	95,343
Pension expenditure	40,961	38,928
Other long-term benefits	20,342	40,276
Employee Interest Rate Benefits	6,407	4,597
Other post-employment benefit plans other than pensions	5,269	3,217
Termination benefits	636	525
Total staff costs	494,172	475,507
General expenses		
Taxes, contributions and fees ¹	318,533	240,178
Fees, fees and services	102,770	143,483
Depreciation of property, plant and equipment	66,574	56,141
Other overheads	57,230	57,324
Maintenance	57,060	52,152
Legal expenses	49,098	12,447
Amortization of intangibles	38,517	54,235
Other miscellaneous provisions	36,143	8,117
Provision for contingencies	35,264	57,092
Social assets	33,471	86,869
Intangibles	24,638	24,062

Publicity and propaganda	18,410	21,445
Promotion and dissemination	16,550	16,035
Surveillance and security	15,246	13,777
Studies and projects	13,184	11,874
Public services	12,882	10,832
Lease	11,731	10,926
General Insurance	11,615	10,765
Toilet, cafeteria, restaurant and laundry services	9,459	8,372
Communications and transportation	8,844	6,876
Licenses and safe-conducts	6,216	5,842
Provision for onerous contracts	5,329	21,185
Materials and supplies	5,249	5,230
Loss for construction contracts	230	822
Others	30,141	27,862
Total overheads	984,384	963,943
Total	1,478,556	1,439,450

- Figures expressed in millions of Colombian pesos -

- ¹⁾ It includes the tax on wealth settled in EPM and the national subsidiaries, based on equity held at January 1, 2015 at a rate of 1.15%. The declaration of said tax was filed in May 2015 and its payment was made in two equal installments in May and September of the same year, its value amounted to \$ 95,617,84,315. It also includes the valorization contribution paid by EPM for the rectification and paving of the El Limón-Anorí road, in accordance with Resolution 2016060005142 of the Government of Antioquia for \$ 78,696
- ²⁾ Includes the expense corresponding to 10% of the net proceeds from the sale made by EPM of ISAGEN S.A. shares. E.S.P. According to Law 226 of 1995 for \$ 46,040 detailed in note 13 Other financial assets.

Leases as lessee

The most significant operating leasing agreements are the leasing of premises for the customer service offices, information technology leasing (PCs, portable computers, printers, accessories, servers, videoconference equipment, fax, network equipment), implied leasing of machinery in the operation of waste disposal and the leasing vehicles required in the operational activities of the companies. The leasing agreements contemplate the renewal option by mutual agreement between the parties and do not contemplate the purchase option. In general, the rent payments of agreements are updated by the

Producer Price Index -PPI- or the Consumer Price Index -CPI- as the case may be; there are some agreements for which the price update is made by negotiation between the parties.

As of the date of the cut, the future non-cancellable minimum future operating lease payments are as follows:

Leases	2016	2015
	Non-cancellable operating leases	Non-cancellable operating leases
At one year	28,004	24,741
At more than one year	65,208	37,302
Up to five year	44,841	70,163
Total arrendamientos	138,053	132,206

- Figures expressed in millions of Colombian pesos -

Total non-cancelable future sub-lease payments of assets acquired under operating leases was \$ 11 (2105: \$ 116). Contingent operating lease expense recognized in income for the period amounted to \$ 18 (2015: \$ 15).

Operating lease payments recognized as expenses for the period are \$ 15,539 (2015: \$ 43,084).

The Group, as a lessee, does not have contracts that take the legal form of a lease but which in essence do not constitute it.

Note 33. Other expenses

The detail of other expenses is as follows:

Other expenses	2016	2015
Loss on asset retirement	32,118	21,015
Loss on changes in the fair value of investment property (See Note 5)	29,206	28
Contributions in non-corporate entities	19,901	28,493
Arbitral awards and extrajudicial conciliation	17,192	7,507
Other ordinary expenses	10,179	20,497
Loss on sale of assets	6,356	3,729
Donations	532	430
Other provisions for tax liabilities	341	155
Judgments	43	-
Assets and liabilities transferred by companies to publicly-traded entities	-	703
Total	115,868	82,557

- Figures expressed in millions of Colombian pesos -

Note 34. Financial income and expenses

34.1 Financial income

The detail of financial income is as follows:

Financial income	2016	2015
Interest income:		
Bank deposits	67,061	28,091
Interest income from financial assets at amortized cost	5,201	4,855
Interest income on financial assets at fair value through equity	-	-
Interest of debtors and arrears	168,073	87,178
Financial leasing	-	-
Monetary readjustment performance	16	19
Valuation benefit of financial instruments at fair value	19,243	81,938
Valuation of financial instruments at amortized cost	28,875	40,347
Usefulness in rights in trust	43,670	14,750
Investments at amortized cost	-	-
Profit on trading and sale of investments at amortized cost	-	-
Others	9,793	6,414
Total financial income	341,932	263,592

- Figures expressed in millions of Colombian pesos -

34.2 Financial expenses

The detail of financial expenses is as follows:

Financial expenses	2016	2015
Interest expense:		
Interest on obligations under financial leasing	33,596	32,430
Other interest expense	109,023	59,738
Total interest	142,619	92,168
Total interest expense on financial liabilities that are not measured at fair value through profit or loss	686,787	625,923
commissions	11,744	5,348
Other financial expenses	148,015	123,237
Total financial expenses	989,165	846,676

- Figures expressed in millions of Colombian pesos -

Note 35. Exchange difference, net

The effect of transactions in foreign currency is the following:

Difference, net	2016	2015
Income for difference in exchange		
<u>Own Position</u>		
For goods and services and others	43,562	63,711
By liquidity	1,383	171,023
Accounts Receivable	65,949	1,278,252
Other adjustments for difference in exchange	40,066	61,198
<u>Financial Services</u>		
Gross income	581,686	167,425
Total income for difference in exchange	732,646	1,741,609
Expenses for difference in exchange		
<u>Own Position</u>		
For goods and services and others	(10,952)	(83,573)
By liquidity	(30,399)	(34,109)
Accounts Receivable	(163,587)	(507,424)
Other adjustments for difference in exchange	(29,689)	(87,205)
<u>Financial Services</u>		
Gross expenditure	(252,120)	(1,573,060)
Total expense per difference in exchange	(486,747)	(2,285,371)
Difference, net	245,899	(543,762)

- Figures expressed in millions of Colombian pesos -

The rates used for the conversion of foreign currency in the consolidated financial statements are:

Currency	Currency Type	Direct USD conversion at 31 December		Closing exchange rate as of December 31		Average exchange rate	
		2016	2015	2016	2015	2016	2015
United States Dollar	USD	-	-	3,000.71	3,149.47	3,009.86	3,244.20
Quetzal	GTQ	7.52	7.63	398.84	412.65	400.97	426.11
Mexican Peso	MXP	20.60	17.27	145.65	182.35	146.66	189.98
Chilean Peso	CLP	669.78	709.22	4.48	4.44	4.51	4.61

Note 36. Effect by interest in equity investments

The effect by participation in equity investments is as follows:

Interest in equity investment	2016	2015
Dividends and shares (1)	35,107	93,264
Total effect for equity investments	(62)	-
Total efecto por participación en inversiones patrimoniales	35,045	93,264

- Figures expressed in millions of Colombian pesos -

1. Includes investment dividends classified as financial instruments (see note 13. Other financial assets) and associates in 2015 (see note 10. Investments in associates).

Note 37. Income tax

37.1 Tax provisions

- Tax provisions applicable and in effect, establish the following:
 - The nominal rate of income tax was 25% for the parent company and the subsidiaries of Colombia. The nominal income tax rate for CREE equity is 9% and a 6% surcharge for 2016 that applies to taxpayers whose annual CREE tax return yields a profit equal to or greater than \$ 800 million pesos. For Guatemalan subsidiaries, the tax is determined by the profit-making regime (by 2016 a rate of 25% on taxable income determined on the basis of net income) or by the optional simplified regime on income Profit activities (rate of 5% up to Q 30, 000 gross income and 7% for more than Q 30, .000 and 10% for capital gains); For the subsidiaries of El Salvador 30% for companies with taxable income greater than US \$ 150, 000 and 25% for those that do not exceed said cap; For the subsidiaries of Panama and Mexico a tax rate of 30% and for the subsidiaries of Chile a tax rate of 24%
 - Domiciliary public utilities in Colombia are excluded from determining the income tax by the system or presumptive income calculated based on the net tax equity of the immediately preceding year; for the calculation of the Income Tax for Equality CREE they do not have that exclusion.
 - During 2016 Law 1819/2015 was enacted in Colombia modifying the tax rates in effect, which generated a great impact on the determination of the deferred tax of the parent and its national affiliates.
 - The Parent of the EPM Group uses the tax deduction called “Special deduction for investment in productive fixed assets”, equivalent to 40% of the investments made during the tax year. This benefit continues for the Parent Company as a result of the public stability agreement signed with the National Government in 2008.

37.2 Reconciliation of effective rate

The reconciliation between the applicable tax rate and the effective rate and the composition of the income tax expense for periods 2016 and 2015 is the following:

Income tax and complementary	2016	%	2015	%
Result before taxes	3,093,962		2,582,392	
Theoretical tax				
Plus entries that increase the income	997,681	32%	932,567	36%
Wealth / equity tax	84,312	3%	95,617	4%
Dividends effectively received from controlled entities	427,190	14%	548,068	21%
Non-deductible provisions	84,039	3%	124,670	5%
Other - Provisions and non-deductible expenses	402,140	13%	164,211	6%
Less entries that decrease the income	1,836,954	59%	1,975,044	76%
Deduction real productive fixed assets	725,851	23%	544,437	21%
Dividends not taxed	330,842	11%	425,143	16%
Excess of tax depreciation and amortization	429,516	14%	252,394	10%
Remainder of companies liquidation	-	0%	14,651	1%
Non taxed recoveries	80,520	3%	76,495	3%
Differences IFRS vs. GAAP	(32,764)	(1%)	557,536	22%
Payment against provisions	8,586	0%	50,034	2%
Others not taxed	223,109	7%	37,436	1%
Tax effects of foreign companies	71,294	2%	16,919	1%
Net ordinary income of period	2,254,689	73%	1,539,915	60%
Less exempt income	51,502	2%	25,444	1%
Less compensation for losses, excess of presumptive income	28,472	1%	24,836	1%
More special rents	-	0%	170	0%
Others	-	0%	(18,139)	(1%)
Net taxable income	2,174,715	70%	1,471,666	57%

Income tax rate (average)	27,08%		27,08%	
CREE tax rate	9%		9%	
CREE surtax rate	6%		5%	
Capital gains tax rate	10%		10%	
Income tax	418,429	14%	547,068	21%
CREE tax	167,370	5%	146,864	6%
CREE surtax	121,620	4%	81,415	3%
Casual Income Tax	2,587	0%	572	0%
Less tax discounts	67,523	(2%)	92,877	4%
Rent adjustment	32,576	1%	(106,043)	(4%)
Current tax and CREE	675,059	22%	576,999	20%
Detail of current and deferred expense				
Current tax, CREE and surtax	675,059	22%	576,999	20%
Deferred tax	(25,930)	(1%)	(123,180)	(5%)
Income tax	649,129	21%	453,819	15%

- Figures in millions of Colombian pesos -

37.3 Income tax recognized in profit or loss

The most significant components of the income tax expense as of the report date are:

Income tax	2016	2015
Current income tax		
Income (income) from current income tax	652,138	653,224
Adjustments recognized in the current period related to current income tax from previous periods	23,025	(75,138)
Tax benefits of tax losses, tax credits or temporary differences used in the period	(104)	(1,087)
Total current income tax	675,059	529,354
Deferred tax		
Deferred tax expense (income) related to the origin and reversal of temporary differences	122,224	(69,623)
Deferred tax expense (income) related to changes in tax rates or laws (1)	(108,850)	(3,843)
Tax benefits of tax losses, tax credits or temporary differences used in the period	(5,674)	679
Other - mergers business reorganization	(33,631)	(50,393)
Total deferred tax	(25,931)	(123,180)
Income tax	649,128	406,174

- Figures expressed in millions of Colombian pesos -

- (1) The expense (income) for deferred tax related to the changes in the tax rates was originated by the Amendment that incorporated Law 1819 of December 29, 2016, rates applicable from January 2017. The rates used to determine the deferred tax are:

40% for 2017 (34% rent and 6% surcharge), which varied from the previous year's 42%, for the short-term items that are reversed during 2017. For generation, a 39% rate is used. The legal stability contract.

37% for 2018 (33% rent and 4% surcharge), which varied from the previous year's 43%, for the long-term items that revert during 2018.

33% for 2019, which varied from 34% in the previous year, this for the long-term items that revert during 2019 and following.

For property, plant and equipment, the current rate was used considering the year in which the difference is expected to be reversed, based on the remaining useful life of each asset.

For the case of assets whose profit is expected to be realized for an occasional gain, a rate of 10% is used.

27% for the temporary differences generated in the Chilean subsidiaries, 30% for the Panama subsidiaries and 25% for the other subsidiaries in Central America.

The rates used to determine the deferred tax are:

Year	2016	2017	2018	2019	2020
Rent	25%	34%	33%	33%	33%
CREATE	9%	-	-	-	-
About rate	6%	6%	4%	-	-
Total rate	40%	40%	37%	33%	33%

The Energy Generation segment of EPM has a 33% complementary and income tax rate, stabilized for 20 years under the legal stability contract EJ-04 of March 31, 2008, modified by ANY OTHER EJ -01 June 4, 2010.

37.4 Temporary differences that do not affect the deferred tax

Deductible temporary differences and tax losses and credits not used, for which the Group has not recognized assets for deferred taxes, are detailed below:

Item	2016	2015
At more than one year and up to five years	-	21,078
More than five years	-	97,079
Without limit of time	4,820	46,179
Tax losses not used	4,820	164,336
At more than one year and up to five years	-	41,379
Tax credits not used	-	41,379
Total	4,820	205,715

- Figures in millions of Colombian pesos -

The temporary differences deductible and the losses and tax credits not used, correspond to tax losses not used by Aguas de Urabá S.A. E.S.P. for \$ 0 (2015 \$1,806), Aguas de Malambo S.A. E.S.P. for \$4,820 million (2015 \$3,414), EPM Capital México S.A. DE C.V. for \$0 (2015 \$31,415), Ecosistemas de Colima S.A. DE C.V. for \$0 (2015 \$17,538), Ecosistemas de Uruapan S.A. DE C.V. for \$0 (2015 \$1,137), Ecosistemas de Celaya S.A. DE C.V. for \$0 (2015 \$628), Desarrollos Hidráulicos de TAM S.A. DE C.V. for \$0 (2015 \$67,439), Empresas Varias de Medellín E.S.P. for \$0 (2014 \$40,959) and tax credit not used by Empresas Públicas de Medellín E.S.P. for \$0 (2015 \$41,379).

The value of the asset or liability of current income tax is the following.

	2016	2015
Activo o pasivo por impuesto sobre la renta corriente		
Total pasivo impuesto sobre la renta	(132,305)	(213,359)
Impuesto sobre la renta	(80,054)	(208,618)
Impuesto CREE y sobretasa	(52,251)	(4,741)
Total activo impuesto sobre la renta	139,582	290,255
Saldos a favor por renta	139,582	290,255
Total activo (o pasivo) impuesto sobre la renta	7,277	76,896

- Cifras en millones de pesos colombianos -

37.5 Income tax recognized in other comprehensive income

The detail of the tax effect corresponding to each component of “other comprehensive income” of the Consolidated Statement of comprehensive income is the following:

Other comprehensive income of the statement of comprehensive income	2016			2015		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Items that will not be reclassified after the period result	758,655	688,049	1,446,705	-	-	-
Non-current assets held for sale or for distribution to owners	9,700	(956)	8,744	-	-	-
Reclassification of properties, plant and equipment to investment properties	(36,473)	17,771	(18,702)	3,731	(402)	3,329
New measurements of defined benefit plans	619,039	(136,639)	482,400	21,304	(15,489)	5,815
Equity investments measured at fair value through equity	22,731	(1,605)	21,127	5,227	(92,925)	(87,698)
Credit risk of liabilities measured at fair value	23	(16)	7	-	-	-
Participation in other comprehensive income of associates and joint ventures	(25,899)	8,217	(17,682)	-	-	-
Items that may be reclassified after the period result	(17,682)	(17,682)	(17,682)	-	-	-
Cash flow hedges	(18,466)	10,258	(8,208)	(7,790)	18,785	10,995
Conversion of business financial statements abroad	2	-	2	509,353	-	509,353
Total	1,311,630	567,398	1,896,710	531,825	(90,031)	441,794

- Figures expressed in millions of Colombian pesos -

37.6 Deferred tax

The detail of the deferred tax is:

Deferred tax	2016	2015
Deferred tax assets	188,293	170,421
Deferred tax liabilities	(2,488,658)	(2,675,635)
Net deferred tax	(2,300,365)	(2,505,214)

- Figures expressed in millions of Colombian pesos -

a) Deferred tax assets

Deferred tax asset	Initial balance	Differences in Conversion	Net changes included in profit and loss	Changes included in OCI	Recognized directly to equity	Final balance
Current assets						
Cash and cash equivalents		1,084	(358)			726
Accounts receivable	30,610	(31,554)	11,123		6,292	16,471
Intangibles	206	7	(71)			142
Other assets	(8)	10,231	(5,143)			5,080
Non-current assets						
Investments in subsidiaries	9,365	(1,884)	5,648			13,129
Investments in associates		(4)		(1)		(5)
Properties, plant and equipment	(30,524)	26,513	11,035			7,024
Intangibles	5,066	12,012	(9,906)			7,172
Accounts receivable	231	(5,577)	6,257			911
Financial instruments	(2,284)	6,593	(3,588)			721
Current liabilities						
Credits and loans	1,860	9,214	(7,738)			3,336
Employee benefits	2,258	(1,373)	(12)	(26)		847
Provisions	5,654	658	1,446			7,758
Other liabilities	7,486	(7,158)	10,577			10,905
Non-current liabilities						
Credits and loans	36,151	(37,808)	(621)			(2,278)
Employee benefits	11,607	(5,687)	(482)	(438)		5,000
Provisions	7,272	(932)	2,919			9,259
Other liabilities	(4,715)	6,050	267			1,602
Tax losses and credits not used	90,186	6,948	3,359			100,493
Deferred tax asset	170,421	(12,667)	24,712	(465)	6,292	188,293

- Figures in millions of Colombian pesos

b) Deferred tax liabilities

Deferred tax asset	Initial balance	Differences in Conversion	Provisions	Net changes included in profit and loss	Changes included in OCI ³	Recognized directly to equity	Reclassified from equity to profit & loss	Final balance
Current assets								
Cash and cash equivalents	(4,710)	4,710		(3)				(3)
Accounts receivable	(90,230)	(12,918)		140,867		24,901		62,620
Intangibles	4,520	(4,645)		530				405
Other – loans between related parties	(25,809)	12,320		19,612				6,123
Other assets	-	(4,763)		4,710				(53)
Non-current assets								
Investments in subsidiaries	(38,051)	38,051						
Investments in associates	(4,344)	5,135			(1)			790
Investments in joint ventures	(2,792)	2,792						
Properties, plant and equipment	(2,761,141)	52,262	61	(39,180)	(956)			(2,748,954)
Intangibles	(58,563)	3,882		28,266				(26,415)
Accounts receivable	92,306	45,106		(163,301)		19,602		(6,287)
Financial instruments	146,545	(47,054)	93,194	(14,417)	(89,705)			88,563
Current liabilities								
Credits and loans	244,770	(68,154)		82,573				259,189
Derivatives	(3,828)	1		38,176				34,349
Employee benefits	105,907	(101,666)		(22,183)				(17,942)
Provisions	10,093	29,957		40,950				81,005
Other liabilities	(77,993)	11,707	6	51,058				(15,222)
Non-current liabilities								
Credits and loans	(72,332)	10,638		(66,662)	(318)			(128,674)
Derivatives	6,651			(41,001)	11,345		248	(22,757)
Employee benefits	133,494	(4,270)		2,689	32,701			164,616
Provisions	(35,231)	53,713		(65,351)	(2,322)			(49,191)
Other liabilities	(281,971)	90,590		6,938				(184,443)
Tax losses and credits not used	37,067	∴ (20,391)		(3,053)				13,623
Deferred tax liability	(2,675,635)	97,003	93,261	1,218	(49,256)	44,503	248	(2,488,658)
Total deferred tax asset/liability	(2,505,214)	84,336	93,261	25,930	(49,721)	50,795	248	(2,300,365)

Figures in millions of Colombian pesos

- (1) It represents the effect on the income tax of the accumulated value of profits or losses by the valuation at fair value less the values transferred to accumulated profits when these investments have been sold. The changes in the fair value do not reclassify to the results of the period. It includes the portion that corresponds to it for the application of equity method to the investments in associates and joint business., the effects of the disposal of the shares of ISAGEN although generate tax effects in the OCI, did not generate effect on the deferred tax.

It incorporates the accumulated value of the income tax related to actuarial profits or losses, the returns of the assets of the plan and the changes in the effect of the asset ceiling, excluding the values included in the net interest over the liability (asset) of net defined benefits. The net value of new measurements is transferred to the accumulated profits and does not reclassify to profit or loss. It includes the portion that corresponds to the Group in its investments in associates and joint business.

It includes the income tax associated to the accumulated value of the effective portion of the profits or losses that arise from the changes in the fair value of entries covered in a cash flow hedging. The accumulated value of profits or losses will reclassify to profit or loss of the period only when the transaction covered affects the profit and loss of the period or the highly probable transactions is not anticipated that it will occur, or is included as part of its carrying value, in a non financial entry covered. It includes the portion that corresponds to the Group in its investments in associates and joint business.

It contains the income tax that is generated by the change attributable in the fair value less the values transferred or the accumulated profits when these assets are liquidated, derecognized or transferred to another classification of properties, plant and equipment. The changes in the fair value do not reclassify to profit or loss of the period.

- (2) Includes the change in the investments of Mexico, Ecosistema de Morelos S.A. de C.V. and Aquasol Pachuca S.A. de C.V. that at December 31, 2016 are not consolidated because they are no longer classified as subsidiaries but as financial instruments, since the EPM Group at that date lost the control on those entities. In addition, the effects by the liquidation of Empresas Publicas de Occidente and the merger of Aguas de Uraba and Regional de Occidente are included.

37.7 Temporary differences

Temporary differences associated with investments in subsidiaries, associates and joint ventures, for which no deferred tax liabilities have been recognized, amount to \$ 511,827 (2015 \$ 223,908).

The most significant items on which temporary differences result are the following:

In current assets, the largest deferred tax impact is presented in the accounts receivable in relation to the portfolio provisions due to the difference in the purging of the portfolio provision under the tax standard and the impairment of receivables under IFRS. It is important to emphasize that in 2016 an adjustment was made to the impairment of receivables IFRS using the expected credit loss approach, the calculation with this methodology accumulated at January 1, 2016 was recognized affecting the account of retained profits, in the same manner was recognized the deferred tax associated to this entry. Also, Temporary differences are presented by the effect of the amortized cost valuation of short-term loans between economic associates.

In non-current assets, the greater impacts on deferred tax arise due to temporary differences in plant and equipment ownership, as a result of asset purchase transactions between EPM Group companies, which involves the generation of unrealized profits and the valuation at cost Amortized from long-term receivables.

As refers current liabilities, the items that impact the calculation of the deferred tax are For the most part, the liquidation of the provision corresponding to quotas, pension bonds, actuarial calculation in pensions and the pension commutation of EADE and lower amortization of actuarial calculation in pensions of Emvarias and, Credits and loans for the amortized cost valuation of bonds, securities issued, loans and short-term loans.

In other non-current liabilities, the most significant amounts in the deferred tax were generated by temporary differences in the amortized cost valuation of loans and long-term loans. Likewise, temporary differences of liabilities for employee benefits of the long-term such as retirement pensions, shares, pension bonds and actuarial calculation of retroactive layoffs and interest on layoffs.

In the entries that do not have future tax consequences, such as the case of liabilities for taxes and financial returns generated in the assets of the plan, EPM, CHEC and Emvarias, since they are exempt income, no deferred tax was generated.

Temporary differences on which no deferred tax was generated were, inter alia, investments in subsidiaries, associates and joint ventures, in accordance with paragraph 39 of IAS 12; As well as in items that do not have future tax consequences, such as tax liabilities and financial income generated in the plan assets, since these are EPM, CHEC and Embryos because they correspond to exempt income. New regulations

Tax reform Colombia

During 2016, the National Government presented to the Congress of the Republic a tax reform project, whose purpose according to the explanatory memorandum is to establish a more equitable, efficient and simple tax system.

The initiative is based on the report presented by the commission of experts that was created to study the Colombian tax system and propose improvements to its structure, in addition to the economic pressures resulting from the decline in oil revenues, a panorama of uncertainty given by the Increased volatility in financial markets and slowing the Chinese economy, which negatively impacted the nation's current income.

Under this scenario and after exhausting the stages that for the creation of the Law demand the Colombian norms, on December 29, 2016, Law 1819 of 2016 was sanctioned "By means of which a structural tax reform is adopted, they are strengthened Mechanisms for combating tax evasion and tax avoidance, and other provisions. "

Thus, among the main modifications, we can mention:

- General rate of income tax and complementary

Income tax and income tax for equity - CREE - are unified as follows:

2017: 34% and surcharge 6%

2018: 33% and surcharge 4%

2019 and following: 33%, a surtax disappears.

The surcharge is subject to the advance mechanism and applies for the portion of taxable base that exceeds eight hundred million pesos.

Presumptive income

The presumptive rent in 2016 was 3% and for 2017 and following, it will be 3.5%.

Exoneration is maintained in the determination of presumptive income for public utility companies.

Sales tax

In 2016 the VAT rate was 16% and from 2017 the general VAT rate will be 19%.

In contracts signed with Public Entities, the current rate is maintained at the date of award, for contracts signed before January 1, 2017, the rate increases once they are added.

It incorporates the right to take as a deduction the VAT paid on the acquisition or importation of capital goods.

Express references are made to the International Financial Reporting Standards for the determination of tax bases. The general firmness of tax declarations increases from two (2) to three (3) years. For taxpayers subject to the transfer pricing regime it will be six (6) years. The same term will apply when offsetting tax losses.

Article 130 is derogated, whereby the appropriation of profits for reserve purposes is avoided.

New rules are established on the subject of depreciation related to the annual deduction rate.

The tax on carbon is created, which consequence will be evidenced in the prices of the goods acquired by the company affected by this tax.

Rules are defined for the withholding on dividends.

- A limit of twelve (12) years is established for the offset of tax losses.
- Adoption of international mechanism against erosion of tax base and the transfer of benefits, incorporation of the Regime of Controlled Companies from Abroad (ECE), limitation to payments for royalties with related parties located abroad and free trade zones, implementation of the legal form of non cooperating jurisdictions, of low or no taxation and preferential tax regimes, modifications to the transfer pricing regime and rules on effective beneficiary.
- Rules are defined related to the territoriality, tax base and sole national form for the fulfillment of obligations on the subject of industry and commerce tax.

Tax Reform Chile:

Law 20,780 on tax reform contemplates a gradual implementation, with full effectiveness on January 1, 2017.

- Progressive increase of First Category Tax, from the current 20% to 25% or 27%, according to the tax regime adopted by the company:
- Allocation regime with a rate of 25% on the income obtained in each tax year, immediately attributed to the shareholders ("Regime A").
- Partial integration regime with a rate of 27% on the income obtained ("Regime B"): in "). In this, it will be allowed to defer the payment of the final taxes that affect the shareholders until the effective withdrawal or distribution of the profits of the company. Only 65% of taxes paid by the company can be used as credit, unless the shareholder is domiciled in a country with an agreement.
- Additional Dividend Tax: The rules regarding withholding obligations are modified.
- Regime A, the withholding of the Additional Tax will only be made for withdrawals or distributions and remittances that are imputed to the "D" fund (profits that have not paid final taxes).
- Regime B, the retention will be made for distributions or remittances corresponding to rents affected to Additional Tax.
- Capital Gain: Elimination of the Single Tax.
- Currently, the capital gain obtained on the sale of shares in Chilean companies can benefit from a single tax of 20%.

The Tax Reform eliminates this reduced rate and taxes the capital gain with final taxes beginning in 2017. For such effects, the option of taxing is granted based on income earned or accrued. In the case of non-residents, the Additional Tax of 35% would apply.

Note 38. Information to be disclosed on related parties

EPM, the parent company of the EPM Group, is an industrial and commercial enterprise of the State, decentralized of the municipal order, whose only owner is the Municipality of Medellín. Its capital is not divided into shares.

As related parties of the EPM Group are considered the subsidiaries, associates, joint ventures, including the subsidiaries of the associates and joint ventures, key management personnel, as well as the entities on which the key management personnel may exercise control or joint control and the post-employment benefit plans for benefit of the employees.

Balances and transactions between related parties of the EPM Group have been eliminated in the process of consolidation and are not disclosed in this note. Following is presented the total value of the transactions carried out by the Group with its associates and other related parties during the corresponding period:

Transactions and balances with related parties	Revenue ⁽¹⁾	Costs / Expenses ⁽²⁾	Amounts receivable ⁽³⁾	Amounts payable ⁽⁴⁾	Guarantees and guarantees received ⁽⁵⁾
Associates:	-	-	-	-	-
2016	160,422	380,936	47,851	71,439	-
2015	323,072	129,063	259,257	478,945	-
Key management personnel of the company or its parent company:					
2016		16,010	958	675	410
2015	-	12,865	344	2,062	475
Other Related Parties:					
2016	110,653	252,122	264,885	408,671	-
2015	534,728	962,920	503,991	664,817	-

- Figures expressed in millions of Colombian pesos -

- (1) The income generated from transactions with associates corresponds to the sale of services related to information technologies and communications, information services and complementary activities related and/or associated thereto. The income generated with other related parties corresponds mainly to the sale of energy, rendering of public and financial services.
- (2) Corresponds to costs and expenses originated in transactions with purchase of energy, acquisition of goods and services, included the services related to the communications and complementary activities, with associates and other related parties.
- (3) The Group maintains accounts receivables with its related parties derived from the sale of energy, rendering of public services, sales of services associated to information technologies and communications, information services among others. The EPM Group makes the rating of its receivables under criteria that permit to prioritize the management of their recovery through its own divisions or collection agencies. The collection applies according to the billing cycle in respect to domiciliary public utilities.
- (4) The payment policy, in most cases, is of 30 days following the filing of the invoice.
- (5) The guarantees and endorsements correspond to mortgage guarantees on housing loans granted to key management personnel.

The transactions between the EPM Group and its related parties were made in conditions equivalent to those that exist in transactions between independent parties, as refers to their object and conditions.

Transactions and balances with related government entities

The total of financial surpluses paid to the Municipality of Medellín to December 2016 was \$ 816,521 (2015 \$ 991,139).

Remuneration to the Board of Directors and key personnel of the Group:

The remuneration of the members of the Board of Directors and of the key personnel of the management of the Group is the following:

Concept	2016	2015
Salaries and other short-term benefits to employees	22,132	25,847
Other long-term employee benefits	334	1,158
Pensions and other post-employment benefits	1,623	596
Contract termination benefits	137	68
Remuneration to key management personnel	24,226	27,669

- Figures expressed in millions of Colombian pesos -

The amounts disclosed are those recognized as cost or expense during the period report for compensation of key personnel of EPM Group.

Note 39. Capital management

The capital of the EPM Group includes indebtedness through the capital market, commercial bank, development banks, central bank and multilateral bank, at a national and international level.

EPM Group manages its capital in order to plan, manage and assess the obtaining of financial resources in the national and international financial markets, for strategic investments, investment projects, through the different options that optimize the cost, that guarantee the maintenance of adequate financial indicators and adequate credit rating and minimize the financial risk. For the above, the following capital management policies and processes have been defined.

Financial management: Financial management corresponds to the performance of all long term credit operations, in order to guarantee the timely availability of the resources required for the normal operation of the company and to materialize the investment and growth decisions, optimizing the financing costs.

The Group has not made any changes to its objectives, policies and capital management processes during the period ended December 31, 2016 and 2015.

In order to face the changes in the economic conditions, the Group implements proactive management mechanisms for their financing, enabling up to where it is viable different financing alternatives, in such a way that at the time that the performance of any long term credit operation is required, there will be access to the source that has availability at each time of competitive market conditions and as timely as necessary.

Following we present the values that the EPM Group manages as capital:

	2016	2015
Bonds and loans	14,848,009	14,638,872
Total debt	14,848,009	14,638,872
Total capital	14,848,009	14,638,872

- Figures expressed in millions of Colombian pesos -

Note 40. Financial risk management objectives and policies

The Group is exposed to the financial risk, which is defined as the possibility of occurrence of an event that affects negatively the financial results, among which is the market risk, liquidity risk, credit risk and operating risk.

The market risk refers to the changes or volatility of market variables that can generate economic losses. The market variables refer to exchange rates, interest rates, securities, commodities, among others; and their changes may impact, for example, the financial statements, cash flow, financial indicators, contracts, project viability and investments.

The credit risk refers to the possible default of payment obligations by third parties derived from contracts or financial transactions performed.

The liquidity risk is the scarcity of funds and inability to obtain the resources at the time they are required to cover the contractual obligation and carry out investment strategies. The scarcity of funds leads to the need to sell assets or contract financing operations in unfavorable market conditions.

Finally, the operating risk, from a financial standpoint, is defined as deficiencies or failures in the processes, technology, infrastructure, human resources or occurrence of unforeseen external events.

The objective of the Integral Risk Management Office is to lead the definition and implementation of the strategy for an integral risk management, in order to achieve an adequate protection and assurance of the goods, resources and interest of the EPM Group.

The Group has as policy to carry out the management of the risks that have an incidence on its activity and environment, by adopting the best practices and international standards of Integral Risk Management (IRM), as a way to facilitate the achievement of the purpose, strategy, objective and business goals, both of statutory and legal origin. It has an information system that facilitates the integral management of risks, guarantees confidentiality, availability and reliability of information and permits to make analysis and monitoring of risks and improvement plans. It has implemented an internal risk management system and has in place a methodology for the identification, analysis, evaluation, control and monitoring of risks, among which are those associated to money laundering and financing of terrorism, that permits to reduce vulnerability, and propose and implement efficient mechanism for the proper performance of business, processes, projects and contracts. As valuation criteria the Group has valuation tables of the consequences of the materialization of risks and of the probability tables, which are applicable in the different management levels defined in the methodological guide for integral risk management.

The integral risk management monitoring and review activity is aligned with the process of follow up of the management established in the Group, in order to propose and implement improvement actions. The monitoring and review scheme established assesses, among others, the following aspects:

- The implementation strategy of the integral risk management.
- The changes in the internal and external context that imply making adjustments in the treatment of risks identified or those that generate new risks.
- The variation of the risks in terms of frequency, probability and consequence.

- The valuation criteria of probability and consequence of risks.
- The establishment and efficacy of treatment plans.

The Group manages the financial risks associated to the different management levels, for which it identifies the risks within market, liquidity and credit congregators that are classified in the category of financial risks and quantifies their impact and implements strategy for their mitigation.

40.1. Market risk

It is the risk that the fair value of the future cash flows of a financial instrument may fluctuate due to changes in market prices. The Group has identified that financial instruments affected by market risk include:

- Cash and cash equivalents
- Investments at fair value through profit or loss.
- Investments measured at fair value through equity.

The sensitivity analyzes included in the following sections correspond to the financial situation as of December 31, 2016:

- Cash and cash equivalents
- Investments at fair value through profit or loss.

The methodology used for the measurement of market risk is the Value at Risk, consisting of the quantification of the maximum loss that the portfolio could present in a month with a confidence level of 95%. For the quantification of the VaR, the methodology defined by the Financial Superintendency is used in the Basic Financial Accounting Circular (CE100 of 1995)

40.2. Interest Rate Risk

It is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates. The Group has identified that financial instruments affected by interest rate risk include:

- Cash and cash equivalents
- Investments at fair value through profit or loss.
- Financial liabilities measured at amortized cost. Credits and loans
- Financial liabilities measured at fair value with changes in other comprehensive income- derivative instruments.

The concentration of interest rate risk appears when there are large individual exposures and when there are significant exposures to counterparties whose probability of default is determined by factors such as the economic sector, currency and credit ratings. Interest rate risk management seeks to preserve capital and maintain or increase profitability. The EPM Group has defined policies on risk in interest rates, through the identification of risks, the determination of the position of rates and the simulation of possible hedging strategies. This supports the decision making, which are oriented to maintain the position or cover it, and subsequently an analysis of the results of the strategies executed is performed.

Analysis of sensitivity to interest rates

The following table indicates the sensitivity to a possible reasonable change in the interest rates on accounts payable and loans, without considering the effect of hedge accounting. Keeping all other variables constant, the pre-tax profit / loss and EPM Group's equity would be affected by changes in variable interest rates as follows:

	Increase / decrease in basic points	Financial effect	
		In profit before tax	In the Equity
2016			
Financial assets measured at fair value through profit or loss			
Investments at fair value through profit or loss	100	37,421	29,937
	(100)	(33,904)	(27,123)
Financial liabilities measured at amortized cost			
Credits and loans	100	(104,981)	(83,984)
	(100)	104,981	83,984
Financial liabilities measured at fair value with changes in other comprehensive income			
Credits and loans	100	-	104,821
	(100)	-	43,772
2015			
Financial assets measured at fair value through profit or loss			
Investments at fair value through profit or loss	1	(120)	(96)
	(1)	119	95
Financial liabilities measured at amortized cost			
Credits and loans	100	(82,449)	(65,960)
	(100)	82,449	65,960

- Figures expressed in millions of Colombian pesos -

The EPM Group considers that the sensibility analysis is representative in respect to the exposure of the interest rate risk.

40.3. Exchange rate risk

The exchange rate risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as consequence of the exchange rate variations.

The Group has identified that financial instruments affected by the exchange rate risk include:

- Cash and cash equivalents
- Investments at fair value through profit and loss
 - Financial liabilities: measured at amortized cost-credits and loans
 - Financial liabilities measured at fair value with changes in other comprehensive income-derivative instruments.

The exchange risk exposure refers, first, to the financing activities in a currency different from the functional currency and with the hedging operations contracted.

The Group manages its exchange rate risks through hedging operations in a medium term horizon. It is the Group's policy not to close speculative hedging operations, and thus the conditions of the derivative hedging instrument reply the underlying conditions in order to maximize the efficacy of the hedging.

The Group covers its exposure to fluctuations in the exchange rate using different hedging instruments among which are worth mentioning swaps, forwards and options at different terms.

Sensitivity analysis to exchange rates

The following table indicates the sensibility in respect to a possible reasonable change in exchange rates of \$100 pesos in the currency against the United States dollar not considering the effect of the hedging accounting. The impact originates by the change in monetary and non-monetary assets. Maintaining the rest variables constant the profit/loss before taxes and equity of the Group would be affected by changes in the exchange rates as follows:

	Increase / decrease in basic points	Financial effect	
		In profit before tax	In the Equity
2016			
Financial assets measured at fair value through profit or loss	100	16,650	13,320
	(100)	(17,420)	(13,936)
Financial liabilities measured at amortized cost			
Credits and loans	100	(261,459)	(209,167)
	(100)	261,459	209,167
Financial liabilities measured at fair value with changes in other comprehensive income			
Derivatives	100	191,085	152,868
	(100)	9,633	7,707
2015			
Financial assets measured at fair value through	100	2,724	2,179
	(100)	(2,724)	(2,179)
Financial liabilities measured at amortized cost			
Credits and loans	100	(32,821,687)	(26,257,350)
	(100)	32,818,934	26,255,947

- Figures expressed in millions of Colombian pesos -

The Group considers that the sensibility analysis is representative in respect to the exposure of the exchange rate risk.

40.4. Credit risk

The credit risk is the risk that one of the counterparts does not comply with the obligations derived from a financial instrument or purchase contract and that this will translate in a financial loss. The Group has identified that the financial instruments affected by the credit risk include:

- Cash and cash equivalents
- Other financial assets
- Accounts Receivable
- Other accounts receivable

Credit risk management by type of financial instrument is detailed below, is considered representative in respect to the credit risk exposure:

Cash and cash equivalents and investments at fair value through profit and loss

For credit risk management, the Group assigns limits by issuer, by counterpart and by intermediary taking into account the financial, risk and fundamental analysis of the entities, emphasizing on equity support of shareholders. The methodology considers the characteristics proper of the investments portfolio and the regulations applicable. The credit risk concentration is limited since it is due to the provisions of the business rules manual for treasury operations. The description of the factors that define the risk concentration is detailed below:

- The limits are updated quarterly based on the latest financial statements available of the entities analyzed.
- When the value of the consolidated investment portfolio exceeds the equivalent of 10,000 minimum monthly legal salaries in effect (MMLSE), no more than 20% of this value should not be concentrated in a single issuer, counterpart or intermediary with the exception of securities issued by governments that comply with the regulations in effect.

- Stock market intermediaries, other than the monitored banking institutions, may act as counterparts to perform operations, but cannot be considered as admissible issuers.
- Stock broker companies that act as counterpart of the treasury operations must have at least the second risk rating in strength or quality in the portfolio administration.
- Stock broker companies supported by banks, that is, bancarized counterparts, must have a minimum equity of 30,000 MMLSE.

Finally, the actions to avoid risk concentration are intended to establish, analyze, follow up and control the limits, for which they control the limits in effects and the status of utilization thereof. On the other hand, the justifications related to the need to override the limits temporarily are submitted to approval.

Accounts receivable measured at amortized cost and other accounts receivable:

The Group is exposed to the risk that customers/users of public utilities and others incur in default in the payment of the utilities.

Accounts receivable from public utility debtors are classified in two large groups: those originated by default in the payment and the other group corresponds to financing or payment agreements with customers that are made as strategy for recovery of receivables or for obtaining new customers.

The Group assesses at the end of each balance sheet period the performance and value of accounts receivable to determine if there is any objective evidence that the receivables are impaired and identify the possible impact on future cash flows.

The criteria used to determine if there is objective evidence of a loss for impairment are:

- Failure of customers to pay.
- It is known or evidenced that the client enters into business restructuring processes or in insolvency or liquidation.
- There are social alterations, of public order, natural disasters, or there are sociodemographic characteristics that according to the experience are directly correlated with the non payment of the collection accounts.

In order to avoid an excessive concentration of risk of non-payment, the EPM Group has developed and put into operation various strategies that allow it to mitigate such risk, among which are:

- Persuasive collection by making telephone calls and sending letters to customers with the support of specialized collection agencies.
- Segmentation of clients that allow identifying those of greater risk, by their value, to perform with them personalized collection activities.
- Possibility of making payment agreements or partial payments that lead to the recovery of the exposed capital.
- Compensation of accounts receivable against accounts payable by the EPM Group with suppliers.
- When the previous strategies do not generate satisfactory results, we proceed with actions of coercive collection by suspending and cutting the service.
- If the previous strategies do not give satisfactory results, the collection of the portfolio is proceeded through the judicial process.
- It is also intended to expand the portfolio of products to customers in such a way as to facilitate payment of debt, eg energy and pre-paid water.

As mentioned, the EPM Group makes payment or financing agreements, which are carried out as a portfolio recovery strategy or for linking new clients. These give rise to fixed or determinable payments and are included in current assets, except those with a maturity of more than 12 months from the date of generation of the balance sheet, in which case they are classified as non-current assets.

The Group considers that the value that best represents the exposure to credit risk at the end of the period, without considering any guarantee taken or other credit enhancements, is:

Concept	2016	2015
Deposits		
Cash and cash equivalents	1,194,499	1,338,626
Other financial assets	758,094	511,516
Accounts Receivable*	431,483	265,967
Other accounts receivable*	98,945	53,140
Maximum exposure to credit risk	2,483,021	2,169,249

- Figures expressed in millions of Colombian pesos -

* Corresponds to the value of the receivables provision

40.5. Liquidity risk

It refers to the possibility that there would be insufficiency of resources for the timely payment of operations and commitments of the entity, and that because of this the Group would be forced to obtain liquidity in the market or to liquidate investments in an onerous manner. It is also understood as the possibility of not finding buyers for the portfolio securities.

The Group has identified that the financial instruments affected by the liquidity risk include:

- Non derivative financial assets
- Debt financial assets with variable interest rate
- Debt financial instruments with fixed interest rate

In order to control the liquidity risk comparisons of figures are made of benchmark indicators and of liquidity levels at different time horizons. As of that analysis, investment strategies are performed that do not affect the liquidity of the Group taking into account the cash budget and the market risk analyses to consider the diversification of the sources of funds, the capacity to sell assets and the creation of contingency plans.

In general, the main aspects that are taken into account in the analysis are:

- a. **Liquidity of securities:** the characteristics of the issuer, amount of the issue and negotiation volume are analyzed.
- b. **Market liquidity:** the market's general behavior is analyzed and forecasts of rates are made in order to infer their future behavior.
- c. **Portfolio liquidity:** cash flows are coordinated in order to determine investment strategies in accordance with the future requirements of liquidity and diversification is sought to avoid the concentration of securities by issuer, rates and/or terms.

The following table shows the analysis of contractual expirations remaining for financial liabilities and assets not derivative:

	Average effective interest rate	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	More than 4 years	Total contractual obligation
2016							
Non-derivative financial assets	6.95%	586,383	12,000	4,000	4,000	10,000	616,383
Financial instruments of debt with variable interest rate	6.57%	648,489	642,132	1,772,787	2,254,792	3,193,987	8,512,187
Fixed interest rate debt financial instruments	7.62%	127,366	179,610	1,696,665	184,625	3,966,226	6,154,492
Total		1,362,238	833,742	3,473,452	2,443,417	7,170,214	15,283,062
2015							
Non-derivative financial assets	6.33%	257,729	1,141	-	-	-	258,870
Financial instruments of debt with variable interest rate	6%	1,721,547	1,652,473	744,878	617,741	3,934,598	8,671,236
Fixed interest rate debt financial instruments	7%	156,099	101,810	162,572	1,754,437	3,845,882	6,020,800
Total		2,135,375	1,755,424	907,450	2,372,178	7,780,480	14,950,906

- Figures expressed in millions of Colombian pesos -

The values included in the above tables for financial assets and liabilities not derivative may change in view of changes in the variable interest rate with respect to the interest rate estimated at the end of the reporting period. The Group considers that the cash flows cannot occur earlier than indicated above.

The following table shows the analysis of contractual expirations remaining for financial liabilities derivatives:

	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	Total contractual obligation
2016					
Forward Contracts					
Swap Agreements	(106,920)	(69,509)	(69,563)	185,020	(60,973)
Futures Contracts	18				18
Total	(106,902)	(69,509)	(69,563)	185,020	(60,954)
2015					
Swap Agreements	(7,061)	-	-	-	(7,061)
Total	(7,061)	-	-	-	(7,061)

- Figures expressed in millions of Colombian pesos -

The main method for the measurement and follow up of the liquidity is the projection of the cash flow that is carried out in the companies of the Group and is consolidated in the cash budget. Derived from this a daily follow up is made of its cash position and projections of the latter are continuously made in order to:

- Follow up the liquidity needs related to the operating and investment activities associated to the acquisition and disposal of long term assets.
- Pay, prepay, refinance and/or obtain new credits, in accordance with the cash flows generation capacity in the Group.

These projections take into account the debt financing plans of the Group, the compliance of ratios, the compliance with the organizational objectives and the regulations applicable.

Finally and as part of the strategy to remedy the current ratio at December 2016 equal to 0.94 which is framed within Prudent management of liquidity risk, the Group seeks to ensure that sufficient cash is maintained through the availability of financing with compromised credit alternatives. As far as the Group is concerned, in 2016 it has duly approved and renewable credit lines with local banks for approximately

\$2.5 trillion pesos, an available space to place in the local bond market of \$ 1.5 trillion, a credit agreement for USD300 million with the export credit agency Export Development Canada (EDC), a credit agreement for USD200 million with CAF - Latin American Development Bank, And a US \$ 1 billion credit agreement signed with a group of 7 international banks, at a term of five years of which USD440 million are pending to be disbursed.

Note 41. Measurement of fair value on a recurring and non-recurring basis

The methodology established in IFRS 13 Fair value measurement specifies a hierarchy in the valuation techniques based on whether the variables used in the determination of the fair value are observable or not. The EPM Group determines the fair value on a recurring and non-recurring basis, as well as for disclosure purposes:

- Based on the prices quoted in active markets for assets or liabilities identical to those that the EPM Group can access on the measurement date (level 1).
- Based on valuation techniques commonly used by market participants that use different variables of the prices quotes that are observable for assets or liabilities, directly or indirectly (level 2).
- Based on internal cash flow discount valuation techniques, using variables estimated by the company not observable for the assets or liabilities, in lieu of variables observed in the market; and in some cases, the cost is taken as an estimate of the fair value. This applies when recent information available is insufficient to measure it, or if a wide range of possible measures exists of the fair value and the cost represents the best estimate of the fair value within that range (level 3).

During 2016 and 2015 in the EPM Group no transfers have been made between the fair value hierarchy levels, either for the transfers into and out of the levels.

Valuation techniques and variables used by the EPM Group in the measurement of the fair value for recognition and disclosure:

Cash and cash equivalents: includes the cash on hand and in banks and the high liquidity investments, easily convertible into a determined amount of cash and subject to insignificant risk of changes in their value, with an expiration of three months or less from the date of their acquisition. The EPM Group uses as valuation technique for this entry the market approach; these entries are classified in level 1 of the fair value hierarchy.

Investments at fair value through profit and loss and through equity: includes the investments that are made to optimize the liquidity surpluses, that is, all those resources that are not immediately allocated to the performance of the activities that constitute the corporate object of the companies. The EPM Group uses as valuation technique the market approach; these entries are classified in level 1 of the fair value hierarchy.

Derivative instruments - Swaps: The EPM Group uses derivative financial instruments, such forwards, futures, swaps and options to cover financial risks, mainly the risks of interest rate, exchange rate and commodities prices. Such derivative financial instruments are recognized initially at their fair value as of the date when the derivative agreement is executed, and subsequently they are again measured at their fair value. The EPM Group uses as valuation technique for the swaps the discounted cash flow, in an income approach. The variables used are: Swap curve of interest rates for rates denominated in US dollars, to discount cash flow in US dollars; and Swap Curve of external interest rate for rates denominated in pesos, to discount cash flows in pesos. These entries are classified in level 2 of the fair value hierarchy.

Investment properties: these are properties (land or buildings, considered in their entirety or in part, or both) that are held (by the company in its own name or through a financial leasing) to earn income, for capital appreciation or both, instead of:

- Their use in the production or supply of goods or services, or for administrative purposes; or
- Their sale in the ordinary course of the operations.

The EPM Group uses two valuation techniques for these entries. Within the market approach, it uses the comparative or market method, which consists in deducting the price by comparison of transactions, supply and demand and appraisals of similar or comparable properties, prior adjustments of time, conformation and location. The entries that are valued with this technique are classified in level 2 of the fair value hierarchy. Within the cost approach, the residual method is used that is applied only to the buildings and is based on the determination of the updated construction cost, less the depreciation for age and conservation condition. These entries are classified in level 2 of the fair value hierarchy.

The following table shows for each of the fair value hierarchy levels, the assets and liabilities of the EPM Group, measured at fair value on a recurring basis as of December 31, 2016 and 2015, as well as the total value of the transfers between level 1 and level 2 occurred during the period:

Measurement of fair value on a recurring basis 2016	Level 1	Level 2	Total
Assets			
Negotiable or designated at fair value			
Cash and cash equivalents	1,194,499	-	1,194,499
Investments at fair value through profit or loss	712,375	-	712,375
	1,906,874	-	1,906,874
Derivatives			
Swaps	-	1,686,230	1,686,230
		1,686,230	1,686,230
Liabilities			
Loans			
Commercial Banking Loans		5,161,838	5,161,838
Multilateral bank loans		1,664,555	1,664,555
Other bonds and securities issued		6,135,271	6,135,271
Bonds and securities issued		923,094	923,094
Development bank loans		963,250	963,250
		14,848,008	14,848,008
Total	1,906,874	16,534,238	18,441,112

- Figures expressed in millions of Colombian pesos -

Measurement of fair value on a recurring basis as at 31 December 2015	Level 1	Level 2	Total
Assets			
Designated at fair value			
Cash and cash equivalents	1,338,061	-	1,338,061
Investments at fair value through profit or loss	281,163	-	281,163
	1,619,224	-	1,619,224
Other equity investments			
Investments at fair value through equity	2,056,204	-	2,056,204
	2,056,204	-	2,056,204
Derivatives			
Swaps	-	11,776	11,776
	-	11,776	11,776
Liabilities			
Loans			
Commercial Banking Loans		4,160,348	4,160,348
Multilateral bank loans		1,690,716	1,690,716
Development bank loans		1,082,094	1,082,094
Bonds and securities issued		1,018,171	1,018,171
Other bonds and securities issued		6,254,713	6,254,713
Related Lending		432,830	432,830
		14,638,872	14,638,872
Total	3,675,428	14,650,648	18,326,076

- Figures expressed in millions of Colombian pesos -

As of December 31, 2016 and 2015 there were no inter-level transfers.

The book value and the estimated fair value of assets and liabilities of the EPM Group that are not recognized at fair value in the consolidated statement of financial condition, but require their disclosure at fair value, as of December 31, 2016 are:

Measurement of fair value on a recurring basis 2016	Level 3	Total
Liabilities		
Loans		
Commercial Banking Loans	5,161,838	5,161,838
Multilateral bank loans	1,664,555	1,664,555
Other bonds and securities issued	6,135,271	6,135,271
Bonds and securities issued	923,094	923,094
Development bank loans	963,250	963,250
	14,848,008	14,848,008
Total	14,848,008	14,848,008

- Figures expressed in millions of Colombian pesos -

Measurement of fair value on a recurring basis 2015	Level 3	Total
Liabilities		
Loans		
Commercial Banking Loans	4,160,348	4,160,348
Multilateral bank loans	1,690,716	1,690,716
Development bank loans	1,082,094	1,082,094
Bonds and securities issued	1,018,171	1,018,171
Other bonds and securities issued	6,254,713	6,254,713
Related Lending	432,830	432,830
Total	14,638,872	14,638,872

- Figures expressed in millions of Colombian pesos -

Note 42. Service concession contracts

As of the cut-off date, the Group manages as concessionaire several concessions that contain provisions for the construction, operation and maintenance of facilities, as well as the provision of public services such as water supply, collection and treatment of waste water, in accordance with the regulations of application.

The remainder of the concessions where the Group acts as operator is detailed below:

Company / Agreement	Activity	Country	Period of concession	Initial remaining period
EPM - Municipality of Caldas	The Municipality undertakes to make available and facilitate the use of networks and other infrastructure for the provision of aqueduct and sewerage services.	Colombia	30 years (extendable)	12 years
EPM - Municipality of Sabaneta	The Municipality undertakes to make available and facilitate the use of networks and other infrastructure for the provision of aqueduct and sewerage services.	Colombia	10 years (extendable)	8 years
EPM - Municipality of La Estrella	Execution of works and provision of water supply and sewerage services.	Colombia	10 years (extendable)	8 years
EPM - Municipality of Envigado	Provision of the aqueduct and sewer service.	Colombia	10 years (extendable)	1 year
EPM - Municipality of Itagüí	Construction of the aqueduct and sewerage networks for the provision of the service in the assigned districts.	Colombia	30 years (extendable)	1 year
EPM - Municipality of Bello	Execution of works and provision of the aqueduct and sewer service.	Colombia	10 years (extendable)	6 years
EPM - Municipality of Copacabana	The Municipality commits to the execution of works for the supply of drinking water, sewage and provision of such services.	Colombia	20 years (extendable)	14 years
EPM - Municipality of Girardota	Provision of the aqueduct and sewer service.	Colombia	20 years (extendable)	16 years
EPM - Municipality of Barbosa	The Municipality undertakes to make available and facilitate the use of networks and other infrastructure for the provision of aqueduct and sewerage services.	Colombia	30 years (extendable)	11 years

Aguas Regionales - Municipality of Apartadó	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of Carepa	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of Chigorodó	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of Mutatá	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Turbo Township	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of Santa Fe de Antioquia	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of San Jerónimo	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of Sopetrán	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas Regionales - Municipality of Olaya	Provision of the aqueduct and sewer service	Colombia	30 years	21 years
Aguas de Oriente - Municipality of El Retiro	Operate and maintain the networks and other infrastructure received within the concept of an adequate provision of the Aqueduct and Sewerage service	Colombia	No explicit duration	N.A.
Aquasol Morelia - Morelia	Sewage treatment	México	20 years	18 years
Hydraulic developments of Tampico - Tampico	Sewage treatment	México	24 years	23 years
Ecosystem of Celaya - Jumapa of Celaya	Sewage treatment	México	20 years	15 years
Ecosystem of Colima - Municipality of Colima and Villa de Álvarez	Sewage treatment	México	34 years	25 years
Ecosystem of the City of Lerdo - City Council of the Municipality of Lerdo	Sewage treatment	México	20 years	12.5 years
Ecoagua de Torreón - Municipal water and sanitation system of Torreón	Sewage treatment	México	20 years	4.6 years
Ecosystem of Tuxtla - Municipal water and sewage system	Sewage treatment	México	20 years	17 years
Ecosystem of Uruapan - Municipality of Uruapan	Sewage treatment	México	15 years	14 years
ADASA - Company Concessionary of Sanitary Services S.A. - Econssa Chile S.A.	Establishment, construction and operation of public services for the production and distribution of drinking water and collection and disposal of wastewater.	Chile	30 years	17 years

Service concession agreements for the rendering of the water and sewage service

The concession agreements between companies of the Group domiciled in Colombia with the municipalities provide the conditions under which the water and sewage networks are managed, operated and maintained for the provision of the potable water and wastewater treatment services to its inhabitants, in the terms, conditions and rates established by the Potable Water and Water Sanitation Regulation Commission - CRA (for its initials in Spanish).

The agreements indicate the following rights and obligations for the Group companies as operator in the service concession agreement:

- Right to receive from the municipality all the water and sewage networks and to have exclusivity as operator of the system.
- Obligation to make exclusive use of aqueduct and sewerage networks for the purposes for which they are intended, to maintain them and to return them under the conditions of use in which they were received.
- Some concession agreements have the option of being renewed automatically for equal periods unless one of the parties declares the intention not to continue with it.
- The concession agreements do not establish the obligation to construct elements of property, plant and equipment.

Upon termination of the concession, the Group companies must return the aqueduct and sewage networks without any consideration to the municipalities. There have been no changes in the terms of the concession agreement during the period.

For these agreements, the intangible asset model (see note 6 - Other intangible assets) applies.

Concession agreements of services for the construction and operation of wastewater treatment plants - PTAR-

The concession agreements between companies of the EPM Group domiciled in Mexico with municipal waste and sanitation organizations establish the conditions how the wastewater treatment plants are constructed, operated and maintained, the term and the dates and basis on which the rates are revised.

The agreements indicate the following rights and obligations for the companies of the EPM Group as operator in the service concession agreement:

Temporary and free use of the land through the applicable legal form, for the operation and construction of the plant.

Deliver water treated pursuant to the environmental regulations.

Upon termination of the agreement, train the personnel indicated by the Assignor for the operation, conservation and maintenance of the wastewater treatment plant; deliver the inputs, spares and tools for the operation of the plant for a period of time.

Upon termination of the concession, the companies of the EPM Group must return the wastewater treatment plans without any consideration to the municipal water and sanitation organizations. There have been no changes in the terms of the concessions agreement during the period.

For this agreement, the financial asset model is applicable. See Note 12 - Trade debtors and other receivables.

Note 43. Operation segments

43.1 Information by segments

For management purposes, the EPM Group is organized in segments on the basis of its products and services, and it has the following eight operating segments on which information is presented:

- Electric Power Generation Segment, which activity consists in the production of energy and commercialization of large blocks of electric power, based on the acquisition or the development of a portfolio of energy proposals for the market.
- Electric Power Distribution Segment, which activity consists in transporting electric power through a set of lines and substations, with their associated equipment, that operate at voltages of less than 220 KV, the commercialization of energy to the end user of the regulated market and the performance of related and/or complementary activities. It includes the Regional Transmission System (RTS), the Local Distribution System (LDS), the public lighting service and the rendering the associated services.
- Electric Energy Transmission Segment, which activity consists in the transportation of energy in the National Transmission System -NTS-, made up by the set of lines, with their corresponding connection equipment, that operate at voltages equal to or higher than 220 KV. The National Transmitter (NT) is the legal person who operates and transports electric energy in the NTS or has constructed a company which object is the performance of that activity.
- Gas Segment, which activity consists in the conduction of gas from the door of the city to the end user, through medium and low pressure pumps. It includes the sale of gas through different systems, among them the distribution by a network, natural vehicle gas, natural compressed gas and service stations.
- Water Supply Segment, which activity consists in conceptualizing, structuring, development and operating systems to supply water; it includes carrying out the commercial management of the service portfolio related to the supply of water for different uses, in addition to the use of the productive chain, specifically in the production of energy, and the supply of crude water.
- Sanitation Segment, which activity consists in conceptualizing, structuring, development and operating systems of wastewater and handling of solid waste; it includes carrying out the commercial management related to these services and the use of the biosolids and other byproducts from the treatment of wastewater and the handling of solid waste.
- ICT Segment, which activity consists in the rendering of services associated to information and communications technologies, information services and the complementary activities related and/or connected to such services.
- Others Segment, that corresponds to the remaining activities that are not included within the above mentioned segments; it includes: Entidad Adaptada de Salud - EAS and Unidad de Servicios Médico y Odontológico (medical and dental services), billing and collection services for third parties, income received from investment properties (rent), social financing, EATIC Laboratory tests, rendering of specialized transportation service.

The Company has not added operating segments to form this eight reportable segments; however, the Company carries out the activity of commercialization of energy, which consists in the purchase of electric power in the wholesale market and its sale to other market agents, or to the end users regulated or not regulated; therefore, the Company includes the information of this activity in the corresponding segments that contain this activity.

Management supervises the operating results of the operating segments separately in order to make decisions on the assignment of resources and assess their return. The return of the segments is assessed on the basis of profit or loss for operations before tax and of discontinued operations and is measured uniformly with the loss or profit for operations of the consolidated financial statements.

Transfer pricing between the operating sectors are agreed as between independent parties (arm's length principle) in a similar way that they are agreed with third parties.

2016	Power Generation	Distribution Electric Power	Electric Power Transmission	Gas	Water Supply	Sanitation	TIC	Other Segment	Total Segments	Intersegment Transactions	Conciliatory Matters	Consolidated
External Customer Revenue	2,971,861	9,397,389	64,632	83,403	1,541,928	846,463	-	99,545	15,835,221	(2,101,070)	18,702	13,752,853
Inter-segment revenues	962,239	958,754	61,984	24,218	16,166	27,878	-	43,652	2,094,891	-	-	2,094,891
Total net income	3,934,100	10,356,143	226,616	837,621	1,558,094	874,341	-	143,197	17,930,112	(2,101,070)	18,702	15,847,744
Costs and expenses without depreciation, amortization, provisions and impairment	(2,733,181)	(8,340,792)	(10,501)	(76,080)	(466,274)	(494,153)	-	(146,405)	(13,007,386)	2,098,945	(472,736)	(11,381,177)
Depreciation, amortization and provisions	(577,904)	(451,186)	(51,014)	(24,990)	(132,806)	(713,853)	-	(13,549)	(1,965,302)	-	(2,756)	(1,968,058)
Impairment of goodwill	(12,795)	-	-	-	-	-	-	-	(12,795)	-	(71,349)	(84,144)
Other income	34,239	35,891	16,508	190	216	10,828	-	190	98,062	-	332,301	430,363
Interest expenses	(227,290)	(277,327)	(21,078)	(50,752)	(94,340)	(63,739)	-	(13,669)	(748,195)	272,623	(353,834)	(829,406)
Financial expenses (other than interest)	(22,505)	(37,004)	(838)	(1,436)	(17,845)	(64,978)	-	(1,288)	(145,894)	752	(14,403)	(159,545)
Total financial expenses	(249,795)	(314,331)	(21,916)	(52,188)	(112,185)	(128,717)	-	(14,957)	(894,089)	273,375	(368,237)	(988,951)
Interest income	138,047	102,942	518	47,022	18,000	59,981	-	24,389	390,899	(271,122)	120,648	240,335
Financial income	210,633	56,576	2,919	1,693	10,477	52,318	-	3,614	338,230	(37)	65,687	403,880
Total financial income	348,680	159,518	3,437	48,715	28,477	112,299	-	28,003	729,129	(271,250)	186,336	644,215
Equity in earnings of associates and joint ventures	-	-	-	-	-	-	(70,430)	(101)	(70,531)	-	-	(70,531)
Other gains and losses	666	2,576	666	-	5	-	-	(831)	3,082	-	31,963	35,045
Gain or loss before taxes and discontinued operations of the segment	744,008	1,447,818	63,796	93,269	875,527	(339,255)	(70,430)	(4,452)	2,810,281	1	(345,776)	2,464,506
Total assets without investments in associates and joint ventures	17,334,842	12,417,727	1,469,025	1,050,600	5,308,301	3,737,070	-	689,247	42,006,810	(4,789,048)	3,894,329	41,112,091
Investments in associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	1,800,664	-	1,800,664	-	25,700	1,826,365
Total Assets	17,334,842	12,417,727	1,469,025	1,050,600	5,308,301	3,737,070	1,800,664	689,247	43,807,475	(4,789,048)	3,920,030	42,938,457
Total assets and balances Deferred regulatory account debits	17,334,842	12,433,540	1,469,025	1,050,600	5,308,301	3,737,070	1,800,664	689,247	43,823,288	(16,060,689)	15,191,671	42,954,270
Total liabilities	9,639,307	7,502,503	807,278	649,957	2,645,688	1,562,840	-	344,277	23,151,850	(4,789,048)	4,803,419	23,166,221
Total liabilities and balances deferred regulatory receivables	9,639,307	7,507,247	807,278	649,957	2,645,688	1,562,840	-	344,277	23,156,594	(4,789,047)	4,803,418	23,170,965
Non-current assets additions	1,806,036	1,331,295	299,669	58,127	292,399	581,462	-	12,909	4,381,897	-	-	4,381,897

- Figures expressed in millions of Colombian pesos -

2015	Power Generation	Distribution Electric Power	Electric Power Transmission	Gas	Water Supply	Sanitation	TIC	Other Segment	Total Segments	Intersegment Transactions	Conciliatory Matters	Consolidated
External Customer Revenue	2,872,327	8,666,546	137,851	708,152	602,863	810,894	-	85,586	13,884,219	(1,589,489)	27,790	12,322,520
Inter-segment revenues	517,329	887,470	54,079	35,496	16,015	40,750	-	33,541	1,584,680	-	-	1,584,680
Total net income	3,389,656	9,554,016	191,930	743,648	618,878	851,644	-	119,127	15,468,899	(1,589,489)	27,790	13,907,200
Costs and expenses without depreciation, amortization, provisions and impairment	(2,354,390)	(7,782,611)	(78,924)	(672,682)	(394,921)	(499,073)	-	(103,736)	(11,886,337)	1,590,240	(175,994)	(10,472,091)
Depreciation, amortization and provisions	(274,811)	(408,029)	(26,263)	(20,440)	(98,390)	(92,327)	-	(7,931)	(927,571)	-	(4,045)	(931,616)
Impairment of goodwill	-	-	-	-	(18)	-	-	-	(18)	-	-	(18)
Other income	128,176	399,184	6,089	15,772	104,477	87,576	-	372	741,646	-	832,538	1,574,184
Interest expenses	(227,559)	(229,180)	(3,849)	(29,384)	(50,608)	(52,455)	-	(4,601)	(597,636)	210,996	(331,451)	(718,091)
Financial expenses (other than interest)	(736,453)	(319,417)	(764)	(2,087)	(221,951)	(87,913)	-	(5,226)	(1,373,811)	541	(835,661)	(2,208,931)
Total financial expenses	(964,012)	(548,598)	(4,613)	(31,471)	(272,559)	(140,368)	-	(9,827)	(1,971,448)	211,537	(1,167,112)	(2,927,023)
Interest income	45,454	18,763	968	36,939	23,680	35,088	-	13,274	274,166	(210,989)	56,946	120,123
Financial income	15,592	12,786	327	324	27,012	79,303	-	3,908	239,252	(1,300)	72,941	310,893
Total financial income	61,046	231,549	1,295	37,263	50,692	114,391	-	17,182	513,418	(212,289)	129,888	431,017
Equity in earnings of associates and joint ventures	-	-	-	-	-	-	(161,270)	5	(161,265)	-	-	(161,265)
Other gains and losses	63	135	63	-	-	(1)	-	-	260	-	93,004	93,264
Gain or loss before taxes and discontinued operations of the segment	(13,652)	1,445,647	89,577	72,090	8,159	321,842	(161,271)	15,192	1,777,584	(1)	(263,932)	1,513,651
Total assets without investments in associates and joint ventures	16,201,926	12,362,311	1,162,767	879,564	4,745,406	4,491,785	-	698,494	40,542,252	(6,205,823)	5,671,306	40,007,736
Investments in associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	1,893,516	-	1,893,516	-	14,902	1,908,418
Total Assets	16,201,926	12,362,311	1,162,767	879,564	4,745,406	4,491,785	1,893,516	698,494	42,435,768	(6,205,823)	5,686,208	41,916,153
Total assets and balances Deferred regulatory account debits	16,201,926	12,380,278	1,162,767	879,564	4,745,406	4,491,785	1,893,516	698,494	42,453,735	(17,512,116)	16,992,502	41,934,121
Total liabilities	9,310,036	7,566,980	517,977	503,837	2,568,531	1,761,479	-	308,095	22,536,935	(6,205,823)	6,774,962	23,106,073
Total liabilities and balances deferred regulatory receivables	9,310,036	7,626,870	517,977	503,837	2,568,531	1,761,479	-	308,095	22,596,825	(6,205,823)	6,774,962	23,165,964
Non-current assets additions	1,589,293	1,061,596	354,111	79,964	145,967	465,620	-	84,179	3,780,730	-	-	3,780,730

- Figures expressed in millions of Colombian pesos -

43.2 Information by geographic area

Revenues from external customers

Country	2016	2015
Colombia (country of domicile of EPM)	10,764,878	8,983,629
Guatemala	1,949,804	1,906,994
Panamá	1,768,797	1,691,887
El Salvador	717,452	811,561
Chile	445,899	276,260
México	188,557	204,122
Ecuador	5,826	28,646
Bermuda	9,498	7,171
International intersegment eliminations	(2,966)	(3,070)
Total countries other than Colombia	5,082,866	4,923,571
Total Consolidated Income	15,847,744	13,907,200

- Figures expressed in millions of Colombian pesos -

The information on revenues is based on the location of the customer. In the EPM Group no customer generates more than 10% of the revenues.

Non-current assets

Country	2016	2015
Colombia (country of domicile of EPM)	25,609,323	22,848,463
Chile	3,463,597	3,746,815
Panama	1,970,997	1,955,793
Guatemala	1,773,058	1,728,725
El Salvador	310,184	307,086
Mexico	52,737	244,952
Total countries other than Colombia	7,570,572	7,983,371
Total non-current assets	33,179,895	30,831,834

- Figures expressed in millions of Colombian pesos -

For these purposes, the non-current assets include properties, plant and equipment, intangible assets and investment properties including the assets for acquisition of subsidiaries and goodwill.

Note 44. Facts occurred after the period being reported

Spinoff of Parque Eólico Los Cururos Ltda.

In an extraordinary meeting of the Directors of EPM CHILE S.A. of February 2, 2017, it was agreed to spin off the transmission and generation assets of Parque Eólico Los Cururos Ltda., to comply with the definition of Supreme Decree No. 23 T from the Ministry of Energy that establishes the obligation for all the operating companies or owners of the trunk transmission systems to incorporate a company for the transmission line of business as a closed joint stock company (S.A.).

The division of Parque Eólico Los Cururos Ltda. originated two companies, one of them Parque Eólico Los Cururos Ltda., a legal continuation company and a new joint stock company, that will be called "EPM Transmision Chile S.A." This new company will have as shareholders the current stockholders of Parque Eólico Los Cururos S.A., that is EPM Chile S.A. and EPM Inversiones S.A. maintaining their percentage of interest. The assets associated to the new transmission company are transferred to EPM Transmision Chile S.A., which value at December 31 2016 and January 31, 2017 amounted to USD6,048 (in thousands) and USD\$6,036 (in thousands), respectively, as evidenced in the public deed of division of Parque Eólico Los Cururos Ltda., dated February 2, 2017 and under repertory No. 4359-2017.

After the date of presentation of the consolidated financial statements and before the date of authorization of their publication, there were no other relevant events that imply adjustments to the figures.