

EPM Group
Consolidated Financial Statements
As of June 30, 2014 and 2013
(Free translation from the original in Spanish)

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Empresas Públicas de Medellín E.S.P.
Consolidated Balance Sheet
As of June 30, 2014 and December 31, 2013
(In millions of Colombian pesos)

Assets	Notes	2014	2013	Liabilities	Notes	2014	2013
Current assets		5,516,805	6,306,990	Current liabilities		4,284,578	4,173,817
Cash and cash equivalents	10	953,757	1,306,580	Financial obligations	20	895,210	847,806
Investments securities	11	706,125	1,289,538	Hedging operations	21	31,028	32,803
Accounts receivable, net	12	3,473,734	3,303,599	Accounts payable	22	2,260,953	2,123,326
Inventories, net	13	261,450	258,083	Taxes payable	23	344,474	462,063
Prepaid expenses	14	37,017	64,590	Labor obligations	24	207,842	157,774
Other assets, net	18	84,722	84,600	Pension plan	25	204,378	241,793
				Estimated liabilities	26	75,617	66,264
				Other liabilities	27	265,076	241,988
Non-current assets		32,375,479	31,991,689	Non-current liabilities		10,846,074	11,109,051
Investments securities	11	7,396	8,185	Financial obligations	20	7,976,931	8,382,690
Equity investments, net	15	501,331	501,370	Hedging operations	21	51,123	35,635
Accounts receivable, net	12	920,987	959,692	Accounts payable	22	347,510	300,941
Property, plant, and equipment; net	16	16,568,521	16,023,149	Taxes payable	23	2,109	2,805
Pension plan asset	17	731,959	736,183	Labor obligations	24	40,323	67,194
Prepaid expenses	14	144,455	200,678	Pension plan	25	1,209,300	1,157,999
Other Assets, net	18	2,368,173	2,377,768	Estimated liabilities	26	233,201	219,558
Reappraisal of assets	19	11,132,657	11,184,664	Other liabilities	27	985,577	942,229
				Total liabilities		15,130,652	15,282,868
				Minority Interest	37	836,367	968,297
				Equity (see the accompanying statement)		21,925,265	22,047,514
Total assets		37,892,284	38,298,679	Total liabilities and equity		37,892,284	38,298,679
Debt memorandum accounts	30	7,172,064	8,001,836	Credit memorandum accounts	30	21,060,491	20,266,573

Empresas Públicas de Medellín E.S.P.
Consolidated Statement of Financial, Economic, Social and Environmental Activity
For the period ended in June 30, 2014 and 2013
(In millions of Colombian pesos)

	Notes	2014	2013
Operating revenues, net	31	6,989,026	6,357,546
Cost of sales	32	(4,441,908)	(3,932,120)
Depreciation, provisions and amortization cost	33	(494,096)	(463,741)
Gross profit		2,053,022	1,961,685
Administrative expenses	34	(497,054)	(468,740)
Depreciation, provisions and amortization expenses	33	(149,769)	(177,407)
Operating surplus		1,406,199	1,315,538
Non-operating revenues, net	35	419,520	463,622
Non-operating expenses, net	36	(539,970)	(626,347)
Non-operating surplus		(120,450)	(162,725)
Net income before taxes and minority interest		1,285,749	1,152,813
Income tax provision	23	(378,350)	(341,582)
Net income before minority interest		907,399	811,231
Minority Interest		(59,771)	(61,665)
Net income		847,628	749,566

Empresas Públicas de Medellín E.S.P.
Consolidated Financial Statement of Changes in Equity
For the period ended in June 30, 2014 and 2013
(In millions of Colombian pesos)

	Capital	Surplus from Donations	Reserves (Note 28)	Unappropriated retained earnings (Note 29)	Accumulated Inflation Adjustments of Equity	Translation adjustment	Surplus on revaluation	Total
Balance at December 31, 2012	67	114,319	3,579,639	5,708,332	2,437,797	(68,150)	9,287,725	21,059,729
Appropriation of reserves	-	-	-	-	-	-	-	-
Reappraisal movements	-	-	50,929	(50,929)	-	-	-	-
Ordinary distribution to the city of Medellín	-	-	-	(526,122)	-	-	-	(526,122)
Extraordinary distribution to the city of Medellín	-	-	-	(388,435)	-	-	-	(388,435)
Period's movement	-	-	-	-	-	-	-	-
Net income	-	-	-	749,566	-	-	-	749,566
Balance at June 30, 2013	67	114,319	3,630,568	5,492,412	2,437,797	(68,150)	9,134,792	20,741,805
Balance at December 31, 2013	67	114,319	3,839,169	5,839,058	2,437,797	(68,150)	9,885,254	22,047,514
Appropriation of reserves	-	-	(52,833)	52,833	-	-	-	-
Reappraisal movements	-	-	-	-	-	-	(60,108)	(60,108)
Ordinary distribution to the city of Medellín	-	-	-	(496,237)	-	-	-	(496,237)
Extraordinary distribution to the city of Medellín	-	-	-	(413,531)	-	-	-	(413,531)
Period's movement	-	-	-	-	-	-	-	-
Net income	-	-	-	847,627	-	-	-	847,627
Balance at June 30, 2014	67	114,319	3,786,336	5,829,750	2,437,797	(68,150)	9,825,146	21,925,265

Empresas Públicas de Medellín E.S.P.
Consolidated Statement of Cash Flows
For the period ended in June 30, 2014 and December 31, 2013
(In millions of Colombian pesos)

	2014	2013
Cash flows from operating activities		
Net income	847,628	1,624,813
Adjustments to reconcile net income to cash provided by operating activities		
Deferred income tax	95,649	7,511
Depreciation, amortizations and provisions	574,299	1,150,065
Pension plan	62,119	134,835
Translation adjustments	(45,284)	288,469
Minority Interest	59,771	101,941
Other income and expenses not involving cash	47,923	74,183
Net changes in operating assets and liabilities net of effect of business combinations		
Variance in receivables	(186,811)	(619,676)
Variance in inventories	(11,765)	(14,268)
Variance in other assets	83,674	(87,208)
Variance in accounts payable	(268,289)	82,499
Variance in third party collections and other liabilities	(208,085)	(289,153)
Variance en labor obligations	(25,037)	(80,713)
Net cash provided by operating activities	1,025,792	2,373,298
Cash flows from investing activities		
Increase of property, plant and equipment	(986,711)	(2,919,439)
Increase of business combination	-	(62,980)
Increase of other assets	(97,019)	(125,844)
Net cash used in investing activities	(1,083,730)	(3,108,263)
Cash flows from financing activities		
Increase of financial obligations	441,193	1,484,653
Payments of financial obligations	(737,118)	(367,733)
Payments of surplus to the Municipality of Medellín	(582,373)	(1,183,493)
Net cash flows provided (used) in financing activities	(878,298)	(66,573)
Net increase (decrease) in cash and cash equivalents and investments in securities	(936,236)	(801,538)
Cash and cash equivalents and investments in securities at beginning of the year	2,596,118	3,397,656
Cash and cash equivalents and investments in securities at end of the year	1,659,882	2,596,118

Empresas Públicas de Medellín E.S.P.
Notes to the Consolidated Financial Statements
For the period ended in March 31, 2014 and December 31, 2013
(Unaudited)

(Amounts expressed in millions of Colombian pesos, except for the market representative exchange rate which are expressed in Colombian pesos and thousands of dollars, Euros, sterling pounds and yens)

General Notes

Note 1 Legal nature, corporate purpose and business activities

Empresas Públicas de Medellín E.S.P. (hereinafter "EPM" or the "Company") is the Parent Company of a business group that, with the 55 related parties are part of it, is present in Bermuda, Chile, Colombia, El Salvador, Spain, United States, Guatemala, Cayman Islands, Mexico and Panama.

EPM is a municipal decentralized entity created in Colombia by means of Agreement 58 of August 6, 1955 issued by the Administrative Council of Medellín as an autonomous public Establishment. It was transformed into a Municipal Government-owned industrial and commercial company through Agreement 069 of December 10, 1997, issued by the City Council of Medellín. As a result of its legal nature, EPM has administrative and financial autonomy and its own equity, in accordance with Article 85, Law 489 of 1998. All the capital of its incorporation and its current operation, as well as its equity, is public, its sole owner being the Municipality of Medellín. Its main domicile is located at Carrera 58 No. 42-125, Medellín, Colombia. No duration term has been established for the company.

The corporate object of EPM is to provide domiciliary public utilities of water, sewage, power, fuel gas distribution, basic public switched fixed-line telephone system, and local mobile telephone in the rural sector, and other telecommunications services. The company may also provide public waste collection, treatment and use services, as well as all complementary activities proper of each of these public utilities.

The EPM Group offers its services through the following segments:

Energy: made up by the business of Generation, Transmission, Distribution and Commercialization of Energy and Distribution of Natural Gas.

Water: consisting of the waterworks, wastewater and cleaning and sanitation businesses.

Telecommunications: in October 2013 the framework agreement was signed whereby the negotiation of the merger between UNE and Millicom was closed, whereby EPM will have the majority shareholding in the merged company with a participation of 50% and 1 share in the capital stock. Millicom, in turn will own the remaining shares, assume and administrative and operating control of the entity and the full consolidation of the financial statements.

Other segments: made up by the investment vehicles: EPM Inversiones, PDG, EPM Chile, EPM Capital Mexico. Additionally, there is Max Seguros Ltd, captive reinsurance company, incorporated to negotiate, contract and provide reinsurance services.

EPM Group structure

Following is a detail of the companies related to the EPM Group, indicating the direct or indirect participation that EPM has within the companies:

Company	Location	Corporate purpose	Direct participation percentage		Creation date
			2013	2012	
Empresa de Energía del Quindío S. A. E.S.P. - (EDEQ)	Armenia	Rendering of public utilities of electric power; purchase, sale and distribution of electric power; these activities shall be conducted through the execution of policies, plans, programs and projects concerning distribution and commercialization of electric power, as well as related management, handling and uses in conformity with the regulations, guidelines and standards issued by the MME, primarily fulfilling the social function framed by such activity.	92.85%	92.85%	December 22, 1988
Central Hidroeléctrica de Caldas S. A. E.S.P. - (CHEC)	Manizales	Rendering of essential public utilities of electric power, mainly exploitation of electric power generation plants, transmission and sub transmission lines, and distribution network; purchase, sell and distribution of electric power; construction or acquisition of electric power generation plants, substations, transmission lines, distribution networks, and all sorts of installations related to production, purchase and sale of electric power, as well as commercialization, imports, distribution and sell of electric power.	80.10%	80.10%	September 9, 1950
Electrificadora de Santander E.S.P. - (ESSA)	Bucaramanga	Rendering of residential public utilities of electric power and related complementary activities of generation, transmission, distribution and commercialization, as well as rendering of services related to public utilities activities, in accordance with the legal and regulatory framework.	74.05%	73.89%	September 16, 1950
Centrales Eléctricas del Norte de Santander S. A. E.S.P. - (CENS)	Cúcuta	Rendering of electric power utility, for which the following operations are performed, among others: purchase, exports, imports, distribution and sell of electric power and other energy sources; construction and exploitation of electric power stations, generating plants and substations, and the construction and exploitation of transmission and sub transmission lines and distribution networks.	91.52%	91.52%	October 16, 1952
Electra Noreste S.A (ENSA)	Panamá City	Rendering of electric power utility, for which the following operations are performed, among others: purchase, transport through the distribution network, tension transformation, to install, operate and maintain public lightning in the concession area. Also, the entity is authorized to generate energy power with a limit of 15% in respect of the maximum energy in the concession area.	51.00%	51.00%	January 19 1998
Hidroecológica del Teribe S. A. - (HET)	(1) Panamá City	Finance the construction of the Bonyic Hydroelectric project to meet the growing demand of electric power in the Isthmus of Panama.	99.99%	97.09%	November 11, 1994

Company	Location	Corporate purpose	Direct participation percentage		Creation date
			2013	2012	
Empresa Eléctrica de Guatemala S.A. (EEGSA)	Guatemala City	To commercialize energy.	80.90%	80.90%	Octubre 5, 1939
Gestión de Empresas Eléctricas S.A. (GESA)	Guatemala City	Provide advisory and consultancy services to companies of electric power distribution, generation and transportation.	100.00%	100.00%	December 17, 2004
Almacenaje y Manejo de Materiales Eléctricos S.A (AMESA)	Guatemala City	To provide outsourcing services to the materials administration area.	100.00%	100.00%	March 23, 2000
Comercializadora Eléctrica de Guatemala S.A (COMEGSA)	Guatemala City	To commercialize energy.	80.90%	80.90%	November 5, 1998
Transportista Eléctrica Centroamericana S.A	Guatemala City	To commercialize energy.	80.90%	80.90%	October 6, 1999
Enérgica S.A. (ENÉRGICA)	Guatemala City	To build and maintain projects and goods for energy sector.	80.90%	80.90%	August 31, 1999
Crediegsa S.A (CREDIEGSA)	Guatemala City	To provide personnel hiring and other administrative services.	80.90%	80.90%	December 1, 1992
Distribuidora de Electricidad del Sur (Delsur)	San Salvador	To transform, distribute and commercialize electricity, supplying energy to the Center-South of El Salvador, in Central America.	86.41%	86.41%	November 16, 1995
Innova Tecnología y Negocios S.A de C.V	San Salvador	To provide services specialized in electric engineering and electrical appliances sale to electricity users of Delsur.	100.00%	100.00%	October 19, 2010
Parque Eólico Los Cururos Ltda	(2) Santiago de Chile	Electricity generation through all types of fuels and renewable energy in any form, such as wind, photovoltaic and biomass. Transmission, purchase and sale of electricity to customers either or any interconnected system. Elaborate, execute, implement, manage and maintain projects related to the use of renewable energy, cogeneration or regeneration.	100.00%	N.A.	August 26, 2011
Parque Eólico La Cebada S.A	(3) Santiago de Chile	Electricity generation through all types of fuels and renewable energy in any form, such as wind, photovoltaic and biomass. Transmission, purchase and sale of electricity to customers either or any interconnected system. Elaborate, execute, implement, manage and maintain projects related to the use of renewable energy, cogeneration or regeneration.	100.00%	N.A.	February 17, 2011
Aguas Nacionales EPM S. A. E.S.P.	Medellín	Rendering of residential public utilities of water, sewage draining, sanitation, and treatment and use of waste material and related complementary activities and engineering services pertaining to those public utilities.	99.99%	99.99%	November 29, 2002
Aguas de Urabá S. A. E.S.P.	Apartadó	Ensure the rendering of residential public utilities of water, draining and sanitation and compensate for the underdevelopment of infrastructure for those services in associate municipalities.	63.42%	63.42%	January 18, 2006

Company	Location	Corporate purpose	Direct participation percentage		Creation date
			2013	2012	
Empresas Públicas de Oriente S. A. E.S.P.	Rionegro	Rendering of public utilities of water and draining services for rural areas and sub urban areas of the Municipalities of Envigado, Rionegro and El Retiro, in the so called Valle de San Nicolás.	58.33%	58.33%	November 12, 2009
Empresa de Aguas del Oriente Antioqueño S. A. E.S.P.	El Retiro	Rendering of residential public utilities of water and draining, as well as other complementary activities related to each of those public utilities.	56.01%	56.01%	November 22, 1999
Regional de Occidente S. A. E.S.P.	San Jerónimo	Rendering of residential public utilities of water, draining and sanitation, as well as other complementary activities related to each of those public utilities and treatment and use of waste material.	62.11%	62.11%	December 26, 2006
Aguas de Malambo S. A. E.S.P.	Malambo	Ensure the rendering of residential public utilities of water, draining and sanitation within the jurisdiction of the Municipality of Malambo in the Department of Atlántico.	87.99%	78,32%	November 20, 2010
Aquasol Pachuca S.A. de C.V.	Pachuca de Soto (4)	Preparation of the final design, construct, equipment and operation of a wastewater treatment plant, in the city of Pachuca de Soto. Develop potable water projects and water treatment plants.	57.60%	N.A.	July 5, 2004
Ecosistemas de Colima S.A. de C.V.	Colima (4)	Preparation of the final design, construct, equipment and operation of a wastewater treatment plant, covers a period of one year for the construction, testing and commissioning, and 19 years for the operation, preservation and maintenance of the plant, and stabilization of sludge generated in the municipalities of Colima and Villa de Alvarez, in the Colima State.	79.99%	N.A.	February 14, 2006
Ecosistemas de Tuxtla S.A. de C.V.	Tuxtla (4)	Construction, equipping, testing, commissioning, operate and maintain a wastewater treatment system, as well as the execution of additional works, in the form of total private recoverable investment . Develop potable water projects and water treatment plants.	80.40%	N.A.	November 17, 2006
Ecosistemas de Uruapan S.A. de C.V.	Uruapan (4)	Rendering of residential public utilities of water, draining and sanitation within the jurisdiction of the Municipality of Uruapan, Michoacán. It also is subject to the preparation of the final design for a wastewater treatment plant. It comprises a period of one year to prepare the final design, construction, equipment, testing and commissioning and 15 years for the operation, preservation and maintenance of the plant.	80.20%	N.A.	November 18, 2009
Ecosistema de Ciudad Lerdo S.A. de C.V.	Lerdo Durango (4)	Construction, equipping, commissioning, operation and maintenance for 20 years a sewage treatment system in the City of Lerdo, Durango, and the execution of additional works in the mode of total private recoverable investment.	80.00%	N.A.	April 24, 2007
Aquasol Morelia S.A. de C.V.	Morelia (4)	Construction of a wastewater treatment plant, as well as the equipment and operation of the plant in Atapaneo in the Municipality of Morelia, Michoacan State.	100.00%	N.A.	November 13, 2003

Company		Location	Corporate purpose	Direct participation percentage		Creation date
				2013	2012	
Ecosistemas de Celaya S.A. de C.V.	(4)	Celaya	Preparation of the final design, construct, equipment and operation of a wastewater treatment plant, as well as the transport and disposal of solid waste and sludge generated by the plant, in the city of Celaya, Guanajuato State.	80.00%	N.A.	December 5, 2008
Ecosistema de Morelos S.A. de C.V.	(4)	Cuernavaca	Preparation of the final design, construct, equipment, testing, commissioning, operate, conserve and maintain the wastewater treatment plant in Acapantzingo, Municipality of Cuernavaca, Morelos State.	80.00%	N.A.	November 17, 2009
Desarrollos Hidráulicos de TAM S.A. de C.V.	(4)	Ciudad de México	Design projects, construction, equipment, expansion, improvement, preservation, maintenance, establishment and operation of all types of water supply systems and sewerage and drainage works as well as the collection and sewage treatment and all types of solid waste.	79.29%	N.A.	August 25, 1995
Ecoagua de Torreón S.A. de C.V.	(4)	Torreón	Provide services for wastewater treatment operation, whether municipal or domestic, as well as activities related to the treatment of wastewater.	80.00%	N.A.	October 25, 1999
Sistema de Aguas de Tecomán S.A. de C.V.	(4)	Tecomán	Preparation of the final design, construct, equipment and operation of a wastewater treatment plant, covers a period of one year for the construction, testing and commissioning, and 19 years for the operation, preservation and maintenance of the plant, and stabilization of sludge generated.	49.60%	N.A.	August 21, 2009
Empresas Varias de Medellín S. A. E.S.P. - EMVARIAS	(5)	Medellín	Rendering of cleaning public utilities as part of the integral management waste collection treatment.	99.90%	N.A.	January, 1964
EPM Inversiones S. A.		Medellín	Capital investment in domestic or foreign societies organized as public utilities companies.	99.99%	99.99%	August 25, 2003
UNE EPM Telecomunicaciones S. A.		Medellín	Rendering of telecommunications services, information and communication technology services, information services and complementary activities.	99.99%	99.99%	June 29, 2006
Eutelco S.A.		Medellín	Rendering of telecommunications services, information and communication technology services, information services and complementary activities.	99.93%	99.93%	July 21, 1994
Edatel S. A. E.S.P.		Medellín	Rendering of telecommunication, information and communications technologies services and information services as well as complementary activities.	56.00%	56.00%	December 17, 1969
Empresa de Telecomunicaciones de Pereira S.A. (ETP)		Pereira	Rendering of telecommunication, information and communications technologies services and information services as well as complementary activities.	99.980%	56.140%	May 16, 1997
Cinco Telecom Corporation (CTC)		Miami	Rendering of telecommunication, information and communications technologies services and information services as well as complementary activities.	100.00%	100.00%	December 24, 2001

Company	Location	Corporate purpose	Direct participation percentage		Creation date
			2013	2012	
Orbitel Comunicaciones Latinoamericanas S.A.U. (OCL)	Madrid	Rendering of telecommunication, information and communications technologies services and information services as well as complementary activities.	100.00%	100.00%	July 22, 2003
Orbitel Servicios Internacionales S.A. (OSI)	Rionegro	Rendering of telecommunication, information and communications technologies services and information services as well as complementary activities.	99.990%	99.990%	June 27, 2003
Maxseguros EPM Ltd.	Bermudas	Negotiation, contracting and handling of reinsurance for policies covering equity.	100.00%	100.00%	April 23, 2008
Panama Distribution Group S. A. - PDG	Panamá City	Capital investments in partnerships.	100.00%	100.00%	October 30,1998
Distribución Eléctrica Centroamericana DOS S. A. - DECA II	Guatemala City	Capital investments in companies dedicated to distribution and commercialization of electric power and to provide telecommunication services.	100.00%	100.00%	March 12,1999
Inmobiliaria y Desarrolladora Empresarial de América S.A. (IDEAMSA)	Guatemala City	Investment in real estate.	80.90%	80.90%	June 15, 2006
AEI El Salvador Holding S.A.	Panamá City	Capital investments in partnerships.	100.00%	100.00%	May 17, 2007
Electricidad de Centroamérica Ltda. de C.V. (ELCA)	Santa Tecla	Investment in shares and other securities titles, and advisory to DELSUR company.	100.00%	100.00%	December 9, 1997
PPLG El Salvador II	Caimán	Capital investments in partnerships.	100.00%	100.00%	April 9, 1999
EPM Capital México S. A. de C.V.	Ciudad de México	Develop infrastructure projects of any kind, including but not limited to projects related to electric power, public lighting, gas, telecommunications, sanitation, treatment plants for potable water, draining, sewage treatment plants, wells, buildings, as well as the operation, studies and services in all fields and branches in connection with the above.	100.00%	100.00%	May 4, 2012
EPM Chile S.A.	Santiago de Chile	Develop infraestructure projects of any kind, including but no limited to ptojects related to electric power, public lighting, gas,Telecommunications, sanitation, treatment plants for potable water, draining, sewage treatment plants,wells; render electric power services, water and cleanness; participate in all kind of compeitity ,tenders, of kind private or public .	100.00%	N.A.	February 22, 2013
Tecnología Intercontinental S.A. de C.V. (TICSA)	(4) México City	Estudio, desarrollo, fomento y ejecución de proyectos y procesos industriales, así como el diseño, fabricación, ensamble y montaje de maquinaria, el desarrollo de tecnología incluyendo la comercialización, representación comercial y comercio en general	80.00%	N.A.	July 28, 1980

Company		Location	Corporate purpose	Direct participation percentage		Creation date
				2013	2012	
Proyectos de Ingeniería Corporativa S.A. de C.V. (h)	(4)	México City	Providing the services of design, general, engineering or the construction, professional and technical services, manage and carry out all the activities needed for the development of a company, commercial, industrial or services in the form of individuals or legal persons.	98.00%	-	August 1, 2008
Corporación de Personal Administrativo S.A. de C.V. (h)	(4)	México City	Providing the professional services towards to operate, manage and carry out all the activities needed for the development of a company, commercial, industrial or services in the form of individuals or legal persons, as well as the management, recruitment, hiring and interchange of staff that perform functions at the petitioner companies.	100.00%	-	August 1, 2008

- (1) Under the local accounting rule of Panama, IFRS, this Company recognized an impairment that implied an expense in its financial statements; however, in the homologation of the Colombian accounting practices the recognition of this expense is not applicable.
- (2) Company (formerly Sociedad Pacífico S.A.) acquired in March 2013 through the affiliates EPM Chile and EPM investments. On April 2013 it changed its corporate name and corporate form.
- (3) Company acquired in March 2013 through the affiliates EPM Chile and EPM investment.
- (4) In September 2013 a capitalization was made equivalent to 80% of the shares of the company Tecnología Intercontinental S.A. de C.V. (TICSA), through the affiliate EPM Capital México S.A. de C.V. TICSA is holding company consisting of 13 companies.
- (5) On November 1, 2013 EPM acquired 99,90% of the shares.

Note 2 Legal and regulatory framework

The activities performed by EPM, rendering of domiciliary public utilities, are regulated in Colombia, Guatemala, El Salvador, Panamá, Chile and México. The most significant applicable regulatory aspects are the following:

2.1 Regulations in Colombia

2.1.1 General aspects

The Political Constitution of Colombia of 1991 provided that public utilities are inherent to the State's social purpose and that its duty is to ensure the efficient rendering of those services to all inhabitants of the national territory. The Constitution also establishes that it

corresponds to the President of the Republic to point out, in compliance with the law, the general administration and efficiency control policies of domiciliary public utilities, exercising, through the Superintendence of Domiciliary Public Utilities, the control, inspection and monitoring of the entities that provide them.

Law 142 of 1994, the Public Utilities Law, defines the general criteria and the policies that must rule the rendering of domiciliary public utilities in the country and the procedures and mechanism for their regulation, control and monitoring.

Law 143 of 1994, the Electric Law, made viable the constitutional approach and regulates the generation, transmission, distribution and commercialization of electric power, at the same time that it created market environment and competition, strengthened the sector and limited the State's intervention.

Because it is a company engaged in the rendering of domiciliary public utilities, EPM is governed by laws 142 and 143 of 1994. Therefore, according to those laws and to Law 689 of 2001, the contracting regime that rules it is private law, without waiving the obligations to follow the general public function principles set forth in the Constitution and other principles that rule the provision of domiciliary public utilities. Likewise, because it is a decentralized municipal entity, EPM is subject to the political control of the Council of Medellín, to the fiscal control of the Medellín's Controller Office and to the disciplinary control of the General Attorney's Office.

2.1.2 Regulation commissions

The President's function of establishing general policies for administration and efficiency control of residential public utilities was delegated to the Regulatory Commissions by means of Decree 1524 of 1994.

In Colombia, Regulatory Commissions have the function of regulating monopolies in the rendering of public utilities when competition is not possible. In all other cases, the function is to promote the competition among those who provide public utilities, in order that the operations of the competitors will be economically efficient, do not imply abuse in the dominant position and produce quality services. These entities are the following:

- The Energy and Gas Regulatory Commission (CREG, for its initials in Spanish) technical entity attached to the Ministry of Mines and Energy (MME) that regulates the energy sale rates and aspects related to the operation of the Wholesale Energy Market and the rendering of the electric power and gas services.
- The Potable Water and Basic Sanitation Regulatory Commission (CRA, for its initials in Spanish), regulates the water and sewage rates, technical entity attached to the Ministry of Housing, City and Territory.
- The Communications Regulatory Commission (from the Spanish Comisión de Regulación de Comunicaciones - CRC), a special administrative technical unit under the Ministry of Information and Communications Technologies, is responsible for promoting competition, preventing the abuse of dominant position, and monitoring networks and telecommunications services.

2.1.3 Tariff system

The tariff or rate system applicable to domiciliary public utilities is made up by rules related to procedures, methodologies, formulas, structures, socioeconomic groups, billings, options, values and, in general, all aspects that determine the charge of the rates. According to the Public Utilities Law said regime is oriented by the criteria of economic efficiency, neutrality, solidarity, redistribution, financial sufficiency, simplicity and transparency.

Entities that provide residential public utilities must observe formulas periodically defined by the respective Regulatory Commission to set their tariffs. In this respect, the regulatory commission may establish maximum and minimum tariff limits that must be mandatorily complied by the companies; it may also define the methodologies to determinate the rates and the convenience of applying the regulated or supervised freedom system, in accordance with market conditions.

Notwithstanding other alternatives that might be defined by the Regulatory Commissions, the factors in tariff formulas may include a charge per consumption unit, a fixed charge and a connection contribution charge, the collection of which, under no circumstance, may contradict the principle of efficiency, nor transfer the cost of an inefficient management to the user, nor derive benefits from dominant or monopolistic positions. Regulatory Commission may design and disclose to the public various tariff options that take into consideration optimal rate designs..

Based on legal provisions, the tariff formulas have a term of five years. After which the commissions must review them to adjust them to the particular dynamics of the sector and of the economy in general.

Additionally, the tariff system includes the criteria of solidarity and income redistribution, whereby subscribers of lower socioeconomic levels are benefited with subsidies on basic consumption or subsistence consumption, which are funded by the contributions made by industrial and commercial users, and residential users in socioeconomic levels 5 and 6, as well as contributions from the National Government and territorial Entities

2.1.4 Regulation by sector

2.1.4.1 Potable water and basic sanitation sector

The tariffs for potable water and basic sanitation services take into consideration, on the one hand, the regulations pertaining to pricing;, and on the other hand, regulations for designing the subsidies and contributions scheme.

For these utilities the CRA adopted the regulated freedom system, whereby the prices are set by the local rate-setting entity, in accordance with the methodology defined in resolution CRA 287 of 2004 and its complementary regulations. For service suppliers different from the municipality, the local rate-setting entity corresponds to the board of directors of the supplier company.

The costs adopted by EPM were approved by means of Decree 211 of December 2005 modified by means of Decree 232 of June 2007.

For each utility, pricing includes the following components:

2.1.4.1.1 Water supply service

The Tariff of this service includes a fixed charge and a charge for consumption.

The fixed charge represents the costs incurred by EPM to guarantee the permanent availability of the service. This charge includes costs related to the administrative and commercial activity for the rendering of this service, affected by the comparative efficiency score, calculated based on the Data Envelopment Analysis (DEA) technique.

The charge for consumption reflects the costs to operate and maintain the system, as well as the investment, replacement and rehabilitation costs, and the infrastructure recognition at the time of the computation. This charge also considers the average costs of environmental rates, which reflect the obligation to which water supply companies are subject by environmental authorities. These rates reflect the obligation arising from the use of the resource and are regulated by the Ministry of the Environment and Sustainable Development.

2.1.4.1.2 Basic sanitation service

As in the case of the water supply utility, in the sanitation service a fixed charge and a charge for use. The fixed charge represents the costs incurred by the companies to guarantee the permanent availability of the service, including the accounting costs associated to the administrative and commercial activity of providing the service, affected by the comparative efficiency score calculated based on the DEA technique.

The charge for consumption reflects the costs to operate and maintain the system, as well as the investment, replacement, rehabilitation costs, and the infrastructure recognition at the time of the computation. This charge also includes the average cost of environmental rates, which reflect the obligation to which sewage companies are subject under environmental authorities for compensatory rates for the subscriber's wastewater disposal into receiving sources.

2.1.4.1.3 Cleaning and sanitation service

The rates of the ordinary public utility service of cleaning and sanitation consider, on one hand, the regulatory provisions on the subject of pricing, and on the other, the regulation for the design of the subsidy and contribution scheme.

For these services, the CRA (Potable Water and Basic Sanitation Regulation Commission, for its initials in Spanish), adopted the regulated freedom regime; for the case of cleaning and sanitation the regulation is of price ceiling, thus the CRA estimates maximum prices at which the public utility companies may provide the service, and develops the rate methodologies in order to establish the maximum rate in each market. Prices are set by the local rate fixing entity (Board of Directors), in conformity with the methodology defined in Resolutions CRA 351 and 352 of 2005 and their complementary regulations.

Rates include the services of solid waste collection, transportation and final disposal, as

well as the sweeping and cleaning of roads and public areas.

2.1.4.1.4 Subsidies and contributions

In the water supply and basic sanitation services, the balances between contributions and subsidies are calculated in accordance with Law 632 of 2000, Law 1450 of 2011, Decrees 1013 of 2005 and 4924 of 2011, which established minimum contribution factors applicable to subscribers of socioeconomic levels 5 and 6, industrial and commercial subscribers; the methodology to find balance between contributions from the various sources and subsidies for socioeconomic level 1, 2 and 3, as well as the creation of a common pool of minimum contributions for municipalities served by the same supplier. According to the latter, these contributions are distributed among the municipalities according to the percentage that each municipality assigns to cover subsidies, and to the total demand for resources required to cover said subsidies.

In the ordinary public cleaning and sanitation services, the balance between contributions and benefits are calculated in accordance with Act 632 of 2000, Act 1450 of 2011, Decree 1013 of 2005, which set the minimum applicable factors contributing to level 5, 6, industrial and commercial users; the methodology balance between the contributions of the different sources and subsidies in level 1, 2 and 3.

According to legal regulations, subsidies cannot in any case exceed the value of basic subsistence consumption or be higher than seventy percent (70%) of the average cost of the supply for level 1, forty percent (40%) for level 2 and fifteen percent (15%) for level 3. While the factors of solidary contribution for the public utilities of water supply and sewage will be minimum the following: residential subscribers of level 5, fifty percent (50%); residential subscribers of level 6, sixty percent (60%); commercial subscribers fifty percent (50%); and industrial subscriber thirty percent (30%).

2.1.4.2 Electric power sector

2.1.4.2.1 General

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

Based on these laws 142 and 143 of 1994, the CREG designs, regulates and implements the institutional and regulatory framework of the Colombian electric sector by means of specific resolutions for each of the activities of the electric power service chain.

2.1.4.2.1.1 Activities of the electric power sector

Through different resolutions, and based on Acts 142 and 143 of 1994, the CREG established the following general definition for each of those activities:

Generation: Consists in the production of electric power based on different sources (conventional or non-conventional), whether this activity is performed exclusively or combined with another or other activities of the electricity sector, regardless of which of them is the main activity.

Transmission: The national transmission activity is the transportation of electric power in the National Transmission System (STN, for its initials in Spanish). It is made up by the set of lines, together with their corresponding connection equipment, that operate at voltages equal to or higher than 220 kV. The National Transmitter is the legal person that operates and transport electric power in the STN or has incorporated a company which object is the performance of said activity.

Distribution: Consists in transporting electric power through a set of lines and substations, with their associated equipment, that operate at voltages lower than 220 kv.

Commercialization: Activity consisting in the purchase of electric power in the wholesale market and its sale to other market agents or end subscribers regulated or not regulated, whether this activity is performed exclusively or combined with other activities of the electric power sector, regardless of which of them is the main activity.

Law 143 of 1994 prohibits the vertical integration between generators and distributors, but allows that both agents may perform the commercialization activity. For the transmission, it defined that the companies that perform it must have this activity as their exclusive object. However, companies that as of the date of passing of Law 143 of 1994 were vertically integrated could continue being so, provided that they keep separate accountings for the various activities

By means of Resolution 011 of 2006, and its amendments, and Resolution 060 of 2007, the CREG established the limits of participation of the companies in each one of the activities of the sector, defining also the methodologies for calculation of such participation.

For the generation activity, it established a differential regulation, according to the participation of the agent in the electric power generation activity and the market concentration. In this manner, this allows that under certain market concentration conditions, an agent may have up to 30% participation in this activity.

For the distribution activity the participation limits were released, while for the case of commercialization it was established that no company may have, directly or indirectly, a market share in excess of 25.49%, determined according to the calculation methodology defined in Resolution CREG 001 of 2006, modified by Resolutions CREG 163 of 2008 and 024 of 2009.

2.1.4.2.1.2 Wholesale Electric Power Market (MEM, for its initials in Spanish)

Law 143 of 1994 defined the Wholesale Electric Power Market (MEM) in the following terms: "The market of large blocks of electric power, in which generators and commercialization agents sell and buy energy and power in the National Interconnected System (NIS), subject to the operating regulations"...Its operation is based on the existence of an electric exchange market, where commercial interchanges are made, and

a central operator of the NIS called National Dispatch Center (NDC). Resolution CREG 024 of 1995 regulated the commercial aspects of the MEM and Resolution CREG 025 of 1995 the operating aspects of the NIS.

Transactions performed between generators and commercialization agents are made through two mechanisms:

Bilateral agreements: Power purchases intended to the regulated market must be made through mechanisms that encourage free competition and that request and give an opportunity under equal conditions to all interested agents to submit their offers, which must be evaluated based on the price. Vertically integrated companies with the generation activity can only self-purchase up to 60% of the power intended to their regulated market and must participate as any other generator in the public bid for power purchases. For the non-regulated market power purchases are made through direct negotiations between generators and commercialization agents or non-regulated subscribers.

Energy Exchange Market: It is a system whereby energy is sold and purchased in the short term (hour by hour), based on a model of free competition between supply and demand. The generation resources offered to cover the demand are dispatched from lower to higher price, using for this purpose model of optimization by day, based on which the hourly exchange rate is set.

2.1.4.2.2 Power generation activity

It is an activity open to competition and for this reason the prices are market defined. Generator agents subject to central dispatch, with an installed capacity equal to or in excess of 20 MW, carry out their electric power transactions in the MEM. In addition, the following types of generators are part of the system:

- **Small-size plants:** Those with installed capacity of less than 20 MW. The regulations applicable to commercial transactions carried out by these agents are included in CREG Resolution 086 of 1996.
- **Self-generator:** Natural or legal person who produces electric power exclusively to take care of its own needs. It uses the public network only to obtain support from the SIN (CREG Resolution 086 of 1996).
- **Cogenerator:** Natural or legal person who produces energy using a cogeneration process (CREG Resolution 005 of 2010). This process consists in the combined production of electric power and thermal power that forms integral part of the productive activity of those who produce that power, both intended to their own consumption of that of third parties in industrial or commercial processes.

Revenues from the generation activity proceeds basically from power sales through bilateral agreements in the regulated and non-regulated markets, of the power market exchange, the Automatic Generation Control (AGC) service and the reliability charge.

By means of CREG Resolution 071 of 2006, and its subsequent amendments, the methodology was established for remunerating the reliability charge to MEM generators. This charge intends to promote the expansion of the electric power generation capability in

the country and make sure that the generation resources are available to supply the demand in critical hydrology events. To this end, the Firm Power Obligations (OEF, for its initials in Spanish) that are required to cover the system's objective demand defined by the regulator are auctioned.

The generator to which OEFs are assigned receives a known remuneration that is stable during a determined term, and agrees to deliver this energy when the exchange price exceeds the threshold previously established by the CREG, known as "scarcity pricing". The Administrator of Commercial Interchanges (ASIC, for its initials in Spanish) calculates, collects and distributes this revenues and it is paid by regulated and non-regulated subscribers of the SIN through the rates charged by the commercialization agents.

The implementation of CREG Resolution 071 of 2006 had a transition period from December 1, 2006 up to November 30, 2012. During this period, both the mechanism of assignment of the reliability charge and the determination of the price were managed centrally. In this transition the price of the OEF was of 13,045 USD /MWh (USD of 2006).

From November 30, 2012 to November 30, 2015, the OEF price is \$13,008 USD /MWh (USD of 2008) and corresponds to those OEFs assigned through the first auction that took place on May 6, 2008; this value applies both for existing plants and for new plans with OEF assignment in the auction process. As of December 1, 2015 the reliability charge will have a value of USD 15.70 USD /MWh (USD of 2011), according to the results of the auction of December 27, 2011.

2.1.4.2.3 Energy transmission activity

2.1.4.2.3.1 General aspects of regulations in effect

The most relevant aspects of the regulatory framework in effect of this activity are contained in CREG Resolution 011 of 2009, which are summarized below.

The remuneration methodology of the National Transmission activity is known as "regulated income", whereby the maximum annual income that remunerates each national transmitter are established, in accordance with the assets effectively owned in the STN. For the above, typical constructive units were established valued at replacement cost as new, useful lives, administration, operation and maintenance expenses (AOM) and a discount rate applicable to the assets were defined.

These revenues are collected through the application of some charges for the use of the STN, which are paid by the commercialization agents of the SIN (demand), determined in accordance with the methodology established in CREG Resolution 103 of 2000, which is based on a national stamp charge with time differentiation by loan period that permits to remunerate transporters of the STN. The resulting charge and collection of the application of charges for the use of the STN are managed centrally through the person in charge of the Account Assessment and Administration (LAC, for its initials in Spanish) of the STN, who bills and calculates the charges for use.

On the subject of quality, the transmission agents must take into account some maximum value of non-availability of the assets owned by them. The failure to comply with these values will lead to the reduction of the agent's regulated income, which results in a lower

value of the charge for use of the STN that must be paid by the demand of the SIN. Likewise, they will make compensations of energy not supplied when the non-availability of these assets causes demand not met that exceeds the limits previously established in the regulation.

2.1.4.2.3.2. Expansion of the STN

With regard to the expansion of the STN, the CREG adopted a set of provisions contained in CREG Resolution 022 of 2001, and its modifications, that seek to introduce elements of efficiency in the performance of the STN expansion plan. This plan is defined by the Mining Energy Planning Unit (UPME, for its initials in Spanish), and is awarded through public bidding processes. In this processes compete existing national, as well as potential transmitters, for the construction, management, operation and maintenance of the STN expansion projects. The bidder with the lowest present value of the expected income flow will be awarded the respective project.

2.1.4.2.4 Distribution activity

The distribution activity is the transportation of electric power through the Local Distribution System (SDL, for its initials in Spanish) or the Regional Transmission System (STR, for its initials in Spanish). This activity is carried out by Network Operators (OR, for its initials in Spanish) who take charge of the planning of the expansion, investments, operation and maintenance of all or part of a STR or SDL. The assets may be owned by them or by third parties, although the OR has the priority in the system expansion.

The SDL is the electric power transportation system that consists of the set of lines and substations, together with their associated equipment, that operate at voltage levels lower than 57.5 kV (levels 1, 2 and 3), engaged in the rendering of the service in one or several commercialization markets. The STR is the electric power transportation system made up by the connection assets to the STN and the set of lines and substations, together with their associated equipment, that operate at a level equal or higher than 57.5 kV (level 4). An STR may belong to one or more OR.

Since the distribution activity is a monopoly, it is totally regulated. To this effect, the CREG defines the remuneration applicable, which is reviewed every five years as provided by the law. The methodology established for the remuneration has a quality scheme associated. The basic elements of the remuneration are contained in CREG Resolution 097 of 2008, whereby the general methodology for determination of distribution charges was defined, emphasizing the following:

- The methodology for remuneration for voltage level 4 is of regulated income and for levels 1, 2 and 3 of maximum price. In the first case an income is guaranteed to the OR, regardless of the demand's behavior, and in the latter a maximum charge is guaranteed but with the demand risk associated.
- Distribution charges of each of the voltage levels are calculated as the ratio between annuity of AOM assets and the power transported of the base year (for the current rate period it corresponds to 2007). In assets, the regulator defines constructive units (physical quantity) and values them at weighted costs between replacement price to new and the cost recognized in the preceding regulatory period; the AOM are

determined by considering the actual AOMs of the company and the service quality evolution of the immediately preceding year. The regulator also defines the value of the Weighted Average Cost of Capital (WACC), which is the discount rate used to find the annuity of assets. The energy transported considers some efficient energy losses, which are also defined by the regulator.

- Upon definition of the methodology, each OR is approved by an independent resolution its own distribution charges by voltage level. The distribution charges for EPM were approved by means of CREG Resolutions 105 of 2009 and 026 of 2010.

Additionally, for the distribution activity remuneration, the MME defined the distribution areas (ADD, for its initials in Spanish), that correspond to a group of Network Operators by zones considering their geographic proximity, in order to define in this manner the charges for transportation use of all ORs by voltage level (1, 2, 3 and 4), that for the case of the Companies of the EPM Group corresponds the ADD-Center in accordance of the Resolution MME 18 0574 of 2012; and although the unified charges are defined to transfer to the rate in the commercialization markets of the ORs of the ADD, each OR will receive as income its charges approved by means of CREG Resolutions.

2.1.4.2.4.1 Expansion of Regional Transmission Systems (STR) and the Local Distribution Systems

The regulation establishes the criteria to ensure the expansion and coverage levels of the STR and SDL, which are in the CREG Resolution 079 of 1998. The ORs are responsible for preparing and executing the expansion plan of the system operated by them, in accordance with their strategic, action and financial plans.

The OR's expansion plan must include all projects required by their system, considering requests from third parties and that are viable under the context of their financial plan. If the OR does not carry out a project contained in their expansion plan, it can be carried out by the interested subscriber or a third party, for which a remuneration scheme is defined. For the specific case of the STR expansion, the projects that are not of interest of the OR will be subject to public bid processes.

According to the provisions of the Distribution Regulations, CREG Resolution 070 of 1998, the planning must be done based on certain criteria, among them, meeting the demand, adaptability, flexibility, environmental viability, economic efficiency, quality and continuity in the supply.

Based on the methodology defined in CREG Resolution 097 of 2008, the expansion projects that have an average cost in excess of that approved in the distribution charges to the network operator will be incorporated in the rate, prior approval by the UPME. Thus, such projects start to be remunerated once they being to operate and it is no longer necessary to wait until the following regulatory period as it was the case before. In the year 2013, the CREG issued Resolution 024 of 2013, which establishes the procedures to be followed for the expansion of the STRs (selection processes).

2.1.4.2.4.2 Quality of the electric power service

The regulation differentiates the quality of the power supplied from the quality of the service provided. The quality of the power relates to the deviations of the values specified for the voltage variables and for the form of the voltage and current waves, while the quality of the service provided refers to the reliability of the service.

Regarding quality of the service rendered, the methodology defines in CREG Resolution 097 of 2008 introduced incentives with compensations to the worst served subscribers in the SDL and for the case of the STR compensations were defined by energy not supplied when the non-availability of these assets causes unattended demand that exceeds the limits previously established in the regulation.

For the incentive scheme, a quality target was defined, calculated based on the average quality for each distribution system, which varies within a range defined based on a two-year history (2006 and 2007) and its fulfillment is evaluated quarterly, as follows:

- If the OR fails to reach the goal, that is, performs worse than expected, their distribution charge is reduced.
- If the OR exceeds the goal, that is, achieve a better result than expected; they are giving an incentive increasing them the charge for distribution use in the quarter following that evaluated.
- If the OR achieves results that places them within the range previously defined (indifference range) their rate is not affected.

In both cases above, when the tariff is improved or when it remains the same, it is necessary to compensate the "worst served" subscribers, that is, those subscribers to whom the quality is individually deteriorated.

CREG Resolution 117 of 2010 determined the Grouped Availability Benchmark Indexes (IRAD, for its initials in Spanish) for EPM, with which it started the application of the SDL service quality scheme.

2.1.4.2.5 Commercialization activity

Generators and distributors of electric power may carry out this activity jointly or it may be carried out independently. The commercialization agent is the intermediary between the end subscriber and all other agents that are behind the chain (generators, transporters, distributors and market administrator). Therefore, he is in charge of purchasing energy from the wholesale market and selling it to those subscribers, for which it prepares the billing, measuring, collection and service to summers, among others.

Law 143 of 1994 established a segmentation of the retail electricity market in two types: regulated market and non-regulated market.

Regulated market: Electric power market in which the rates operate under the regulated freedom regime, are not negotiable and are determined through rate formulas established in resolutions issued by the CREG. Industrial, commercial and residential subscribers can participate in this market. Also, competition was introduced in such a way that subscribers

are free to choose the service provider. The purchase of energy for the regulated market must be done through public bids in order to ensure agents free concurrence.

Non-regulated market: Electric power market in which users with a demand for electricity equal or in excess of 0.1 MW, or a minimum monthly power consumption of 55 MWh, as established by CREG Resolution 131 of 1998. Commercialization and generation agents supply it; who negotiate the prices freely (generation component), the period and the electric power quantities.

2.1.4.2.5.1 Tariff structure

According to the regulations in effect, electric power commercialization agents may charge their end subscribers a maximum cost per consumption unit. For the regulated market said cost is calculated in accordance with the rate formula defined by the CREG, in CREG Resolution 119 of 2007, which became effective by February 2008.

The cost of rendering the service is the sum of the costs involved in each of the activities of the electric sector: generation (G), transmission (STN), distribution (SDL), commercialization (C) restrictions (R) and losses (P).

For the non-regulated market a tariff formula is not approved because it operates under the (monitored) free system, but the costs of the six components above are transferred to it, although some of them are calculated differently: the G results from the negotiation between subscribers and commercialization agents and, also, between the latter and the generators.

The provisions on the subject of subsidies and contributions are summarized below:

- Tariffs for subscribers of levels 1 and 2: according to the provisions of Law 1117 of 2006, extended by means of Law 1428 of 2010, for subsistence consumptions, consumptions lower than 131 kWh/month, the tariffs can only increase monthly a maximum of the inflation. This means that when the cost of rendering the service grows above the inflation, the difference becomes a higher subsidy for subscribers. The subsidy percentage has a limit of 60% and 50% for levels 1 and 2 respectively.
- Rates for level 3 subscribers: they receive a subsidy equivalent to 15% of the cost of rendering the service.
- Rates for level 5 and 6 and the commercial sector: they pay a contribution of 20% on the cost of rendering the service, intended to cover the subsidies granted to subscribers of levels 1, 2 and 3.

Law 1430 of 2011, whereby tax regulations of control and for competitiveness are issued, established a contribution, setting forth as of 2012 that industrial subscribers will not be subject to the charge for solidarity contribution. In addition, the Government will establish who is the industrial subscriber beneficiary of the discount and subject to that surcharge. Such regulation became effective by means of decrees 2915 of 2011, 4955 of 2011 and 2860 of 2013.

Law 142 of 1994 established the obligation to create in the Ministry of Mines and Energy a Solidarity Fund for Subsidies and Redistribution of Income (FSSRI, for its initials in Spanish), which is funded with resources from the surpluses that commercialization companies generate, after offsetting subsidies and contributions in their own markets. Additionally, if the resources from the companies' surpluses are not sufficient to cover the total amount of the subsidies applied, the National Government covers the shortage, charging the budget. Otherwise, the public utility companies may take the necessary measures in order that subscribers cover the total service cost.

2.1.4.3 Natural gas sector

2.1.4.3.1 General

Law 142 of 1994 defined the legal framework for the rendering of domiciliary public utilities, environment in which natural gas is defined as a public utility, and created the CREG as the entity in charge of developing the rules and regulations for the activities associated to this service: commercialization from production, transportation, distribution and commercialization to end subscriber. However, the regulations and competences expressed in the Oil Code and the Association Contract continue to rule for the exploration, exploitation and production of natural gas and, therefore, it is beyond the scope of CREG's regulation. The regulation of the natural gas production is made by the MME and the administration of gas resources is carried out through contracts with the National Hydrocarbons Agency (ANH, for its initials in Spanish).

After the Law 142 of 1994 significant changes took place on institutional and regulatory matters which have consolidated the development of the natural gas industry in the country, achieving the incorporation of new and considerable investments in the different activities of the sector, through different public and private agents. Natural gas distribution companies started to exercise their activity under the legal regime of this law, without need for a concession contact with the Nation, exception applicable only to the exclusive service areas for distribution of natural gas through a network based on Law 142 of 1994, the CREG defined the regulatory framework of the natural gas utility by means of Resolution 057 of 1996.

2.1.4.3.2 Activities of the sector

The CREG defined the regulatory framework for the natural gas service and established the following activities for the provision of natural gas:

2.1.4.3.2.1 Commercialization since production (supply of natural gas)

This activity consists in the sale of natural gas originating in the different production fields located in the national territory, to the commercialization agents or non-regulated users who wish to access gas supply directly.

The CREG, by means of Resolution 08 of 2013, modified the commercialization mechanism in effect to improve the liquidity and efficiency of the primary and secondary gas markets. The above, through the definition of requirements and standards for the contracts, as well as of the market operator and some modifications to the secondary market, including matters related to long and short term "take or pay" mechanisms.

For fields with a production higher than 30 MCFD, the bilateral negotiation is allowed in case that the annual balance of the added supply and demand made by UPME shows excess supply in at least three of the five years of the horizon. Otherwise, an annual and simultaneous auction is held in the points of entry to the system and with standardized products of 1 and 5 years.

The types of supply contracts permitted, both in the primary and the secondary markets, are: firm, conditioned firmness, gas purchase option, gas purchase option against exports and of contingency for thermal and non-thermal demand (per provisions of CREG Resolution 062 of 2013). Contracts with interruptions will be allowed until November 2014 and subsequently they will be made by monthly auction.

2.1.4.3.2.2 Transportation of natural gas

This activity consists in the conveyance of natural gas in high-pressure steel pipes that makes up the National Transportation System (SNT), from the natural gas production fields to the entrance to the large cities (city gate) and to large consumers, thermoelectric plants and large industries.

The activity is considered a natural monopoly with price, quality and access. The remuneration of the service is based on a scheme of charges by passage or distance, determined as the sum of the charges corresponding to each gas pipeline section from the point of entry of gas to the SNT up to the point of exit of gas of each purchasing agent of the utility. The remuneration and charge structure are established in CREG Resolution 126 of 2010. The distance charge scheme reflects the average costs of each component of the system and preserves the location signs, for which efficient investment costs and the gas pipeline AOM as well as the volumes transported by it are taken into account.

The natural gas transportation market is a bilateral market characterized by the direct negotiation between the parties, transporter and sender, closing the transactions autonomously. Contracts are ruled according to the standardization established by CREG Resolution 089 of 2013.

Access conditions to the transportation network, as well as the quality and pressure specifications for delivery of natural gas must comply with the conditions that are set forth in the Single Transportation Regulations (RUT, for its initials in Spanish), CREG Resolution 071 of 1999.

CREG Resolution 171 of 2011 prohibited the physical "by-pass" to the natural gas distribution network by an existing or future user, who although being able to connect to the distribution network, given his pressure and quality requirements, wishes to connect directly to the SNT to avoid the remuneration payment of the distribution network.

2.1.4.3.2.3 Retail distribution and commercialization of natural gas through pipelines networks

The natural gas distribution activity through pipe networks consists in the conveyance of said fuel from the city gate regulating stations, or from a distribution system, to the

connection of an end user, through medium and low pressure pipes, which are mostly made of polyethylene.

Distribution of natural gas in Colombia is regulated according to the service modality: exclusive service areas (those given in concession according to the lower price obtained) and areas of non-exclusive service (tariff formulas–Regulated Freedom Regime). The latter applies to EPM.

For the non-exclusive service areas, by means of Resolution 011 of 2003, the CREG established the general criteria to remunerate the fuel gas distribution and commercialization activities and the general rate formulas for the rendering of the domiciliary public utility of fuel gas distribution through pipe networks.

The activity of natural gas distribution through pipe networks is considered a natural monopoly regulated in price, quality and access. The applicable regulatory regime corresponds to a Price Cap determined based on the calculation of the average medium term costs, which are transferred to the demand using a rate basket methodology applied based on the average charges approved by the regulator.

The calculation of the medium term average costs considers the base investment, the five-year expansion projection, the demand and efficient AOM expenses projection for a 20-year horizon and a rate of return that remunerates the cost of the invested capital.

The tariff basket is applied based on six consumption ranges, and has a cap price equal of 110% the average charge approved by the regulator and also a floor charge equal to the average cost of the medium pressure network. The cap charge is applied to the first consumption range, which includes the entire residential demand and the low consumption retail sector. Distribution and commercialization charges for each relevant distribution market are approved by the CREG through a specific regulation, at the request of distributors.

The commercialization charge (Co) is a value in COP (Colombian Peso) for invoice (COP/invoice) that remunerates the costs of metering, billing, collection, customer service, commercialization margin and past due receivables risk, among others. Its definition takes into account annual efficient AOM expenses, depreciation of assets associated to the commercialization activity and a commercialization margin of 1.67%, applied on the gross annual income of the commercialization agent in the regulated market for the year corresponding to that in which the calculations of the efficient AOM expenses were made.

Annual efficient AOM expenses are determined using the DEA relative efficiency methodology, and the commercialization margin recognized is intended to remunerate an operating margin of the activity of 1.60% and a receivables risk premium of 0.07%.

The rights and responsibilities to be complied with among distributors, commercialization agents and users, the free access conditions to the distribution network and the safety and minimum quality of the distribution service, are established in the code of fuel gas distribution by networks, issued by CREG Resolution 067 of 1995.

In addition, CREG Resolution 123 of 2013 established the Commercialization Regulation of the Natural Gas Utility that contains the set of provisions that regulate the rights and

obligations of commercialization agents, as well as the rights and obligations of non-regulated users when they participate directly in the natural gas wholesale market.

2.1.4.3.3 Tariff structure

For the regulated market distribution-commercialization companies that serve the natural gas utility in non-exclusive service areas applied, for 2013 and previous years, the tariff formula established in CREG Resolution 011 of 2003. This tariff formula permits companies to transfer monthly the average maximum unit cost for natural gas purchases and transportation (G & T), in addition to its distribution and commercialization (D & C) costs.

For the non-regulated market a tariff formula is not approved since a monitored freedom regime operates. However, as in the case of the regulated market, the costs of the regulated transportation and distribution components are transferred, as well as the gas purchase and commercialization variables, the latter in accordance with the prices resulting from the negotiation between users and commercialization agents.

2.1.4.3.4 Subsidies and contributions regime

According to the current applicable legal framework in Colombia, a subsidies and contributions regimes is used, in conformity with the principle of solidarity and income redistribution, which mandates that users of level 1 and 2 be granted some subsidies to the cost of the utility and to level 5 and 6, industrial (according to the DIAN classification) and commercial sectors, be charged a contribution on the value of said cost to cover the subsidies granted to the former. Currently levels 3 and 4 do not receive subsidies and are not charged contributions.

The provisions referring to subsidies and contributions are summarized as follows:

- The levels for users of level 1 and 2 in the range of subsistence consumption (lower than 20 m³ /month), according to the provisions of Law 1117 of 2006, extended by Law 1428 of 2010, cannot have monthly increases in excess of the Consumer Price Index (CPI). This implies that when the unit cost for the service grows above inflation, the difference becomes higher subsidy for those users. The Law defined the maximum percentage of subsidy that can be granted to level 1 and 2 at 60% and 50%, respectively.
- It is important to emphasize that users of fuel gas that belong to level 3 and 4 are not subject to subsidy and at the same time they are exempt by law from the payment of contribution.
- Socioeconomic levels 5 and 6 contribute 20% of the service value.
- Commerce and industry contribute 8.9% on the service value, with the exception of the gas-based generation of electricity, the petrochemical industry and vehicle compressed natural gas (VCNG), whose contribution is 0%.
- Law 1450 of 2011, Law of the National Development Plan 2010-2014, established that as of 2012 industrial users of domiciliary natural gas will not be subject to the contribution charge referred to by Law 142 of 1994 and that the National Government

will regulate the necessary conditions in order that the providers of domiciliary natural gas carry out an adequate control among the different types of users. Such regulation was implemented through decree 4956 of December 30, 2011.

- Law 142 of 1994 established the obligation to create in the MME the Solidarity Fund for Subsidies and Redistribution of Income (FSSRI), which is funded with resources from the surplus of commercialization companies generate, after offsetting subsidies and contributions in their own markets. If the resources of the fund are not enough to cover the total amount of the subsidies applied by the companies, initially the National Government covers the shortage through budget transfers to the Ministry account used for this purpose. In case that this is not possible the public utilities companies may take the necessary measures in order that subscribers cover the total service cost.

2.1.4.3.5 Integration of the natural gas sector

Resolution 057 de 1996 determined the rules for capital stock participation in the natural gas sector, which impose limits to the sector's agents. In this respect, companies whose objective is to sell, commercialize or distribute natural gas, may not be transporters or have any economic interest in a transportation company of the same product. For the purposes described, there is an economic interest of a transportation company in another which object is the production, sale, commercialization or distribution of the same product, in the following cases:

- When these companies, their parent companies, subordinates or related parties are party of an agreement to share profits or reduce costs or in any joint venture agreement with producing, commercialization or distributing companies of natural gas.
- When the production company owns more than 25% of the corporate capital in the transportation company and 30% of the corporate capital in a distribution company.
- When the transport company owns more than 25% of the capital in a commercialization or distribution company or in a major consumer of natural gas.
- The transport may not participate in the natural gas commercialization activities, save when they hold a capital stock participation in a natural gas distribution-commercialization company.

Additionally, Resolution 112 of 2007 released the participation limit of retail natural gas distribution and commercialization, which permits a distribution-commercialization agent participate up to 100% in these activities.

2.1.4.3.6 Quality of the natural gas service

The quality in the natural gas sector is assessed in two perspectives. The first measures and assesses the quality of the service rendered; for this purpose the maximum time of equivalent duration of the service interruption to the users and the technical service response time are measured and evaluated in the case of events such as gas leaks, fire, quality of flame and interruption. And the second assesses the natural gas product quality,

for which purpose the delivery pressure indexes in individual lines and the odorization of natural gas are specified.

Through Resolution 100 of 2003, the GREC defined the criteria, indicators and goals to measure this quality and determined the responsibilities and compensations for the failure to achieve these goals.

2.1.4.4 Telecommunications sector

The Ministry of Information Technology and Communications (MINTIC) is the entity in charge of defining the policies, plans and projects of the sector, as well as to rule the duties of monitoring and control on suppliers of Technology, Information and Communications (TIC) networks and services.

As refers the financing policies, technical entity and regulation of the spectrum, said regulations establish as entities in charge the FONTIC (Technology, Information and Communications Fund), Agency for the Spectrum and Telecommunications Regulation Commission (CRT, for its initials in Spanish).

Regarding to users protection, the Superintendence of industry and commerce is the competent entity in charge of deciding on the appeal recourses related to petitions, complains and claims and carrying out the investigations for practices that infringe the regime set by the CRT.

The Constitution and Law 182 of 1995 leave in the hands of the National Television Commission (CNTV, for its initials in Spanish) the regulation, policies, monitoring and control of the television service, provision that is being subject to legislative review.

There are no legal restrictions in Colombia to the participation of nationals or foreigners in the private capital of the companies to provide telecommunications services. Foreign entities must establish and affiliate to operate in Colombia.

Basic local switched telephone operators classified as dominant in Resolution CRT 087 of 1997, that is, with a market share equal to or higher than 60%, must abide by the criteria and methodology established by the CRT, in order to determine their rates. The remaining operators of Basic Public Switched Telephone (BPST) services (local, national and international long distance), may determine their rates freely.

By means of resolution 1250 of 2005, the CRT changed the system of rates for the BPST, applicable as of January 1, 2006. The most important changes for the local service of basic telephone are the following:

- Changes in the measurement of the unit of measure: up to December 2005, there were changes by pulse and as of January 2006 the charge is made by minutes.
- Different plans with minutes were created and fixed charge was eliminated for all level; the amount of the plan will always be consumable and the customer has the option to select the most adaptable plan to his needs.

- The basic local public switched telephone service has a system of subsidies and contributions; there is a consumption subsidized for levels 1 and 2 of 200 minutes per month; the contribution is of 20% and is charged to levels 5 and 6 to companies and the industrial sector. Levels 3 and 4 are charge the cost or reference, that is, no contribution or subsidy is received.

2.2 Regulations in Guatemala

2.2.1 General Considerations

The political constitution of the republic of Guatemala of 1985 declared as national urgency the electrification of the country, based on plans formulated by the State and the municipalities, in a process that could have the participation by private initiative.

With the constitution as legal support, in 1996 the General Electricity law was passed, whereby fundamental legal regulations were established to facilitate the actions of the different sectors of the electric system.

The main objectives of the general electricity law are as follows: eliminating the government influence on decisions on prices, in order to allow the Guatemalan electricity industry to operate in an open and competitive environment to achieve electricity prices that reflect the lowest production cost; regulate the transmission tolls and the distribution rates in order to avoid monopoly practice; provide end users a quality electricity service and the benefits of the prices established in a competitive market and integrate the Guatemalan electricity industry within a regional Central American market.

The principles of the general electricity law are:

- The generation of electricity is free and the generation companies do not have to require special permits or comply with conditions imposed by the Government, except for hydroelectric, geothermal and nuclear plants.
- The transmission of electricity is deregulated, except if the companies use public domain goods to provide the transmission and distribution of services.
- Electricity exchange prices are freely determined, not so those of transmission and distribution services which are subject to regulation.

2.2.2 Regulatory authorities

The General Law of Electricity provided the creation of two new entities: the National Electric Energy Commission (CNEE, for its initials in Spanish), as regulatory entity, and the Wholesale Market Administrator (AMM, for its initials in Spanish), as operator. On March 21, 1997 the Ministry of Energy and Mines adopted the regulations implemented by that law. In 1997 and 1998, respectively, were created the CNEE and the AMM, completing in this manner the legal framework for the privatization of the Guatemalan electric sector.

Ministry of Energy and Mines

The Ministry of Energy and Mines is the Guatemalan government's most important entity in the electric sector. It is responsible for enforcing the General Electricity Law and the related regulations, as well as for the coordination of policies between the CNEE and the AMM. This government division also has the authority to grant authorization permits for the operation of distribution, transmission and generation companies.

National Electrical Energy Commission (CNEE for its initials in spanish)

The Guatemalan electric sector is regulated by the CNEE, a regulatory entity created pursuant to the General Electricity Law, as technical entity of the Ministry of Energy and Mines and subordinated to the latter. It is made up by three members appointed by the President of the Republic based on groups of three people proposed by the presidents of universities, the Ministry of Energy and Mines and the Wholesale Market agents. The term of each directory is of five years.

The General Electricity Law establishes the following responsibilities to the CNEE:

- Set the transmission and distribution tariffs, as well as the methodology to calculate the tariffs in accordance with the provisions of the General Electricity Law.
- Ensure compliance with the laws and regulations related to the electricity and impose penalties, if necessary.
- Compliance of entities that support the various public permits, protect the rights of end users and prevent anti-competition, abusive and discriminatory activities.
- Settle controversies that arise between subsector agents.
- Defined technical rules and performance standards for the electricity sector and guarantee the compliance with international accepted practices.
- Create regulations and rules to guarantee the access and use of transmission lines and distribution networks.
- Issue sanctions.

Wholesale Market Administrator (AMM)

The Guatemalan wholesale market is managed by the AMM, a private entity created by the General Electricity Law that coordinates the operation of the generation facilities, international interconnections and transmission lines that form the national electricity system. Also, it is responsible for the safety and operation of the system by carrying out an economically efficient dispatch and managing the electricity resources in such a way as to minimize the operating costs, including costs of failures, within the restrictions imposed by the transmission system and the quality requirements of the service. Likewise, the AMM is in charge of scheduling the supply and dispatch of electricity.

The managing council of AMM is made up by five members, elected by each group of participants in the wholesale market of electricity: generators, distributors, transporters,

commercialization agents and large users. Each participant in the whole market has a number of votes that is equal to the percentage of his participation in the market. EEGSA (Empresa Eléctrica de Guatemala S.A.) has the capacity to elect a representative from the distribution, COMEGSA (Comercializadora Eléctrica de Guatemala) has been able to elect a representative of the commercialization agent of electricity, but for the upcoming elections will require a small percentage allied in order to obtain it. Members hold their positions for two years.

The AMM is responsible for:

- Establishing policies and the rules for the conduction of wholesale and capacity markets.
- Defining of the rights and obligations of participants in the wholesale electricity and capacity markets.
- Supervise participants of the wholesale electricity and capacity markets.
- Establishing spot prices for transfer of electricity and capacity between participants of wholesale electricity and capacity market.
- Ensure that purchases of electricity and capacity in the spot market are efficiently established and settled.
- Guaranteeing the supply and safety of electricity and capacity in general.

The regulations of the AMM are subject to approval by the CNEE. 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 of penalizing it with fines and, in case of a serious infringement, it may require that the national electricity system will be disconnected.

2.2.3 Tariff system

2.2.3.1 Distribution tariffs

According to the general electricity law and the regulations of the CNEE, a distribution company charges its regular customers a tariff that is made up by

- An electricity charge, intended to reimburse the distribution company for the cost of electricity and the capacity purchased by the latter
- The transmission tariffs
- A charge for Added Distribution Value (VAD, for its initials in Spanish), intended to allow the distribution company to cover its operating expenses, complete its capital expense plans and recover its capital costs.

Although the electricity prices that are charged to the large users are not regulated by the CNEE, they must pay a regulated tariff, equal to the VAD charge applicable for the delivery of electricity through the facilities of a distribution company.

2.2.3.2 Regulated tariff

The CNEE, every five years establishes the Added Distribution Value for regulated customers, which is revised quarterly. Biannually the power and energy price is revised. Currently the following tariffs are affected:

- A social tariff available to customers whose demand less than 300 kWh per month.
- A simple tariff available to all customers that purchase low voltage electricity.
- Three additional tariffs available to customers who buy electricity to distribute at low voltages.
- Three tariffs available for customers who buy electricity to distribute at 13 kV.
- One tariff available to government entities that buy electricity for public lighting.

The social, simple and public lighting tariffs only consist of an electricity charge, a VAD charge and a fixed monthly charge for connection to the distribution system. The following three additional low voltage rates and three rates of 13 kV are available to:

- Customers who contract the purchase of capacity and electricity only during peak demand hours which are between 18:00 and 22:00 h;
- Customers who contract the purchase of electricity only out of peak hours.
- Customers who contract purchase of capacity and electricity during any time of the day.

Customers who request these tariffs establish a contract with the distribution company to acquire a specific amount of capacity. These tariffs consist in a fixed capacity charge for every kw contracted, a charge for electricity used by the customer, a charge for use of capacity and a fixed monthly charge for connection to the distribution system. The charge of use of capacity has two components: one of generation and transmission and the other of distribution. Customers are charged the capacity use based on the maximum amount of capacity demanded during any billing cycle.

The electricity charge and the generation and transmission component of the charge for capacity use is adjusted in the same manner as the electricity charge determined in the social tariff, the simple tariff and the public lighting tariff. The capacity charge and the distribution component of the maximum capacity charge are adjusted in the same manner as the VAD charges according to social, simple and public lighting tariffs.

2.2.3.3 Tariff adjustments

VAD charges for every distribution company are established by the CNEE every 5 years, based on a study made by a consultant contracted by the company, prequalified by the CNEE, and they are calculated to equal an annual payment over 30 years of the net replacement value of the distribution system, which is determined by calculating the

replacement value of a distribution network that would be necessary to offer the services provided by the distribution company for the following eight years in the same service area.

The replacement value of the distribution system is determined based on a discount tariff selected by the CNEE from 7% to 13%, according to the studies made by independent consultants. The VAD calculation for a distribution company uses as reference the estimated costs of an efficient distribution company, which serves a similar distribution area and provides for the following costs:

- Losses suffered in the distribution of the electricity.
- Administrative costs for rendering of the service to customers.
- Maintenance and operation costs of the distribution system, including the cost of capital

The VAD collected by EEGSA until August 2003 was determined when it was privatized. At the time new VAD charges were also established, scheduled to be in force in May 2008. For the processes of establishing the VAD charges it is necessary that the distribution company will have a consultant approved by CNEE to calculate the VAD components (including the net replacement value) applied for the company's distribution system. The CNEE may also hire a consultant to calculate the VAD with application to the company's distribution system.

After the presentation of the VAD, computed by CNEE consultants, this same instance decides if it approves the mentioned VAD. In case that it does not approve it, the controversy is remitted to an experts' committee made up by three members, one appointed by the distribution company, another appointed by the CNEE and another appointed by the first two members; if no agreement is reached in three days, the third one is appointed by the Ministry of Energy and Mines. The CNEE holds that the pronouncement by the experts' commission is not binding; at least it was so applied in VAD 2008.

The charges of VAD are adjusted biannually to reflect the effect of fluctuations in the exchange tariff of the Quetzal/US dollar on the components denominated in U.S. dollars of the calculation of the net replacement value and the effects of the Guatemalan inflation in the components denominated in Quetzals of the calculation of the net replacement value.

The electricity charge is intended to reimburse the distribution company for the electricity costs of this purchase. The electricity charge components of the regulated tariffs consist in a base rate and an electricity adjustment surcharge. According to the General Electricity Law and the regulations of the CNEE, the base tariff is adjusted annually to reflect the changes anticipated in the cost of electricity to be acquired by the distribution company during the following year. The electricity adjustment charge is adjusted quarterly to reflect the variations in the actual cost of electricity acquired by the distribution company of the projected cost.

2.2.3.4 Social tariff

In 2001, Guatemala enacted the social tariff law, which requires that a special tariff will be available for customers with an electricity consumption lower than 300 kWh per month. According to regulations adopted by CNEE, the distribution companies requested to participate in bidding processes for power purchase agreements, in order to supply electricity to customers that were eligible for the social tariff. The National Electrification Institute (INDE) has been in most of the times the supplier for this rate; however, recently there are other suppliers, but the INDE continues affecting the price by means of a subsidy that it pays to the distributors for those users with consumptions lower than 300 kWh-month, differentiating those than consume less than 50 kWh and less than 100 kWh-month, whereby the base tariff applicable to these customers is reduced.

2.2.3.5 Transmission tolls

The General Electricity Law provides that all parties that connect to the national electricity system of Guatemala, including all the generation, transportation and distribution companies, as well as electricity agents and large users, must pay for the connection and the use of it.

Transmission quotas for electricity may be negotiated by the generation or distribution companies, or by large consumers that use the national electricity system. In the absence of a negotiated price, the quotas for use of the transmission lines, substations and distribution facilities, are established according to the regulations issued by the CNEE.

There are separate quotas applicable to the primary and secondary transmission systems. Both quotas are determined on the basis of the New Replacement Value (VNR) of the transmission system, that is, the estimated cost of the replication of a transmission system, model that includes an estimated return of the capital.

The quotas for the primary transmission system are determined by the CNEE based on the information provided by the owners of the transmission facilities and the AMM.

The transmission quotas for the primary transmission system are revised every two years, and the customary practice has been that the secondary transmission system is also updated.

The transmission quotas for the use of the primary and secondary transmission system are calculated on the Wholesale Market itself.

2.2.3.6 Wholesale electricity and capacity market

The Guatemalan Wholesale Market is a "frontier-free" market, allowing market participants to purchase electricity and capacity from generators and sell to customers within and outside Guatemala. Among the parties that may participate in the wholesale electricity and capacity market are included:

- Generation facilities with an installed capacity of over 10 MW.
- Distribution companies with 20,000 customers or more.

- Transmission companies with a system connected to plants with a capacity of over 10 MW.
- Electricity agents who purchase or sell 10 MW more including importers, exporters and large users.

The market spot price for electricity is established on an hourly basis that is supported on the compensation price, at which the demand may be satisfied through the available electricity offered.

Wholesale market participants may also trade capacity transaction (Power is the term most used in Guatemala), allowing generators that are not in a position to provide the capacity committed to be able to purchase additional capacity. Capacity market prices are established by the AMM based on the theoretical cost of the setting up efficient generation capacity.

2.2.3.7 Operation of the national electricity system

The AMM is responsible for the Security and operation of the national electricity system, carrying out an economically efficient delivery and undertaking the administration the electricity resources, in such a way as to minimize the operation cost , including the costs for failures within the restrictions imposed by the transmission system and the service quality requirements.

The AMM must schedule the delivery of electricity to guarantee the coverage of the electricity requirements at a minimum cost within the priorities that define the quality and safety of the service, particularly the requirements of supplementary services, such as the regulation of the frequency and voltage and the reactive control and the reserve, among others. The AMM delivers electricity acquired in the spot market, in accordance with the efficient levels of the generators who offer the electricity.

2.3 Regulations in El Salvador

2.3.1 General considerations

A procedure for restructuring the electricity sector was developed in El Salvador. Such procedure was embodied in a legal and institutional framework aimed at promoting competition and necessary conditions to secure the availability of an efficient energetic offer, capable of supplying the demand under technical, social, economic, environmental and financial viability criteria.

In the nineties, El Salvador promoted a reform process in the energy sector that consisted in the restructuring of the hydrocarbon and electricity sectors, the privatization of most of the state companies that provided energetic goods or services and markets deregulation.

2.3.2 Regulatory framework

The legal framework of the Salvadorian electric sector is made up by the Law for Creation of the General Superintendence of Electricity and Telecommunications (SIGET), enacted by means of Legislative Decree 808 of September 12, 1996, which gave legal life to the

regulatory entity; the General Electricity Law (LGE), enacted by means of Legislative Decree 843 of October 10, 1996 and the Regulation of the General Electricity Law, established by means of Executive Decree 70 of July 25, 1997, including their amendments.

As a result of the electricity sector restructuring, two entities were created, the Unidad de Transacciones S.A. (UT), which manages the Wholesale Electric Energy Market, and Empresa de Transmisión de El Salvador (ETESAL); at the same time, distribution as well as thermal generation companies were privatized. Furthermore, the activities of hydroelectric and geothermal generation were separated, with a private partner incorporating in the latter one.

Among the last changes that have taken place in the energetic sector of El Salvador it is worth mentioning that the Legislative Assembly considered necessary to create a state autonomous nonprofit public service institution, that will be the ruling and regulatory entity of the national energetic policy. In this respect, the Assembly issued in October 2007 Legislative Decree 404 that creates the National Energy Council (CNE). According to the law that created it, the CNE is the highest, ruling and regulatory authority on the subject of energetic power, which purpose is the establishment of the policy and strategy that promote the efficient development of the energetic sector.

The Wholesale Electricity Market (MME) of El Salvador, through the national transmission system (network of 115,000 volts or higher), permits the direct participation in energy transactions of all agents or participants of the market (PM) that have a direct connection with the transmission system. This PM may be generators, distributors or end users. There is also availability for other agents that have no connection with the transmission network to be able to participate indirectly in the market, under the form of commercialization agents, according to the special regulation that in this respect the regulating entity, SIGET, has developed.

With Executive Decree 57 of June 2006 modifications are introduced to the Regulations of the General Electricity Law. First of all, it is established that the dispatch of generating units will be in conformity with their respective variable operating costs. In this manner one of the reforms of the LGE issued by the mentioned Legislative Decree 1216 is implemented. This modification seeks to guarantee the healthy competition in the generation segment and the supply of the demand at a minimum cost expected of operation and rationing. To this end, the UT would be given the responsibility to plan and coordinate the dispatch of generating units and the operation of the facilities of the transmission system.

Secondly, this same Decree regulates the contracting scheme of the long-term supply by distributing companies, through free participation procedures.

As of August 1, 2011 the Regulations for operation of the transmission system and of the wholesale market based on production costs (ROBCP) started operations, which substituted the previous system based on opportunity offers. With these new Regulations the dispatch is determined by the transaction price of the energy in the MRS that will be equal to the marginal operating cost of the system in the respective market interval.

The ROBCP provides that, in addition to the energy dispatched, valued by hour at the marginal cost of operation of the respective energy, the generating units that sell energy in the Opportunity Market will receive a payment for firm capacity equal to the marginal cost of installation of leading edge generation capacity, applied on the power that one generating unit or plant is capable of injecting to the system with a high probability in a control period corresponding to the hours in which the maximum demand of the generating system is produced. The price to value the transactions of firm capacity has been determined as the cost per kW of investment annualized plus the fixed cost of operation of an efficient unit to grant support and additional capacity in the system control period, extended in a reserve margin and in loss factor corresponding to the hours of highest demand.

2.3.3 Regulatory entities

2.3.3.1 National electric market

Ministry of Economy (MINEC)

Institution of the Central Government, which purpose consists in the promotion of the economic and social development through the increase of production, productivity and rational utilization of resources. Among its responsibilities is that of defining the country's commercial policy and the follow up and encouragement of the economic Central American integration.

It has under its command the Direction of Electric Energy and the Social Investment Fund for Local Development; in addition, it heads the National Energy Council.

In addition, it contributes to the development of competition and competitiveness of productive activities both for the internal and for the external market.

General Superintendence of Electricity and Telecommunications (SIGET)

It is a non-profit autonomous public service institution. Said autonomy consists of the administrative and financial aspects and is the competent entity to apply the rules contained in international treaties about electricity and telecommunications in effect in El Salvador and in the laws that rule the electricity and telecommunications sectors and their regulations, in addition to deciding on their non-fulfillment.

Transactions Unit (UT)

Among the duties is that of managing with transparency and efficiency the wholesale electric energy market and operating the transmission system, maintaining the safety and quality and providing to the market operators satisfactory answers for the performance of their activities. Likewise, it coordinates with the Regional Operator Entity (EOR), the energy transactions performed by El Salvador with other countries at the Central American and international levels. Finally, it determines the responsibilities in case of failures in the systems.

Ministry of the Environment and Natural Resources (MARN)

Among its functions is that of formulating, planning and executing the environmental and natural resource policies; it exercises the direction, control, inspection, promotion and development on the subject of environment and natural resources; it proposes the legislation on conservation and rational use of natural resources, to obtain their sustained development, and watches for their fulfillment, at the same time that it promotes the active participation by all sectors of the national life in the sustained use of the natural resources and of the environment, among others.

Contract Markets (MC)

This market refers to the sale of energy where the agents involved established the characteristics of the agreement in a private manner without formulating financial conditions to the UT.

System Regulating Market (MRS)

It is the spot market of electric power. It serves to make the short-term balance to obtain the coverage of the total demand of the wholesale market and permits to establish balance between the supply and demand.

National Energy Council (CNE)

It is a government entity in charge of watching for the formulation of the energetic policy of the country.

Prepares, proposes, coordinates and executes policies, programs, projects and actions that permit an efficient operation of the sector, taking into account the generation, transportation and distribution activities, that must be reflected in wellbeing for society. In addition, it analyzes the current energy problems and proposes short, medium and long-term measures, intended to the efficient use of energy, proposes to government entities and to the private sectors the actions necessary for the achievement of the measures that are decided to be implemented, among other functions. As of year 2010, it performs the functions of the electric energy direction of the MINEC.

2.3.3.2 Regional Electric Market (MER)

Regional Electric Interconnection Commission (CRIE)

It is the regulating entity of the MER created by the framework convention, executed by the countries of the Central American isthmus, with its own legal personality capacity of international public law.

The CRIE guarantees conditions of competition and non-discrimination, proper of the development of the market, both in its initial operation and in its evolution and resolves situations on the authorizations to joint the market or for the purchase and sale of energy; in addition, it approves the tariff for use of the transmission system, among other functions that seek to establish the measures necessary for the good operation of the market.

Regional Operating Entity (EOR)

The EOR proposes to the CRIE the operating procedures of the market and of the use of the Regional Transmission Network (RTR). Likewise, it makes sure that the operation and regional dispatch of energy will be made with economic criterion, trying to reach adequate levels of safety, quality and reliability; it carries out the commercial management of transactions between market agents, supports through the supply of information the market evolution processes and formulates the plan that indicates the expansion of the regional generation and transmission.

2.3.4 Tariff System

The tariff to the end user is made up by the commercialization charge, distribution charge and energy charge.

The commercialization charge and the distribution charge are approved for tariff periods of five years, during which they are annually indexed with the variation of the consumer price index (CPI). The distribution charge is indexed annually with 50% of the CPI while the commercialization charge is indexed with 100% of the CPI. The energy charge is adjusted automatically, pursuant to the regulations, every three months according to the cost of the supply of energy of the distributor during the previous three months. Said cost takes into account the costs of purchase of energy of the long-term contracts transferable to tariff entered into by distributors and their spot market purchases.

The amendments to the regulations of the General Electricity Law establish the following aspects:

- Distributors shall have covered a minimum long term contracting percentage of 70% at the latest by February 1, 2013, with contracts for terms of less than or equal to five years.
- Distributors shall have covered a minimum long term contracting percentage of 80% by July 1, 2017:
 - No more than 50% in contracts of less than five years.
 - At least 30% in contracts of more than five years.

In situations of force majeure or Acts of God, or when some circumstance duly justified requires it, the SIGET, prior consultation with the CNE, may determine by means of an agreement the extension of the terms indicated above, only once and for a term not exceeding one calendar year.

2.3.5 Subsidies and contributions regime

For residential subscribers with a consumption of up to 99 kWh per month, a subsidy is granted for 89.5% of the differential of the full tariff with respect to the maximum prices established in November 1999, which are the following:

- Monthly consumption from 1 kWh to 50 kWh: USD 0.0635 per kWh

- Monthly consumption from 50 kWh up to 99 kWh: USD 0.671 per kWh

According to the information provided by distributing companies, as of December 2012 a total of 1,057,301 customers were subsidized, which represent 66.9% of the customers connected to the distribution network and that correspond to the subscribers that consume up to 99 kWh. In terms of energy consumption, these subsidized users demanded during 2012 a volume of 631,919.4 MWh, the equivalent to 12.9% of the energy demand at the distribution level.

2.3.6 Specific regulations

- Law of creation of the Superintendence of Electricity and Telecommunications.
- General Law of Electricity.
- Regulation of the General Law of Electricity
- Rules for determination of distribution and commercialization charges.
- Service quality rules of the distribution systems: their purpose is to regulate the indexes and indicators of reference of quality applied by the electric power distributors in the provision of electric power services to the users of the distribution network.
- Operating regulations of the transmission system and of the wholesale market: rules and procedures for the operation of the transmission system and for the administration of transactions of the wholesale market of electric power in El Salvador.
- Operating regulations of the transmission system and of the wholesale market based on production costs: contains the rules and procedures for the operation of the transmission system and for the administration of transactions of the wholesale market of electric power of El Salvador.
- Regulations applicable to the commercialization activities: its purpose is to develop the rules intended to promote competition on the subject of commercialization of electric power.

2.4 Regulations for Panama

2.4.1 General aspects

The electric sector of Panama is divided into three areas of activities: generation, transmission and distribution. Panama has established a regulatory structure for the electric industry, which is based on the legislation approved between 1996 and 1998. This framework creates an independent regulator, the National Authority of Public Utilities – ASEP- and creates also a transparent pricing process for the sale of energy to regulated customers.

2.4.2 Regulatory framework

According to the Electric Law, the electricity tariffs have a term of 4 years (Article 95) and during this period they may be updated based on the variations of the consumer price index and to reflect the actual cost of the energy purchases. For this purpose, the regulator must define the tax regime (Article 91), which in turn must contain the calculation procedures, update and application of electric tariff. The tariff regime must follow the following criteria in order of importance: i) financial sufficiency, ii) economic efficiency, iii) equity, iv) simplicity and v) transparency.

According to Article 98 of Law 6, the Added Distribution Value (VAD) is made up by the costs that an efficient distribution company would have to provide the distribution service in its concession zone, as follows: administration, operation and maintenance costs of the distribution system, excluding the costs of measurement, billing and customer services; the cost of the standard losses in the distribution networks, the cost of depreciation of its property and the cost corresponding to the opportunity that the concessionaire must have to obtain a reasonable profitability tariff on its investments.

The regulator will establish a maximum of six distribution areas, representative of the markets serviced in each concession zone and then will calculate the added distribution value for each representative area, under the assumption of efficiency in the operation of the distribution company. The assumption of efficiency will have as a base the recent performance of similar real companies, national or foreign.

To set the reasonable profitability tariff, the regulator will take into account the efficiency of the distributor, the quality of his service, and his investment program for the period of effectiveness of the tariff formulas and any other factor that may be considered relevant. However, the tariff that the regulatory entity defines shall not be more than two points different from the tariff resulting from adding the annual effective interest tariff, average of the twelve months prior to the date on which the tariff formula is set, of the thirty-year treasury notes of the United States of America, plus a premium of eight points for the electric distribution business risk in the country.

2.4.2.1 Regulatory regime

It is made up mainly by the following regulations:

- Law 6 of February 3, 1997. It sets forth the regulatory and institutional framework for the rendering of the public service of electricity. It establishes the regime to which the distribution, generation, transmission and commercialization of electric energy are subject to.
- Decree Law 10 of February 26, 1998. Modifies Law 6 of 1997, as refers to the duties of the regulator, the modalities of the companies to participate in the electric sector, the restrictions in distribution and generation, the update of the tariffs and the cost recognized by purchases in block.
- Executive Decree 22 of June 22, 1998. It regulated Law 6 of 1997.
- Law 57 of October 13, 2009. Several modifications to Law 6, 1997 are made, among which are the following: obligation by generating companies to participate in the energy or power purchasing processes, the obligation by the Company Transmisión

Eléctrica S.A. (ETESA) to purchase energy in representation of the distributors and the increase in the fines that may be imposed by the regulator up to \$20 million Balboas, and at the same time establishes the right of customers to refrain from paying the portion being congested and grants them a term of 30 days to file a claim with the regulator in case of not being satisfied with the answer given by the distributor.

- Law 51 of September 29, 2010, whereby the urban and domiciliary cleaning authority is created and certain articles of Law 6 of 1997 are modified, in order to make mandatory the charge of the cleaning and sanitation tariff through the electricity bills.
- Law 65 of October 26, 2010. Through this new Law two articles are added, 140-A and 140-B, to Law 6 of 1997, whereby it is established that if the State requires the removal or relocation of electric infrastructure, the companies must proceed with the request within the term that is established in the regulation of said article. In turn, article 140-B indicates that if the company does not comply with the relocation within the term stipulated, the infrastructure may be freely removed at the cost of the company.
- Law 58 of May 30, 2011. The articles related to rural electrification are modified, among which we can mention the modification of the calculation of the subsidy that the Rural Electrification Office (OER) must pay to the distributors for a period of 4 years (previously it was paid at 20 years) and the creation of a rural electrification fund for 4 years that will be made up by the contributions by the market agents that sell electric energy, which shall not exceed 1% of their net profit before taxes.
- Law 68 of September 1, 2011. Through this Law the obligation is established by the distributors to respond to the claims in 15 calendar days. Likewise, it is established, as a function of the ASEP, to prepare and approve an indemnification table applicable to cases of damages caused to customers. It is also established to the ASEP a term of 30 calendar days to resolve the customer claims and of 15 days to resolve the reconsideration and appeal recourses. On the other hand, a paragraph is added to Article 95 of Law 6 on rural electrification, that defines "area not given under concession" as the distance that exceeds one kilometer, in straight line, from the last pole of the concession area.
- Executive Decree 247 and 297 of 2012. It regulated Law 65 of October 26, 2010, establishing terms and mechanisms for the relocation of public utilities.
- Law 15 of April 26 of 2012. It establishes a tariff to cover the costs of undergrounding of cables and infrastructure of the telecommunications and paid television services. The distribution companies of the zone to underground as part of the plan established, will be the units in charge of processing the offers and/or bills of charges and the conduction of the biddings of the acts related to the contracting of the people that will be carry out the undergrounding plan in the areas included.
- Law 43 of August 9, 2012 modifies Law 6, including the form of special Bill of Charges, in order to make feasible the purchase of power and/or energy based on the generation technology. On the other hand, as a new function it is assigned to the ASEP to determine the criteria and procedures for the compliance with article 47 of Law 6, which deals with the process of renewal of the concession for distribution.

2.4.2.2 Regulation of the distribution sector

The distribution is the activity which purpose is the transportation of electric power and the transformation of the related voltage, from the point of delivery of the energy by the transmission network up to the point of supply to the customer. According to Law 6, the distribution activity covers the commercialization of energy to customers, which is no more than the sale to the end customer, including measurement, reading, billing and collection of energy delivered. The distribution company is limited the participation in other companies or activities, except in its own generation with the limitations established in the Law.

The general characteristics of the distribution activity are included in Law 6 of February 1997, Executive Decree 22 that regulates Law 6 and the distribution concession contracts. The most relevant characteristics are summarized below:

- Distribution concessions are granted by the ASEP for a term of 15 years. Before the expiration of this term the ASEP will open a competitive bidding process of open participation for the sale of the package of 51% of the shares, in which current holder may participate, who will sent the price of the shares. If offers are presented that are lower or equal to the price set by the holder, the latter will continue to be the holder of the block of shares. To the contrary, if there is a higher price, the block of shares will be awarded to the highest bidder and the ASEP will deliver the amount for the sale to the holder up to that moment. In any of the two cases a new concession will be granted for another 15 years.
- There is zone exclusiveness during the term of the concession with guarantee from the State.
- The distributor has the obligation to provide the service (expand lines) to every user who requires it, located within 100 meters around the distributor facilities.
- Beyond the mentioned 100 meters, the distributor will also have the obligation to connect to everyone who requests it but it may require, in addition to the payment for connection that the tariff schedule contains, a contribution for the investment necessary for the connection.
- In the concession contract a concession zone is established from 500 to 3000 meters of the distribution network and a zone of influence between 5,000 and 10,000 meters. In the current concession period, ENSA has defined its concession zone up to 500 meters and its zone of influence up to 3,000 meters. In the zone of influence the operator will have the first option to provide the distribution service.
- The parties awarded the distribution service have the obligation to allow the use of their distribution systems to third parties, through the payment of tolls.
- A distributor may perform the generation activity within 15% of its demand and provided that it allows differentiating the operations by type of activity.

- At the end of each tariff period, ASEP reviews, for each distributing company, the approved IMP (maximum income allowed) in respect to the actual income received in order to determine if the variations are within a reasonable margin. For this review no variations in sales will be considered, in the quantity or type of customers, or in the costs of inputs or labor, in a manner different to that reflected by the CPI of the General Controller's Office of the Republic.
- The tariff period is of 4 years. The current one covers from July 1, 2010 to September 30, 2014.

2.4.3 Subsidies and contributions regime

In Panama several types of subsidies are considered, the main ones are:

- **Subsidies to retirees, agricultural activities and political parties:** the consumption of the first 600 kWh of retirees (men of 62 years of age or older and women of 57 years of age or older) is entitled to a discount of 25%. The difference between the consumption and that quantity pays the full tariff. Discounts of 5% and 50% are also applicable to the consumption in agricultural activities and the provincial offices of political parties, respectively. Discounts to retirees, agricultural activities and political parties are crossed subsidies that are included in the rest of the customers' consumption in reviewing the tariff every four years.
- **Subsidies for basic consumption (Law 15):** customers with consumption levels below 100 kWh per month have a discount of up to 20% in their accounts. The funds for this discount come from a charge to the customers with consumption in excess of 500 kWh per month of up to 0.6% of their invoice value. Approximately 70,000 customers receive this benefit.
- **Tariff Stabilization Fund:** since 2004 the Government approved a direct subsidy for residential customers with a consumption of less than 500 kWh per month. In the invoice of each customer a discount appears that causes that these customers will not receive tariff increase. The funds for this subsidy come from the Government. At the end of each biannual period a balance is made to verify that the funds received coincide with the subsidies applied. The Government has announced a progressive reduction process of the subsidy range to arrive only at the customers with a consumption of less than 300 kWh. Currently it is only applied to customers with a consumption lower than 450 kWh per month.

In case that the ASEP requests the application of a tariff lower than the corresponding one according to the tariff regime, this fund is used to cover the difference between the income with the tariff applied and the income with the tariff that should have been applied.

- **Energetic Compensation Fund (FACE):** The FACE is created through Cabinet Resolution No. 174 of November 8, 2011, which approved the execution of a Trust Agreement for the creation of a fund which object is to compensate the electric power distribution companies for the amounts they failed to receive through the update of electric tariffs due to the commitment acquired by the State to mitigate the transfer of the inflation imported into the country through the increases in the fuel prices. The

Trust Agreement provides that in the periods in which the tariffs of the electric power distribution companies and verified by the ASEP are higher than the tariff applied to the customers of the preceding six-month period, the FACE will be used to compensate these increases; otherwise, the difference will be returned to the FACE to compensate the disbursements made during the previous tariff periods.

2.4.4 Regulatory entities

Secretary of Energy

Its office is to formulate, propose and promote the national energy policy in order to guarantee the safety of the supply, the rational and efficient use of resources and the energy in a sustainable manner, according to the National Development Plan. Currently it is processing with the Empresa de Transmisión Eléctrica (ETESA), the creation of an energetic parent company with more and more varied renewable and clean renewable resources (eolic, gas, among others).

National Authority of Public Utilities (ASEP)

Established in accordance with the law of the regulatory entity of public utilities of 1996. It is an autonomous entity of the Government with responsibility to regulate, control, monitor the rendering of the services of water and sanitary sewage, telecommunications, radio and television, electricity and natural gas.

On November 22, 2006, by Decree Law 10, the Regulatory Entity of Public Utilities (ERSP) was restructured and changed its name, and thus 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 customer service sector. The national directors are responsible for issuing resolutions related to their respective industries and their appeals are resolved by the general administrator as the final stage of the administrative process.

The responsibilities of the ASEP include:

- Securing the compliance with the sector laws and regulations and applying penalties for non-fulfillments.
- Granting concessions and licenses.
- Monitoring the service quality standards.
- Verifying the fulfillment of goals of expansion, system improvement and the regulation, in accordance with the terms of the specific concessions or licenses.
- Promote competition and investigate monopolistic and anti-competition practices.
- Determine the efficiency criteria to assess the performance of regulated companies.

- Establish the principles and methodologies to define the rates.
- Determine the information to be provided by suppliers of the public service.
- Arbitrate conflicts between operators, governmental agencies, municipalities and consumers.
- Authorize the expropriation of land and easements for the expansion of the service.

The operating costs of the ASEP are covered with several sources, including a control and monitoring rate that is charged to all participants of the electric sector. This rate shall not exceed 1% of the gross income generated in the sector during the previous year and it cannot be transferred to the consumers. The charge of this rate is made monthly and each company pays the percentage defined by the ASEP on the income of the regulated and non-regulated customers, less the amounts paid by the company to other suppliers of services to cover costs of energy and transmission. In the year 2012 this percentage was set at 0.73% (2011 – 0.59%) and for 2013 it is of 0.78%.

Planning Unit of the Empresa de Transmisión Eléctrica (ETESA)

It prepares the reference expansion plans. It projects the global requirements of energy and the forms to satisfy those requirements, including the development of alternative sources and establishing programs to keep and optimize the use of energy. The public service companies are required to prepare and present their expansion plans to ETESA.

National Dispatch Center (CND)

It is operated by the ETESA. It plans, supervises and controls the integrated operation of the National Interconnected system. It receives the offers of the generators that participate in the energy spot market, determines the spot prices of energy, manages the transmission network and provides the settlement values between suppliers and producers and consumers, among others.

Rural Electrification Office (OER)

Is the entity responsible to promote electrification in rural areas not served, not profitable and not concessioned.

2.4.5 Restrictions

According to the law, the companies in each activity have the following restrictions:

Distribution:

- Participate, directly or indirectly in the control of generation plants, when the equivalent added capacity exceeds 15% of the demand served in its concession zone.
- Request new concessions, if by making it serves directly or indirectly, through the shareholding control of other distribution companies or other means, more than 50% of

the number of total customers in the national market. The National Authority of Public Utilities (ASEP) may authorize exceeding this percentage when in its judgment it may be necessary to expand the concession zone or the expansion of the country's electric system.

Generation:

- Participate directly or indirectly in the control of distribution companies.
- Request new concessions if, by doing so, serves directly or indirectly, through other generation companies or other media, more than 25% of the electricity consumption of the national market. The Executive Body, prior opinion from the ASEP, may increase the percentage indicated when it considers that the conditions of competition in the electric market justify it.

Transmission:

- Controlled 100% by the State.

2.5 Regulations in Chile

2.5.1 General aspects

In the Chilean electric market the activities of generation, transmission and distribution are identified, which are regulated by the General Electric Service Law (LGSE).

In Chile there are four interconnected electric systems: The Interconnected System of the Large North (SING) that covers the territory between the cities of Arica and Antofagasta, with 28.06% of the country's installed capacity; the Central Interconnected System (SIC) that covers from the towns of Taltal and Chiloé, with 71.03% of the country's installed capacity; the Aysen System that serves the consumption of Region XI, with 0.29% of the capacity; and the Magallanes System that supplies the 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 Law in 1982. In Chile there is no participation by the State in the sector given that it was privatized as of 1980.

2.5.2 Regulatory framework

According to the General Law of Electric Services (LGSE), the National Energy Commission is the competent authority to calculate the rates by means of the technical reports for setting the base price, which is later established by decree from the Ministry of Economy, Promotion and Reconstruction. The legislation in effect establishes as basic premise that rates must represent the actual electricity generation, transmission and distribution costs in order that an optimum development of the electric systems can be obtained.

In those segments where there are competition conditions there is price freedom. This is the case of supply to end users which connected power is in excess of 2,000 kW (*Free*

Customer), under the assumption that they have a higher negotiating capacity and, therefore, greater possibility to receive the supply of electricity by other forms. Contrarily, the law regulates the supply prices to end users whose connected power is lower than or equal to 2,000 kW (*Regulated Customers*) given that this market has characteristics of natural monopoly.

Additionally, customers who have a connected power higher than 500 kW are entitled to choose between a regulated rate and a free price rate, after a minimum period of permanence of 4 years in the regime that they have chosen and communicating the change at least 12 months in advance.

In the electric systems with a size in excess of 1,500 kW in installed capacity of generation, the Law makes a distinction between two price levels subject to establishment: The generation prices – transportation (Base Prices) and the distribution prices.

The price that distributing companies may charge to users located in their distribution zone, for the electricity distribution service, is determined by the sum of the base price, the VAD (Added Distribution Value) and a single charge or toll for the use of the main transmission system, in such a way that the resulting supply price corresponds to the cost of the utilization by the user of the resources at the production-transportation and distribution levels.

The VAD represents the payment to the distribution company for its standard investment, operation and maintenance costs, its overhead, billing and customer service costs, and its average distribution losses in power and energy.

Both the base price and the VAD are regulated. On the one hand, the base price is set biannually, in the months of April and October of each year, through a technical report from the CNE, by means of a decree from the Ministry of Economy. On the other hand, the VAD is established in accordance with the formulas for calculations set every four years, by the Ministry of Economy, prior Technical Report from the CNE.

Decree No. 276 of 2004 contains the different rate options to which the final user has access, depending on his consumption characteristics, power and type of installed measurement. Users may freely elect the rate option most convenient for them, for a minimum term of one year, at the end of which they can modify it or maintain it. Companies that have concessions of electric distribution have the obligation to accept the rate option of each customer.

In order to motivate investment and secure the access to the electric service to all persons who require it, the regulatory system is design to provide to the aggregated set of the distribution facilities of the concessionaires a reasonable economic profitability rate on the investment that cannot be over four points different from the update rate of 10%, real annual.

In this manner, upon determination of the preliminary rates, the Commission verifies annually the with the income and real exploitation costs, the annual profitability of the distribution industry remains between 5% and 15%, during the period of effectiveness of the rate options.

2.5.2.1 Regulatory regime

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

- Law 20402 of 2009. It creates the Ministry of Energy, establishing modifications to Decree Law 2224 and to other legal regulations.
- Law 20257 of 2008. It introduces modifications to the General Law of Public Utilities – LGSE – in respect to the generation of electric power with renewable non-conventional energy sources.
- Decree with Force of Law No. 4 DFL No. 4 of 2007. It approves modifications to the Decree with Force of Law No 1 of 1982, General Law of Public Utilities, on the subject of electric power.
- Decree with Force of Law No. 1 DFL No. 1 of 1982. The General Law of Public Utilities establishes the fundamental provisions for the development of the economic activity in the electric industry. It can only be modified in Congress, its most relevant modifications being those applied by Law No. 19940 of 2004 (Short Law I) that reformed the regulatory framework of Transmission and Law Mo. 20018 of 2005 (Short Law II), which reformed the commercialization regime between generators and distributors for the supply of regulated customers. The regulations, in turn, are prepared by the sector entities of the Executive Branch and must be submitted to the provisions established by the Law.

2.5.2.2 Regulation of the distribution sector

Distribution is defined as that activity that carries out the transportation of power and electric energy at voltage levels of 23 kV or less, and is in charge of the supply of energy to consumers whose connected power is lower than or equal to 2,000 kW or that choose to enter into a free contract.

Companies that have the concession of the public service of distribution basically provide three services: Transportation and commercialization of electricity to consumers within its concession area, other services associated provided to the distributor's own customers, and transportation to other companies that commercialize energy and power in the market that is within the concession area.

Given that in Chile the distribution of electricity constitutes a natural monopoly, the State establishes regulated prices for supplies to end customers. All matters related to the operation and exploitation of the electric facilities intended to the distribution public service are regulated by the General Law of Electric Services, by its Regulations and by the laws that modify them (Law 19940 of March 2004 – Short Law I and Law 20018 of May 2005 – Short Law II). The most relevant characteristics that these provisions contemplate are summarized below:

- The distribution of electricity in Chile within a determined zone may be carried out by Public Utility Concession.
- The concession may be provisional, in which case it is requested directly to the Superintendence, or final, in which case it must be requested to the President of the Republic through the Ministry of Economy, Promotion and Reconstruction.

- No exclusiveness is granted in the distribution. A new distributor may request and obtain a new concession in part or in the entire territory already under concession.
- Distributing companies/beneficiaries of concessions must provide the service to anyone who requests it within their concession zone, or to anyone who connects to it through its own lines or those of third parties, in compliance with the technical regulations of service quality and safety.
- Distribution concessions must assure the permanent supply of energy, in such a way that they are able to satisfy the total consumption projected of their regulated consumers for a period of at least three years, with the obligation to hold a bidding process previously for the supply that they are not able to provide through their own generation (Short Law II).
- The future supply contracts of energy will be awarded to the generators that, in public bids, open, non-discriminatory, transparent and competitive in prices, offer the supply at the lowest cost (Short Law II).
- The General Law of Electric Services contains the rules for setting prices or maximum rates for regulated customers, with an effective period of four years.
- Distributors shall transfer directly to their regulated end customers the average price of the award of their contracts, instead of the base price set by the authority (Short Law II).
- Customers not subject to pricing of the distributing companies enter into long-term contracts in which the service price is freely established by the parties.

2.5.3 Subsidies and contributions regime

Law 20040 regulates the matters related to subsidies for consumption of electricity. According to this provision, if within a period equal to or lower than 6 months, the electric rates for residential users, urban and rural show a real accumulated increase equal to or higher than 5%, the President of the Republic, by means of supreme decree issued through the Ministry of Economy, Promotion and Reconstruction, may establish a transitory subsidy to the payment of electric energy consumption that will favor low income residential users who are up to date in their payments.

The subsidy will be discounted by the companies that have the concessions of the public distribution service to their respective customers/beneficiaries of the subsidy. These companies must evidence to the Superintendence of Electricity and Food the amounts discounted in order to authorize the respective payment.

2.5.4 Regulatory entities

Ministry of Economy, Encouragement and Reconstruction

Designs and monitors the implementation of public policies that affect the country's competitiveness. Its main lines of action are related to the design and promotion of Innovation and Enterprising Policies.

Ministry of Energy

It is the highest body of cooperation of the President of the Republic in the duties of government and administration of the energy sector. This public entity is responsible for determining the plans, policies and rules for the development of the electric sector. In

addition, it grants concessions for hydroelectric plants, transmission lines, substations and electric distribution zones. The National Energy Commission (CNE) is an instrumentality of the Ministry of Energy.

National Energy Commission (CNE)

The National Energy Commission (CNE) is a public and decentralized organization with its own equity and full capacity to acquire and exercise rights and obligation that relates the President of the Republic through the Ministry of Energy.

In particular, the National Energy Commission conducts the setting of prices to electricity and network gas companies. It is responsible for designing techniques and calculating the regulated prices established in the Law. Likewise, it monitors and projects the current and expected operation of the energetic sector, through the generation of the works plan, which constitutes a guideline for the ten-year expansion of the system. Furthermore, it proposes to the Ministry of Energy the legal and regulatory rules that are required on the subjects of its competence.

Finally, it advises the Government, through the Ministry of Energy, in all those matters related to the energetic sector for its better performance. The institutional framework of the CNE is Decree Law 2224 of May 25, 1978, modified by Law 20402.

Superintendence of Electricity and Fuels (SEC)

It is the public entity which mission is to monitor the adequate operation of the electricity, gas and fuels services, in terms of their safety, quality and price. In addition to setting the technical standards, the objective of the SEC is to examine and oversee the compliance of legal and regulatory provisions on generation, production, storage, transportation and distribution of liquid fuels, gas and electricity to verify that the quality of the services rendered to users will be that indicated in those provisions and technical regulations and that the operation and the use of the energetic resources do not represent any danger for people or their things. The constitutional framework of the SEC is Law 18410 of 1985, modified by Law 20402.

Economic Load Dispatch Center (SIC)

The CDEC –SIC is the entity in charge of coordinating and determining the operation of the SIC facilities, including generating plants, lines and substations of the transmission system and free customer consumption bus-bars of free customers. Among its duties is to watch for the safety of the service in the electric system, guarantee the most economic operation of the group of facilities of the electric system and guarantee the easement on the transmission systems established through electric concessions decree. The CDEC-SIC is made up by the generators, transmission companies and free customers that operate in the SIC and are its members which finance it. The institutional framework of the CDEC is Decree 291.

Economic Load Dispatch Center (SING)

The CDEC - SING is the entity in charge of coordinating and determining the operation of the facilities of the SING. It is analogous to the CDEC-SIC.

Panel of Experts

The Panel of Experts is an entity integrated by professionals of wide experience, whose function is to issue a pronouncement, through rulings with a binding effect, on discrepancies and conflicts that arise on occasion of the application of the electric legislation and that companies of the sector submit to their decision. Generators, transmission companies and distributors finance the panel. The matters on which the panel has competence as well as its institutional framework are included in Title VI of the General Law of Electric Services.

2.5.5 Restrictions and limits

Some limits contemplated by the Chilean regulation are:

- **Restricted corporate object:** The companies that have public concessions of public service of distribution shall only use their distribution facilities for the public service and public lighting.
- **Separation of companies:** The companies that are operators or owners of the trunk transmission systems must be incorporated as open joint stock companies. These corporations cannot engage, either by themselves or through related natural or legal persons, to activities that involve the generation or distribution of electricity. The performance of other activities, that do not involve those indicated above, shall only be carried out through affiliate or associated stock companies
- **Limitation to participation:** The individual participation of companies that operate in any other segment of the electric system, or of users not subject to price setting in the trunk transmission system, shall not exceed, directly or indirectly, eight percent of the total investment value of the trunk transmission system.

Additionally, the joint participation of generating and distributing companies and of the group of users not subject to price setting, in the trunk transmission system, shall not exceed forty percent of the total investment value of the trunk system.

These limitations to the property extend to business groups or legal or natural persons that form part of transmission companies or that have joint action agreements with transmission, generating or distributing companies.

The owners of the facilities constructed previously to their definition as belonging to the trunk system may maintain the ownerships of those facilities and will not be applied the limits of ownership, and will be able to exceed the percentages of eight and forty indicated above.

2.6 Regulations for Mexico (Sanitation)

2.6.1 Regulatory Framework

The legal framework that regulates the rendering of the services of potable water, drainage, sewage, treatment and disposal of wastewater, has suffered transformations as a consequence of the reforms to constitutional article 115 and of the policies adopted

recently on the subject of contracting public debt and granting of guarantees for their repayment. Within them the following are outstanding:

- Strengthening the decentralization criteria by assigning to the municipalities the primary responsibility of the services of water supply and sanitation, with the subsidiary of support of state government, at the express request of the municipalities.
- Resolving the legal gap by including the treatment and disposal of wastewater, generically called sanitation, whereby, among other things, a solid legal base is established for the charge of these services.
- Establishing the principle of treasury autonomy for the municipalities, without excesses of discretion, which, among other things, promotes the possibility of aligning the specific costs of the services and recovering them through determined tariffs
- **Law of Quotas and Rate of each Municipality).** In an important manner, exception privileges are defined which a good number of instrumentalities and entities of the federal and state, and even municipal, public sector used to resort to and continue to do so.
- Establish that the municipalities propose to the state legislators the applicable quotas and tariffs. According to the constitutional rule, legislators of the states will approve the laws of income of municipalities, will review and examine their public accounts. The municipalities will approve the budgets of expenses based on their available income.

Within the constitutional regime are worth mentioning especially the provisions of **constitutional article 117**, which establishes that the states cannot in any case:

“Incur directly or indirectly obligations or debts with governments of other nations, with foreign corporations or individuals, or when they are to be paid in foreign currency or outside the national territory”. The same article indicates that: “States and Municipalities shall not incur obligations or debts except when they are intended to productive public investments, even those incurred by decentralized entities and public companies, pursuant to the basis established by the legislatures in a law or by the concepts and up to the amount that they establish annually in the respective budgets. The executives will inform of their exercise when rendering public account”.

2.6.2 Regulatory regime

In the state environment, each one of the 32 federative entities has its respective water laws, with notably equal purposes, notwithstanding the various denominations. The modifications to the state legislature associated to the rendering of water supply and sanitation services derived mainly from a series of initiatives promoted by the National Water Commission – CAN in the nineties. The evolution that since then and up to the beginning of this decade has experienced the state legal regime on the subject of water and sanitation, is summarized as follows:

- Reforms of 1983 to constitutional article 115, whereby the municipal nature of the water supply and sanitation services was ratified and strengthened, which forced to redirect the role of the state authorities on this subject, in order to assign them a subsidiary role and to some extent, regulatory.

- Government policies established to promote the creation of decentralized organizations (decrees of creation) of the Municipal Administration, with the technical capacity and administrative and financial autonomy necessary for the efficient provision of the services, together with the instruction of schemes of participation by the private sector.
- Greater participation of the state authorities in the administration of the national water, through agreements that, pursuant to the provisions of constitutional article 116, may be executed by the federation with the state governments, in order that the latter carry out or exercise different tasks or authorities, of the exclusive competence of the federal government. This possibility was reinforced even more with the reforms and additions to the National Water Law that entered into force in 2004.

The first laws enacted under the conception of decentralized operator entities have been slowly adjusted; in essence, to strengthen the citizens' participation in government entities and open ways to the participation by the private sector in the provision of the services, as well as to optimize the mechanisms and procedures to determine the quotas and tariffs associated to the charge of the potable water and sanitation services.

2.6.3 Regulation of the Potable Water and Sanitation distribution sector

Provision of services: In all the states involved it is established that these services are to be rendered through **decentralized public entities** of the Public Municipal Administration.

In the laws of water services, the basis are set out in order that the social and private sector may be able to participate in the rendering of the services. Especially, in the legislation is detailed the manner how the state government, through its respective State Water Commissions, may take part in the rendering of the services

Autonomy: The greater autonomy is granted to the State Water Commissions this in turn to the Water Operator Entities.

Legal provisions issued by CONAGUA refer to the incorporation and operation of the operator entities created as decentralized entities of the municipal public administration. In the relevant aspects are included:

- Municipal operator entities (central or decentralized).
- Inter-municipal operator entities.
- The corresponding state water commission.
- Different ways of organization of the social sector or of the private sector different form a decentralized public entity.

2.6.4 Subsidies and contributions regime

Contributions: By establishing the charge of the services (Potable Water, Sanitation and Sewage) under the form of fiscal contribution (rights), the tariff proposals must be incorporated into the municipal income laws. All this notwithstanding that the same laws (that cannot be above the constitutional provisions) grant to the government bodies of the operator entities the power to establish the Quotas and tariffs *to charge for the services*.

Subsidies: By means of the programs that are operated by various Federal Government agencies (CONAGUA), state governments and municipalities, subsidies are subject, first, to the availability of budget resources that result from the processes established for said purpose, by means of the timely action by corresponding state units, supported with duly integrated projects (Potable Water, Sewage and Sanitation in URBAN ZONES (APAZU), Program for the Construction and Rehabilitation of the Potable Water and Sanitation Systems in Rural Areas (PROSSAPYS) Program of Return of Rights (PRODDER) Program for Treatment of Wastewater (PROTAR).

To the user: Directly through Municipal Water Operator Entities.

- Eliminate 100% of fines and surcharges when paying the total of the year's consumption.
- 50% to retirees and the elderly.
- From 8% to 12% for advance annual payment.

2.6.5 Regulatory entities

SEMARNAT: Incorporates in the different environments of society and the public function, criteria that secure the optimum protection, conservation and use of the natural resources of the country, creating in this manner an integral and comprehensive environmental policy that permits to reach sustainable development, provided that they are not expressly entrusted to another agency; as well as on the subject of ecology, environmental sanitation, water environmental regulation of urban development and of the fishing activity, with the participation that corresponds to other agencies and entities.

CONAGUA: Administers and preserves national waters, with the participation of the society, in order to achieve the sustainable use of the resource with the joint responsibility of the three government levels and the society in general, it being an 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 bodies of water, guaranteeing a sustainable development and preserving the environment.

SEDESOL: Defines the commitments of the administration to progress in the achievement of an effective social development. It formulates and coordinates the solidary and subsidiary social policy of the federal government, oriented towards the common good, and executes it in joint responsibility with the society.

2.6.6 Restrictions

According to the Constitution of the United States of Mexico "Article 27. The ownership of the land and waters included within the limits of the national territory corresponds originally to the Nation, which has had and currently has the right to transfer their possession to private parties, constituting private property." Expropriations can only be made for a public utility cause and by means of indemnification

Note 3 Statutory audit

Empresas Públicas de Medellín E.S.P. has no obligation to have a statutory auditor, since it is an industrial and commercial company of the State, and since all the capital for its incorporation and operation is of a public nature. For the same reason, the entity is subject to full fiscal control by the Contraloría General de Medellín.

Note 4 External audit

According to provisions of the Good Corporate Governance Code, as a control mechanism is established the external audit, whose purpose is the examination of the accounting information in general and of the financial statements, as well as the issuing of an independent opinion in respect to the reasonableness of the financial statements to indicate the financial condition of the company at the closing of each fiscal period. The Audit Committee of the Board of Directors previously reviews the External Audit Plan and follows up the auditors performance.

Note 5 Accounting practices

For the preparation and presentation of the financial statements, the company, as a public entity, complies with the Public Accounting Regime (RCP, for its initials in Spanish), established by the Nation's General Accounting Office (CGN, for its initials in Spanish), a public entity of the Republic of Colombia. The RCP is harmonized with rules and practices accepted internationally for the public sector. Local regulations contain international elements applicable to the local context and strategic for the interaction of the public sector in a globalized environment.

These consolidated financial statements and notes to the consolidated financial statements were translated into English, from statements originally issued in Spanish, for the convenience of readers.

The regulations in effect of the CGN that rule accounting matters are:

- Resolution 354 of 2007: adopted the RCP, established its structure and defined the scope of application.
- Resolution 355 of 2007: adopted the General Public Accounting Plan (PGCP, for its initials in Spanish), which contains the general public accounting regulations and the grounds to recognize and disclose the transactions, events and operations carried out.
- Resolution 356 of 2007: adopted the procedures manual of the public accounting regime consisting of the general catalogue of accounts, the accounting procedures and the accounting instructions manual.

- Resolution 357 of 2008: establishes the internal accounting control procedure and the remittance of the annual internal control evaluation report that must be sent to the CGN.

Also applicable are the regulations of the Superintendence of Domiciliary Public Utilities (SSPD, for its initials in Spanish), a technical entity created by the Constitution of Colombia to exercise the control, inspection and monitoring of the entities that provide domiciliary public utility services.

The unified system of costs and expenses by activities of EPM is ruled by Resolution 20051300033635 of December 28, 2005, issued by the SSPD, updated with Resolution 20101300021335 of 2010, which was derogated with Resolution 20131300001025 of 2013.

According with the regulations in effect, EPM adopts the accounting practices detailed below:

- a) **Functional currency:** the functional currency of Colombia is the Colombian peso. Consequently, the operations carried out by EPM in other currencies are considered denominated in a "currency different from the peso" and are recording according to the exchange rates in effect on the dates of the operations. For international subsidiaries functional currency shall be governed according to the laws of the country of origin.

For domestic and foreign companies the differences between the historic exchange rate accounted for and the tariff in effect on the date of the charge or payment are recorded as exchange difference gain or loss and are presented in the "net non-operating result" of the consolidated statements of financial, economic and social activities. Excepted from this practice are investments abroad in controlled companies, which are recorded in the equity through the equity method.

The exchange rates used at March 31 were:

Currency	2014	2013
US dollar (USD)	1,965.32	1,926.83
Sterling pound (GBP)	3,282.34	3,191.31
Japanese yen (JPY)	19.08	18.32
Euro (EUR)	2,713.10	2,655.08
Chilean peso (CLP)	3.58	3.66
Quetzal (QGT)	254.32	245.73
Mexican peso (MXN)	150.62	147.11

- b) **Accounting estimates and judgments:** in the preparation of the financial statements estimates are used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded in the accounting. Basically estimates refer to:

- Valuation of assets to determine the existence of losses by their impairment.
- Useful life of properties, plant and equipment and intangibles.
- Net realizable value to determine the inventories provision.
- Recoverability of accounts receivable to determine the provision.
- Hypothesis used to calculate the fair value of properties, plant and equipment.

- Public utilities supplied to customers, corresponding to billing cycles with consumptions of December, but the invoices for which are issued in January of the following year. The records are made globally and at the respective tariffs of the specific income in consideration that the right to said income already exists.
- Some macroeconomic variables, particularly costs of the electric sector.
- Hypothesis used in the actuarial calculation of the retirement pension and seniority bonus calculations.
- Amount of liabilities associated to possible contingencies, which gives rise to recognition of provisions.
- Determination of fair value of investments that are not quoted in the public exchange market.

These estimates are made as a function of providing reasonable information that reflects the economic reality of the company as of the closing date. The end result of the operations referred to by those estimates may be different from the final values and originate future modifications according to their occurrence.

- c) **Materiality notion:** The recognition and disclosure of the economic events is made according to their relative importance. An economic event is material when because of its nature or amount, its knowledge or lack of knowledge, taking into account the circumstances, may significantly alter the economic decisions for users of information. When preparing the financial statements, the relative importance for disclosure purposes was determined on 5% basis applied to each group of accounts.
- d) **Classification of assets and liabilities:** Assets and liabilities are classified according to the use to which they are intended or according their degree of realization, enforceability or assessment in terms of times and values. The values realizable or payable within a term not exceeding one year are considered current assets and liabilities.
- e) **Cash and cash equivalents:** Money in cash and in banks is considered cash. Funds that because of contractual or conventional reasons have a restricted availability are recorded separately.
- f) **Investments for liquidity management:** Correspond to the investments made to optimize the excess liquidity surpluses, that is, all funds that are not immediately intended to the performance of activities that constitute the company's corporate object. Investment of excess liquidity is made under the criteria of transparency, security, liquidity, profitability, under the guidelines of an adequate control and at market conditions with no speculative purposes in accordance with Decree from the General Management 1651 of 2007.

Considering the stipulations of Decree 1525 of 2008 from the Ministry of Finance and Public Credit, modified by Decrees 2805 and 4471 of 2009, 4686 of 2010, 1468 of 2012 and 600 and 1117 of 2013, transitory investments in EPM may be created in treasury securities (TES), Class B, fixed Rate or indexed to the UVR (Real Value Unit) and in term deposit certificates (CDT, for its initials in Spanish), in checking or savings account or in term deposits with banking institutions monitored by the Financial Superintendence of Colombia or in entities with special regimes, contemplated in section tenth of the financial system organizational structure and in collective

investment portfolio of the monetary or open market, without pact of permanence, in entities with the second best rating in effect on strength or quality in the administration of portfolios and that comply with the investment regime provided for EPM.

The bank establishment subject to investment of excesses must have a rating in effect corresponding to the maximum category for short term, in accordance with the scales currently used by the rating agencies BRC Investor Services S.A. (BRC1+), Value and Risk Ratings S. A. (VrR1+) and Fitch Ratings (F1+) and receive as minimum the third best rating in effect for the long term (AA) used by the respective corporations.

Foreign currency excesses may be investment in international governments or financial institutions with a minimum tariff of A+ for the long term and A-1+ for the short term, the same that in branches abroad of banking establishments monitored by the Financial Superintendence of Colombia, that have the maximum rating in effect for the long and short term according to the scale used by rating agencies that tariff the Nation's foreign debt.

The portfolio of liquidity investments is valued daily at market prices, according to the provisions of the regulations in effect. Prices and benchmark tariff used for the different categories of securities are: for local currency those published by the Stock Exchange of Colombia in its information for valuation page (Infovalmer), and for foreign currency those published in Bloomberg.

The purchase of investments, administration of fixed income liquidity, is recorded at purchase cost, which is the same reasonable value. The costs of these transactions are recognized as expenses when incurred. Subsequently to their initial recognition, they are valued at reasonable value taking into consideration the market value established in the stock exchange where said security is traded. Differences that arise between each valuation increase or decrease their cost, with debit or credit to the results accounts of financial income or expenses, according to the case.

g) **Equity investments:** Consists of investment in controlled and uncontrolled entities.

- **Investments in controlled entities:** Equity investments in controlled entities consist of investments made with the intention of exercising control or have the joint control. They are recognized at their historic cost and the equity investments in which EPM exercises major influence are included.

The historic cost is made up by the acquisition price or original amount, plus all the disbursements necessary made by EPM for the acquisition of the investment. These investments are not subject to exchange difference adjustment, since the equity method incorporates it, but are subject to adjustment to intrinsic value in order to recognize at the time of the purchase the difference between the acquisition price and the intrinsic value of the shares, quotas or part of corporate interest. If as a result of the comparison the investment value is lower than the intrinsic value, the difference is recorded as appreciation. If, to the contrary, as a result of the comparison the value of the investment is higher than the intrinsic value, the difference is recorded as provision, affecting results. The adjustment to the intrinsic value is modified by new acquisitions.

- **Equity investments in uncontrolled entities:** They consist of the participative securities classified as of low or minimum tradability or without any trading, which do not permit EPM to control, share the control or exercise any major influence on the issuing entity. These investments have the characteristic of not being available for sale. They are updated by the cost method quarterly, based on the value in the stock exchange or their intrinsic value. If the intrinsic value or stock exchange trading value is higher than the adjusted cost, the difference is recognized as appreciation, affecting the equity as surplus. If the intrinsic value or stock exchange trading value is lower than the adjusted cost, the appreciation created is reduced until it is extinguished, and beyond that value provisions are recognized against results for the period as other non-operating expenses.
- h) **Debtors:** It constitutes the value of the rights in favor of EPM originated in the rendering of the public utilities services. Within this item are the utilities of electric power, water, basic sanitation, fuel gas and their respective subsidies. It also includes other items such as related parties, prepayment and advances for contractors and suppliers of goods and services, sale of goods, loans to employees, financing for the conversion to gas and for gas appliances, rendering of other information technology services, technical assistance and leases, among others.

One of the following conditions must be met for their recognition:

- That the service or good has been satisfactorily delivered.
- That there is a right on which the transfer of money or its compensation in kind may be legally demanded.
- The existence of a collection document, agreement, court ruling or other document legally issued that supports the right.

Doubtful accounts: As doubtful accounts are considered those that are over six month past due or when they are sent to legal collection, event that originates the reclassification of the respective amount from current account receivables to doubtful accounts. From this reclassification are exempted the debtors that are classified as official entities.

An administration provision is established for the protection of receivables, charged to the expense account of provision for debtors. When risks for the recovery of debtor balances are evidenced, the calculation of this provision corresponds to a technical evaluation that allow to determine the loss contingency or risks for eventual debtor's insolvency. Each month the collectability status is assessed using the cascade model; which requires a historic base of minimum 12 months to determine the non-collectability percentages.

When there are rights which recovery is not possible through legal process, coercive jurisdiction, or ordinary channels, the write-off will apply to recognize the extinction of the account receivable in favor of EPM.

The account receivable write-off does not release EPM of the responsibility to continue with the collection efforts that will be relevant. The practice for the recognition of the receivable write-off, is, as it may correspond, a charge to the account of debtors

provision and a credit to the account receivable from the customer or to doubtful accounts.

The value of the account receivable to be cancelled against the provision is recorded in memorandum accounts. In an eventual recovery, the balance of the memorandum account is reduced and an income for recovery is recorded.

The value of the provision to cover the risk of uncollectibility of accounts receivable from companies providers of telecommunications services, is determined in general according to the following ranges:

- As doubtful accounts for voice services are considered those that are over 240 days past due and for the remaining services those that have a due day of over 120 days. The sums that are finally considered uncollectible are charged to the provision as write-offs, when they are duly authorized.
 - For value added services the provision is made of the balances past due as follows: 90% for expirations from 120 to 360 days and for longer expirations 100%.
 - For voice services the provision is made of the balances that are past due, as follows: 90% for expirations from 240 to 360 days and for longer expirations 100%.
 - For the long distance service 100% of debtors is provisioned after they exceed 120 days or it is returned by operators and third parties.
- i) **Inventories:** As inventories are classified the goods acquired with the intention to sell them or consume them in the process of rendering public utility services. They include goods in stock that do not require transformation such as power, gas and water meters, supplies, materials such as parts and accessories for rendering services and goods in transit and held by third parties.

The goods acquired will be incorporated to inventories at the time of their receipt for their acquisition cost, added with all costs and expenses necessary to put them in usable or sale conditions. The weighted average method is used for their valuation. The consumption of materials and spares is recorded with credit to the account of inventory of materials for rendering of services, for the average cost, with charge to the respective expense, cost or investment account.

In order to reflect the value of the inventory in accordance with its economic reality, in EPM the inventories will be updated at their realization value, provided that this value is lower than the book value. In this case the provisions will be recognized for the difference; otherwise, provisions will be recovered when they exist, not exceeding the value created for this item. For the case of physical reductions, such as decreases, deterioration or obsolescence the inventory retirement will be made directly against expense.

Physical inventory counts are taken on a rotating basis throughout the year, in order to cover all articles catalogued in the inventories.

Inventories keep their inventory nature, regardless of the fact that because of exogenous factors proper of the economy or by natural situations inherent to the business conditions they have a slow turnover. Although they continue as inventories, this low turnover gives them a “immobilized good” characteristic in EPM.

- j) **Properties, plant and equipment:** Represents the tangible goods acquired, constructed or in process of construction, with the intention of using them permanently in operating activities for the production and rendering of services, to lease them or to use them as administrative support of the organization, that are not intended for sale in the normal course of business and which useful life exceeds one year.

The historic value of these assets includes all disbursements and charges necessary to put them in usable conditions. All disbursements made by the company to increase the useful life of these assets, extend their productive capacity and operating efficiency, improve the quality of products and services, or allow a significant reduction of operating costs are capitalized as higher value of the asset.

Pursuant to the provisions of Resolution 356 of September 2007, issued by the CGN, the company updates the value of properties, plant and equipment by means of technical appraisals with the application of methodologies of recognized technical value, which consider among other criteria, their useful life, economic life and remaining life, the location, condition, productive capacity, market situation, degree of tradability, obsolescence and deterioration suffered by goods.

The update of properties, plant and equipment is made every three years from the latest update made and the recording is made in the respective accounting period. However, if prior to the completion of this term the value in books of properties, plant and equipment experiences significant changes in respect to the replacement cost, or the realization value, a new update is made, recording its effect in the respective accounting period.

Useful lives of fixed assets in EPM are defined taking into account technical criteria, in accordance with the characteristics proper of the asset, considering future economic benefits, the potential of the asset service, the capacity or physical performance expected of it, as well as the physical and environmental conditions.

They shall be defined taking into account technical criteria and in the terms that it is expected that they will bring economic benefits to the company, taking into account the following factors to determine them:

- The use of the asset or its physical wear and tear, which is estimated by reference to the capacity or physical yield expected of it.
- The expected natural deterioration caused by reasons other than its use that depends on operating aspects such as: number of work shifts in which the asset will be used, the repairs and maintenance program, among others.
- The geographic location of the asset.
- The legal limits or similar restrictions on the use of the asset.

In case there are no technical criteria, the useful lives established by the CGN may be taken as reference.

The average of general useful lives by type of asset used is:

Type of assets	2014	2013
Constructions		
Dams, repeating stations	49	48
Buildings, houses, offices, stores, booths, camps, parking, garages, warehouses, sports facilities	30	30
Storage tanks	30	30
Plants, ducts and tunnels		
Generation plants	43	44
Treatment plants	48	49
Conduction plants	45	47
Substations and regulation stations	24	24
Water works and channeling	30	30
Pumping stations	27	27
Networks, lines and cables		
Distribution and air networks	22	22
Wastewater collection networks	35	32
Transmission lines and cables	33	33
Machinery and equipment		
Construction equipment, industrial machinery	7	7
Tools and accessories	7	7
Equipment for pumping stations	7	7
Control center equipment	13	12
Dredging machinery and equipment, cleaning equipment, other machinery and equipment	7	8
Medical and scientific equipment		
Research equipment	6	6
Laboratory, medical and scientific equipment	11	11
Furniture, fixtures and office equipment	7	7
Communications and computer equipment	5	5
Transportation traction and lifting equipment	5	5
Dining, kitchen, pantry and hotel equipment	7	7

The following are among the classifications:

Constructions in progress: This category contains all disbursements made by EPM to construct, expand, modernize, rehabilitate or replace, among other things, networks, plants and equipment. Disbursements are categorized as constructions in progress until such time the asset may be used to conduct operations [to guarantee the expansion

and sustainability of the infrastructure to provide the services offered through construction].

The value for which constructions in progress are recognized is determined by the total amount disbursements that are necessary for, and directly associated to, the acquisition or construction of the asset, from the date of initiation of construction until the date when the asset is ready for operation.

Commissions, financial costs, interest and exchange differences for interest originated in loans obtained to finance constructions in progress are capitalized until the relevant assets are in operating conditions.

Disbursements made during the pre-feasibility and feasibility assessments, on the contrary, are not capitalized but recorded in the expense accounts; if, however, fixed assets or intangibles are acquired during these phases, they are recorded as property, plant and equipment or intangibles, as appropriate.

In the power generation business investments are made, mainly for the construction, rehabilitation or modernization of power generation plants as well as for the repowering and replacement of their equipment.

Investments in infrastructure for the expansion and replacement of transmission and distribution networks in different voltage levels are intended to the construction of general use networks in order to cover the needs arising from the growth of power demand to take care of the works aimed at the system's reliability. Additionally, to cover regulatory requirements, improvement of service quality level, shielding of networks to reduce fraudulent connections and the change of elements that show a high degree of deterioration.

In the gas distribution business, in turn, investments are made to address the non-residential market and the expansion beyond the Valle de Aburra through Compressed Natural Gas system in the municipalities where access with conventional gas pipelines is not yet possible.

In the Strategic Business Group of Water, investments are made intended to the modernization and replacement of waterworks and wastewater networks in the different circuits, expansion of conductions and acquisition of equipment for water treatment plants and pumping stations. In addition, replacement of equipment in waste water treatment plants, as well as the construction, replacement, optimization and expansion of secondary networks and collectors as part of the "Sanitation Program of the Medellin River and its affluent streams".

Movable goods in storage: Correspond to the movable goods acquired in any modality, which are characterized as permanent because they will be used in the future in production or administration activities in EPM. While they maintain this condition they are not subject to depreciation, as provided in paragraph 171 of the General Public Accounting Plan.

Properties, plant and equipment not in use: This category includes assets that, because of obsolescence, are not required for the operation of the business, as well as

assets temporarily out of service, in rehabilitation process or waiting for a technical decision to be rehabilitated or retired. Movable assets retired due to obsolescence or because they are no longer required by the company are taken to the reuse warehouse where they are offered in public auctions (by internal regulations). . These assets are retired at the time they are reintegrated, except for vehicles, which are retired when sold.

Buildings: This category represents the value of buildings and houses, offices, booths, parking lots, garages, warehouses, sports and recreational facilities, dams and storage tanks, among others, acquired by the Company to perform its functions and provide public utilities.

Plants, ducts and tunnels: This category represents the value of plants, ducts and tunnels acquired by the company for the generation, transmission and distribution of energy, distribution of gas, provision of water and sanitation.

In the operating infrastructure used by EPM in the power generation, transmission and distribution of power, natural gas, water supply and sanitation are, among others, the civil works and equipment of the generation, treatment, conduction plants, gas pipelines, power substations, channeling and pumping stations.

Networks, lines and cables: This category represents the value of the distribution networks of energy, waterworks, collection of wastewater, gas supply networks, power transmission and distribution lines used in the business operation.

Depreciation: It is calculated on the basis of the historic cost under the straight-line method. The base used is the useful life determined according to technical criteria, such as additions or improvements, technological advances, maintenance and repairs policies, obsolescence, physical exposure of the goods and other factors.

Deferred depreciation reflects the value obtained by the excess of the fiscal over the accounting depreciation expense, because the tax regulation provides the use of depreciation methods and useful lives different from those used for accounting purposes, which permits that for tax purposes an asset will be depreciated in a more accelerated manner.

- k) **Pension plan assets:** It is the set of assets that have been intended by the public accounting entity according to legal provisions in effect or by its own initiative to take care of pension obligations. These assets are recorded in accounts associated to funds and the payments of retirement pension and pension bonds are paid against them.
- l) **Expenses paid in advance:** These are disbursements that are paid before receiving the good or service required. They are deferred during the period in which the services are received or the costs or expenses are accrued. Expenses paid in advance are measured for their original cost, as provided in the contractual agreements or the prices set and agreed with third parties.
- m) **Deferred charges:** Are disbursements corresponding to the supply of goods or rendering of services received that, with reasonable certainty, will generate future benefits. The amortization is recognized during the periods in which it is expected to

receive the benefits of the costs and expenses incurred, according to the feasibility studies for their recovery, the estimated periods of consumption of goods or services or the effective periods of the respective agreement.

The balances of deferred assets must be appraised at their net recovery value. At the end of each year, it must be determined if the deferred charges will generate future benefits; otherwise, their value will be fully amortized.

n) **Intangibles:** Are those disbursements made for the acquisition or development of the set of incorporeal goods, or without physical appearance, such as rights, licenses and software, from which future benefits may be obtained. As intangibles will be recognized in the balance sheet accounts, among others, those goods that are intended to the performance of primary activities of the value chain, on which it is expected to obtain future economic benefits. These goods are recognized if they are:

- Identifiable: their value can be established.
- Controllable: they can be transferred or their access can be restricted.
- Generate future economic benefits or a service potential.
- Their monetary measurement is reliable.

Intangibles are:

- **Goodwill:** Corresponds to the additional amount that is paid in the purchase of shares or quotas of corporate interest, above their equity value, as recognition of attributes such as good name, qualified personnel, good credit reputation or the control of the economic entity.

In order to reflect the economic reality of the operation and its direct association with the economic benefits that are expected to be obtained from the investment, the goodwill must be amortized based on methodologies of recognized technical value, during the term in which, according to the technical study made for the acquisition, the investment is expected to be recovered. Nevertheless, the goodwill with indefinite useful life is not subject to amortization.

At the closing of each accounting period, EPM assesses the goodwill in order to verify if the conditions of generation of future economic benefits are maintained, taking into account the financial projects of each company.

- **Licenses and software:** Are those right acquired by a company to exploit a determined invention, knowledge, trademark or technology that has their corresponding intellectual property.

The updates of licenses, that form a part of the support and maintenance agreement entered into, are accounted for as a maintenance cost.

Software is understood as the set of computer programs, procedures, rules, documentation and associated data that form part of the operations of a computer system.

- **Intangibles generated internally:** For their recognition it is necessary to identify and separate the research phase and the development phase, where the disbursements made in the research phase are recorded as cost or expense in the income statement in the period in which they are made, and disbursements made in the development phase may be, may be capitalized provided that each and all the characteristics for their recognition are evidenced.
 - **Easements:** they are amortized in accordance with the provisions of the act that originated them; that is, if the contract is in perpetuity, they will not be amortized; if, to the contrary, is for a definite term, it will be amortized upon expiration of the term agreed in the contract.
 - **Reappraisal:** Corresponds to the excess of the valuation value and the book value of the assets owned at the end of the period, in accordance with the regulations in effect. EPM calculates and records valuations for investments, properties, plant and equipment and other assets.
- o) **Financial Obligations :** Correspond to the acts or contracts that, in accordance with legal provisions on public credit, are intended to provide EPM the resources for the acquisition of goods or services with a term for their payment such as loans, issue and placement of bonds and public debt securities. They are recognized for the value disbursed. Bonds and securities must be recognized for their face value. Guarantees granted to secure the payment of the debt are recognized for the value of the payments corresponding to capital that could be made, which are recorded in memorandum accounts.

Public credit operations are classified as:

According to the place where they are agreed:

Internal: operations in the national territory

External: operations outside Colombia

According to the expiration:

Short term: the obligation expires in a term of one year.

Long term: its expiration is over one year.

Public credit operations agreed in foreign currency must be recognized at the Market's Representative Exchange Rate (TRM, for its initials in Spanish) on the date of the transaction. This value must be re-expressed monthly applying the TRM of the end of the month. In the case of operations made in different units of value or specific indexes, they must be recognized for the price of the unit on the date of the obligation and be re-expressed periodically, applying the price of the unit or the index of the date of the update. The higher or lower value obtained as a result of the re-expression is recognized in the period in profit and loss accounts.

- p) **Hedging operations:** They represent the value of instruments derivatives that are entered into in order to cover the risk of liabilities and may be carried out to purchase or sell assets, such as foreign currency, securities or financial futures on exchange rates, interest rates, stock exchange indexes or any other underlying asset agreed, which will be calculated on a future date agreed.

They are recognized for the value agreed in the agreement. If made in currencies other than the Colombian peso, they are recognized at the rate of the date of the transaction. Monthly they are re-expressed with the rate certified by the Financial superintendence of Colombia at the end of the month. The higher or lower value obtained as result of the re-expression is recognized in the period of in the profit and loss accounts.

- q) **Accounts payable:** Includes the payment rights in favor of third parties originated in services received or purchase of goods, use of assets owned by third parties and other obligations incurred in favor of third parties. These obligations are recognized at the time that the service or good has been satisfactorily received and in accordance with the value agreed, complying with these conditions:
- That the good or service has been satisfactorily received and that its risks and benefits have been received.
 - That it is probable that from the payment of that obligation a disbursement of funds will derive that incorporate future benefits.
 - That the value may be determined in a reliable manner.
- r) **Taxes payable:** The tax structure in Colombia, the regulatory framework and the plurality of operations performed by EPM make the company to be subject to taxes, levies, rates and contributions of the national and territorial levels.

As taxes payable are recognized the rights in favor of the Nation, the department and the municipalities and other active subjects, upon compliance of the conditions provided in the corresponding regulations issued. The major taxes that correspond to EPM are the following:

Ordinary income tax: EPM is a taxpayer of the ordinary income tax regime, at the general rate of 25%. The income tax is recognized as a current expense in accordance with calculation adjustment made between the income for tax purposes and the accounting profit or loss, affecting the item 'income tax' as an offsetting entry in the accounts payable called 'taxes payable'. In intermediate periods a current income tax estimate is recognized based on the forecast of fiscal results for the year, and thus during the year the provision account is used. The deferred tax is recognized separately from the income tax as expense or recovery.

Since 2013 EPM is also a taxpayer of the income tax for equality –CREE-. This tax was created by Law 1607 of 2012 and is defined as the contribution made by corporations, legal and similar persons who are taxpayers filers of the income and complementary tax, for the benefit of workers, generation of employment and social investment in the terms provided by said law. Article 21 and 22 of the mentioned law indicate the generating event and taxable base of the same and, in turn, article 23 defines the applicable rate, which will be of 9% for the years 2013 to 2015 while as of 2016 will be of 8%.

This tax has in turn an advance collection mechanism that is declared and paid monthly and that is calculated on the net income received by entities subject to this tax, for which these entities act as self-with holders, applying to that net income the rate

associated to their main economic activity, in accordance with the provisions of the regulations in effect for this tax.

The deferred tax arises from the application of the income tax rate to the temporary differences between tax incomes and the accounting profit or loss. This tax is recognized to the extent that there is a favorable expectation that such differences will be reversed in the future. The applicable income tax rate is that in effect at the time that the mentioned differences are reversed.

If the temporary difference entails a higher income tax payment in the future, it is recognized as a deferred liability in the account of other liabilities, deferred taxes and its offsetting entry will be a lower value of the income tax expense of the current year; this entry is presented separately from the current tax.

If the temporary difference entails a lower income tax payment in the future, it is recognized as an asset in the account other assets and its offsetting entry will be a higher value of the income tax expense of the current year and it will be presented separately from the current tax.

Equity tax: Pursuant to the provisions of Law 1370 of 2009, the equity tax must be paid to the National Government in eight installments that cover the years 2011, 2012, 2013 and 2014 and the base of which is the net equity that the entity had as of January 1, 2011. According to Article 9 of Decree Law 4825 of 2010, it corresponds to EPM pay 25% additional to 4.8% as surtax of the equity tax. Since 2011 this tax has been accounted for with the methodology established by the CGN debiting equity appreciation against the total liability of the tax payable for years 2011 to 2014, according to the indications contained in Concept 20119-158027.

Sales tax: EPM is a taxpayer of the common regime. This tax is generated by the sale of goods and services taxed, as well as by the exempt income derived from the exports of services. The utilities of energy, waterworks, sewage and domiciliary gas are excluded from the tax.

The sale tax that is not discountable is a higher value of the asset, cost or expense and is recognized at the time that the payment is made or the respective invoice is accrued.

s) **Labor and social security obligations:** these are the commitments that EPM has acquired with its workers for the services provided through an employment relationship established in accordance with the labor legislation, pact or collective bargaining agreement.

t) **Estimated liabilities**

These are recognized when the following conditions are met:

- EPM has obtained a benefit from the good or service, but the supporting document has not been received from the supplier to be recognized as real.
- EPM has the obligation, according to the provisions of the law, to make payments or to give up resources in the future to take care of credits, on a date established by the parties.

- The value of the resources to be delivered or the payment may be reasonably estimated and very close to their actual value.

Contingencies: for the recognition of the contingencies associated to legal processes EPM follows the procedure established by the CGN in chapter V for “the recognition and disclosure of legal processes, arbitration awards, out of court conciliations and attachments decreed and executed on bank accounts”. It is established therein that the processes with a rating of probable must be recorded as provision, while the processes with lower probability of loss must be recorded in memorandum account as potential obligations.

The situation or set of circumstances that generate uncertainty on possible losses and which final result will only become known when one or more events occur or cease to occur and that are not classified within the described procedure, are recognized taking into account the principle of prudence for the recording of expenses.

Pension obligations: pension obligations by EPM have two components, pension bonds and pensions, which in turn include the pension quota shares. Their calculation has its legal base on legal regulations in effect on pensions. For the purposes of the actuarial evaluation, the parameters established in Decree 2783 of 2001 of the National Government were followed.

Since 2010 the evaluation has been made taking into account the new mortality table of annuitants approved by the Financial Superintendence of Colombia in its Resolution 1555 of 2010, according to which the life expectations of annuitants (retirees) increased in respect to previous tables, which means a longer period of pension payment and therefore an increase in pension liabilities.

The pension adjustment rate as of December 31, 2013 was of 2.99% (as of December 31, 2012 was of 3.26%) according to paragraph 1, Article 1, of the mentioned Decree 2783. Pension bonds were updated and capitalized according to Decree 1748 of October 12, 1995 and Article 6 of Decree 4937 of 2009 from the Ministry of Finance and Public Credit, which ordered to value the type T bonds (bonds not issued), at an interest rate of 4%, from the closing date to the date of update, which in 2009 form part of type B bonds, corresponding to the average premium and that was valued at a rate of 3%. The values already known of the bonds on the closing date, after deducting those paid during the year were taken as base.

In the calculation methodology were included the additional payments of June and December of each year, as well as the real value of the funeral allowance in the group of retirees of which EPM is in charge, in compliance with item b), Article 2 of Decree 1517 of August 4, 1998.

The pension liability is 100% amortized, in compliance with Resolution 356 of 2007; since 2009 pension payments are recorded affecting the liability account.

Pension Commutation: according to Minutes 1466 of December 4, 2006, EPM assumed in 2007 the pension liabilities of Empresa Antioqueña de Energía E.S.P. (EADE), liquidated.

The methodology used for the actuarial calculation of pensions and pension bonds of EADE follows the parameters and technical bases established by the competent authority and are the same ones used for measuring pension liabilities in EPM. These pension liabilities are amortized 100%.

Pursuant to the provisions of Decree 941 of 2002, which regulates Law 100, the respective trust funds were created to guarantee the payment of pension obligations derived from pension funds and pension quota shares that correspond to EPM, as well as the payment of pensions and from the pension commutation. The fund is forecasted in such a way that it will extinguish at the time of payment of the last pension payable by EPM (year 2065). With the creation of these funds the availability of resources to take care of the payment of the pension liabilities and pension bonds of the companies is guaranteed, at the same time that their financial management is independent.

- u) **Equity:** is made up by the accounts that represent the tax capital, reserves, profits from previous periods, results for the period, surplus and equity appreciation.

Reserves: in compliance with Decree 2336 of 1995, Article 1, a reserve was created by the application of the equity participation method. The reserve corresponds to the profits that are generated at the closing of the accounting period as a consequence of the application of special valuation systems at market prices and that have not been realized in the name of the company, in accordance with the rules of Article 27 (income realization) and other concurring regulations of the Tax Code.

Financial surpluses: in compliance with Municipal Agreement 12 of 1998, from the Council of Medellín, it was established in Article 5 that the base for assessment of the financial surpluses that are transferred to the Municipality of Medellín is the net profit. With this base, the Compes (Municipal Council for Economic and Social Policy) determines the amount or percentage of the financial surpluses that will form part of the resources of the budget of the municipal budget.

Additionally, Municipal Agreement 69 of 1997, in its Article 13, mentions: "The percentage of EPM financial surpluses, in conformity with Article 97 of Decree 111 of 1996, cannot be transferred by a percentage over 30% to the Municipality of Medellín and will be intended by the latter exclusively to social investment and payment of city lighting".

Financial surpluses to be transferred to the Municipality of Medellín are recognized when the COMPES determines them, in compliance with legal formalisms, based on the financial statements of the previous year approved by the Board of Directors and sent by the General Manager of EPM to the Secretary of Finance of the Municipality, through a decrease in the profits of previous periods.

In those exceptional cases in which the Municipal Council approves extraordinary or additional financial surpluses, the recognition will be made with the document that gives rise to the obligation for EPM to transfer the financial surpluses, that is, when the certain amount is determined as well as the condition of method, place and time to make their transfer.

Equity appreciation: it records the value of inflation adjustments of the equity account balances made since 1992 to 2000, year in which the CGN eliminated them. According to regulations in effect, this balance cannot be distributed as profit until the company is liquidated or decapitalized.

Surplus for appreciations: represents the value of the net increase of the book value of assets, determined as result of the update, in accordance with technical rules. In EPM the excess of the intrinsic value of investments compared to their book value and the excess of the realization value or replacement cost of goods over the book value are recognized as appreciation.

Investments: in investments recognized as controlled entities: they are the subject of adjustment to the intrinsic value, in order to recognize the difference between the acquisition price and the intrinsic value of shares, quotas or part of corporate interest, at the time of purchase. In equity investments in uncontrolled entities: they are updated by the cost method quarterly, based on the intrinsic or stock exchange value of the entity.

Reappraisal: Corresponds to the excess of the valuation value and the book value of assets owned at the end of the period, in accordance with the regulations in effect. EPM calculates and records provisions and appreciations for investments, properties, plant and equipment and other assets.

- v) **Memorandum accounts:** debtor and creditor memorandum accounts represent the estimate of events or circumstances that may affect the financial, economic, social and environmental situation of the public accounting entity, as well as the value of goods, rights and obligations that require to be controlled. They also include the value originated in the differences arising between the public accounting information and that used for tax purposes.
- w) **Operating income:** is the cash flow received by EPM in the accounting period, originated in the performance of its main activity. The returns, discounts and rebates for these items are recorded in separate accounts as lower value of the income. For the recognition of revenues the following conditions must be fulfilled:
- That the service has been effectively rendered or the good has been delivered.
 - That the value of the service of good may be reasonable quantified.
 - That it is expected to receive the product of the service provided or good sold.
 - That the income is susceptible of increasing the net equity of EPM.
 - The income will not be recognized if there are any doubts about its realization.

- x) **Non-operating income:** Represents the income obtained by EPM in operations other than the provision of the public utility, including also the income for entries of an extraordinary nature.

EPM will recognize as non-operating income those that are not framed within its main corporate object, on which the risks or benefits have been transferred or the service has been effectively provided, that their value may be reasonably quantified and that it is probable to obtain the proceeds of the good or service delivered.

- y) **Costs of rendering the services:** These are the disbursements necessary to provide the public utility service, without which it would not be possible to provide it or its quality would not be optimum. These costs are connected directly to the rendering of the service, at a difference of the expenses that are disbursements associated to administrative activities. For the recognition of costs it is necessary to fulfill the following:

- That the good or service subject of the costs has been satisfactorily received or is being received (for the case of services provided in several periods).
- That the risks and benefits of the good or service have been received.
- That the value of the cost may be reliably measured.
- It is probable that from the payment of the good or service received the outflow of resources that involve future benefits may be derived.
- That the good or service subject of the cost is related to the rendering of services or is an element necessary in those services.

- z) **Expenses:** expenses are necessary disbursements, derived from the normal operation of the organization, that serve as support for the rendering of the service. EPM recognizes its expenses to the extent that the financial, economic, social and environmental events occur, in such a way that they will be systematically contemplated in the corresponding accounting period, regardless of the flow of monetary or financial resources. For this purpose it will be necessary to take into account that the recognition will be made when:

- The good or service subject of the expense has been satisfactorily received or is being received.
- That the risks and benefits of the good or service have been received.
- That the value of the expense may be reliably measured.
- It is probable that from the payment of the good or service received the outflow of resources that involve future benefits may be derived.

Note 6 Significant changes in accounting practices

During 2014, there were not important changes of accounting policies in the companies of the group. Nevertheless, in 2013, there were changes in the following practices:

- Methodology to determine the receivables provision: up to 2012 the methodology used to establish the receivables provision was the individual provision, as of 2013 the method of recognized technical value, cascade model is used.

- Methodology to value litigations and lawsuits: up to 2012 the value of litigations and lawsuits corresponded to the value of the claim or the amount expected to be paid, as of 2013 the value of litigations and lawsuits classified as long term is established as the present value of the estimated value to be paid using as discount rate the rate of the In the statement of financial, economic, social and environmental activity the government securities TES fixed rate.

Note 7 Subsequent event of impact for year 2014

In September 2014, EPM closed the UNE-Millicom Merger after obtaining all regulatory and governmental approvals and executing and registering the corresponding public deed with the Medellín Chamber of Commerce. As a result of the UNE-Millicom Merger, EPM now owns 50% plus one share of UNE's capital stock while Millicom Spain S.L. owns the remaining shares and has administrative and operating control of UNE. In addition, as a result of (i) the UNE-Millicom Merger and (ii) UNE's purchase from ETB and ColvateL S.A. E.S.P. ("ColvateL") of their shares in the capital stock of Colombia Móvil, which became effective upon completion of the UNE-Millicom Merger, UNE now owns 100% of the shares of capital stock of Colombia Móvil. EPM no longer consolidates the results of UNE's operations with EPM's results of operations.

Note 8 Other relevant aspect

8.1 Business combination and corporate restructure

Under Colombian regulations, equity investments in controlled companies are subject to adjustments, recognizing as goodwill the excesses between their acquisition price and their book value. If the purchase value is lower than the book value of the acquired entity, the difference is recognized as an equity increase, affecting the combination of business in the respective equity accounts.

In Colombia no negative goodwill is recorded in the income statement for the period. However, the net equity is affected by the surplus for appreciation.

8.1.1 Liquidation of the Company EPM Ituango S.A. E.S.P.

The liquidation of EPM Ituango S.A. E.S.P. was registered at the Chamber of Commerce of Medellín on January 15, 2014, said company being fully extinguished.

8.1.2 Framework Merger Agreement EPM - Millicom

The boards of directors of UNE and EPM approved on October 1, 2013 the final documents of the negotiation that will permit the merger between UNE and Millicom. Upon signature of this framework agreement, it was presented for approval to the Colombian regulatory and governmental authorities, among them the Superintendence of Industry and Commerce, the Financial Superintendence, the Superintendence of Corporations, the National Authority of Television and the Meeting Bondholders of UNE. According to the schedule provided, the final approval of the merger should be ready during the first half of 2014.

The process for the integration of UNE EPM Telecomunicaciones and Millicom was started on February 5, 2013, when both companies executed a non-binding memorandum of understanding. On May 9th a transcendental advance took place with the issuance of Agreement 17 of 2013 by the Council of Medellin, that authorized the transformation of UNE under a series of conditions that were complied with in full. On July 22nd both companies signed a new memorandum of understanding, this time of a binding nature, after completing the conversations related to the structure and terms for the integration of their operations.

Among the agreements reached the following are outstanding:

- EPM will have the majority shareholding in the merged company with a participation of 50% and 1 share of corporate capital. Millicom, in turn, will be the owner of the remaining shares and will assume the full consolidation of the financial statements and the administrative and operating control of the entity.
- The Company will continue to have its registered office in Medellin, will bill new headquarters for the integrated company and will continue being a source of employment for the region.

Once the regulatory authorities authorize the merger, EPM will abandon the equity method and the consolidation of UNE and its affiliates.

In April 2014, the Superintendencia de Industria y Comercio (Industry and Commerce Supervision) authorized the corporate merger of UNE and Millcom under merger by absorption. The authorizations are pending by part of the Autoridad Nacional de Televisión - ANTV - and the Superintendencia Financiera (Financial Supervision).

8.2 International Financial Reporting Standards (IFRS) Program

The International Financial Reporting Standards IFRS are a set of standards and interpretations of a technical nature, approved, issued and published by the International Accounting Standards Board IASB. In these standards are established the criteria for the recognition, valuation, presentation and disclosure of financial information.

These standards are becoming the universal accounting language enforceable and accepted to make sure that in all countries the same financial language is spoken, with greater consistency in the accounting policies and comparability of the companies' financial information.

EPM undertook the adoption project of International Financial Standards IFRS since 2009, to respond to its growth strategy and facilitate the access to international capital markets.

In Colombia, the approval of Law 1314 of 2009, whereby accounting and financial reporting and information assurance principles and standards are regulated, has gained great importance. In December 2013, the CGN issued Resolution 743 whereby the Public Accounting Regime, the regulatory framework provided in the annex to National Decree 2784 of 2012 from the Ministry of Trade, Industry and Tourism of Colombia whereby the International Financial Reporting Standards are officially adopted in the country. According

to these regulations, EPM belongs to Group 1 of preparers of financial information and therefore, it presented to the authorities in charge of monitoring the company the IFRS implementation plan and progress reports of 2013, as per the information requirements established in the different resolutions.

8.3 Process of consolidation of accounting information

In 2009, with the international bond issue for USD 500 million, EPM acquired the commitment, with the investors and international banks, to present periodically the consolidated financial statements of the EPM Group; this exercise was being carried out in EPM for administrative purposes, but with this issue the formal obligation was acquired.

EPM consolidates its financial information with the companies in which it holds an equity interest equal to or in excess of 50%, either directly or indirectly or has the administrative control.

The consolidated financial statements are issued quarterly and are present to the Board of Directors. After the Board of Directors is informed, they are published in the official EPM page together with their respective Notes.

Specific notes

Notes related to valuation

Note 9 Conversion of values in foreign currency

The balances in cash, banks, accounts receivable, investments, suppliers and financial obligations in foreign currency were expressed in Colombian pesos based on the Market's Representative Exchange Rate (TRM, for its initials in Spanish) certified by the Financial Superintendence of Colombia. As of March 31, 2014 and December 31, 2013 the values were:

Currency	2014	2013
US Dollar (USD)	1,881.19	1,926.83
Euro (EUR)	2,575.63	2,655.08
Japanese Yen (JPY)	18.57	18.33
Sterling Pound (GBP)	3,216.55	3,191.31
Swiss Franc (CHF)	2,121.32	2,166.57
Quetzal (GQT)	241.84	245.73
Mexican Peso (MXN)	144.53	147.12
Chilean Peso (CLP)	3.40	3.66

As of June 30, 2014 and 2013, the effects in results for exchange difference were the following:

	2014	2013
Non-operating revenue from exchange differences		
Cash	22,989	31,607
Acquisition of goods and services	9,419	12,131
Investments	15,896	4,853
Accounts receivable	15,127	30,916
Public credit transactions	58,652	20,301
Other adjustments on exchange differences	18,435	17,830
Total non-operating revenue from exchange differences	140,518	117,638
Non-operating expenses from exchange differences		
Cash	23,192	11,423
Acquisition of goods and services	8,124	9,752
Accounts receivable	39,924	(212)
Investments	75	(55)
Short term external Public credit transactions	50,255	236,989
Other adjustments on exchange differences	17,089	19,806
Total non-operating expense from exchange differences	138,659	277,703

Balance Sheet

Assets

Note 10 Cash and cash equivalents

As of June 30, 2014 and December 31, 2013, cash and cash equivalents are comprised as follows:

	2014	2013
Cash	3,283	6,738
Due from banks	918,466	1,243,154
Other available resources (1)	32,008	56,688
Total cash and cash equivalents	953,757	1,306,580
Restricted funds (2)	114,836	144,945

(1) Includes funds in foreign currency payable on demand, realized through overnight operations that generate a financial return.

(2) Cash in banks includes the following accounts with special destination:

Fund	Destination	2014	2013
Restricted resources EPM Parent Company			
Agreements			
City of Medellín – Water	Integrated management of water for human consumption by the inhabitants of the city of Medellín.	6,941	5,124
Agreement Department of Antioquia	Joining forces for the institutional development, strengthening, transformation or creation of companies, with the aim of ensuring the provision of public services in the department's municipalities.	3,024	2,974
Ministry of Mines and Energy - Special Promotion Installment Fund (Fondo Especial Cuota Fomento, FECF)	Agreement for co-financing construction, distribution infrastructure and connection for low-income users in the municipalities of Amagá, Santa Fe de Antioquia, Sopetrán, San Jerónimo and Ciudad Bolívar. Compressed Natural Gas and connection of users in Don Matías, Entrerriós, San Pedro, Santa Rosa and Yarumal. Agreement No. 106: construction of connection infrastructure for users in Valle de Aburrá, La Ceja, La Unión and El Retiro. Agreement 179: includes the city of Sonsón.	2,696	2,415
“Aldeas” Program	Taking advantage of wood which is completing its maturity cycle in the forests planted by EPM around its dams, to construct homes of community interest in the municipalities of Antioquia outward from Valle de Aburrá, and to give them to needy families, preferably	1,420	260

	those that are in a displaced situation whether forced or voluntarily.		
Antioquia Government - Gas Without Borders	Supporting the development of the expansion component through the building of domestic gas connections, within the framework of the "Gas Without Borders" program, in the subregions of the department of Antioquia.	1,362	2,398
City of Medellín – Moravia	Construction, repair and replacement of water lines and sewer networks and paving of the streets in the city of Medellín affected by the works in the Moravia neighborhood.	1,076	1,069
City of Barbosa	Replacement and modernization of secondary water lines and sewer networks and their associated works in the neighborhoods of Robles, Centro, La Bicentenario, Los Ángeles and El Portón of the city of Barbosa.	597	1,039
Multilateral fund of the Montreal protocol	Cooperation agreement with the Ministry of Environment and Sustainable Development for the development of activities within the framework of implementing the Montreal protocol in Colombia.	586	290
Rural electrification agreements	Construction and supervision of domestic installations by EPM, in order to develop rural electrification programs in different municipalities of the department of Antioquia.	373	369
National Royalties Fund – Gas	Construction of compressed natural gas distribution infrastructure and subsidies for connection to stratum 1 and 2 users in the cities of El Peñol and Guatapé.	273	1
Agreements for street-lighting and sanitation charges with Cities	Agreement to manage the resources of territorial bodies in order to pay cities that have agreements for collecting street-lighting and sanitation taxes; these resources are exempt from the 4x1000.	273	-
Department of Antioquia and IDEA [Instituto para el Desarrollo de Antioquia (Antioquia Development Institute)] – Illuminated Antioquia Program	Bringing electrical energy services to rural homes in the cities of the department of Antioquia.	267	135
IDB [Inter-American Development Bank] Credit 2120	Destined for the disbursement of credit resources granted for the construction of the Bello residual water treatment plant (RWTP). The resources which reach this	100	43,246

	account are requested via legalization; only duly legalized resources are released.		
Connections	Connections agreement with cities of the Antioquia Department FECF [Fondo Especial de Cuota de Fomento (Special Development Fund)]. Resolution 90543 of 2013 of the Ministry of Mines and Energy.	64	-
Ministry of Mines and Energy - Financial Charge	Administering the resources and making the payments from the contract signed with the Ministry of Mines and Energy FAER GGC 225 2012 (CT-2012-001774 in EPM), to broaden and improve the supply of electricity in the areas of the Interconnected National System located in the Trading Market of the Network Operator.	59	673
City of Barbosa - Subsidies	Agreement to partially subsidize the connection of users in stratum 1 and 2	51	-
City of Medellín – Lands	Acquisition of sites identified and inspected within the protection zones of hydrographic basins that supply the aqueduct system in the city of Medellín.	47	47
City of Caldas	Management of resources assigned by the city to develop the project for the re-siting and modernization of secondary aqueduct and sewage networks together with their associated works.	2	-
Agreements			
Sintraemdes Dwelling Fund	Contributing to obtaining and improving housing for public servants who benefit from the agreement signed by EPM with the unions.	28,050	14,897
Sinpro Dwelling Fund		17,347	15,501
Sintraemdes Disaster Fund	Promoting the welfare of its public servants to meet urgent and unforeseen needs or those of their primary family group.	923	912
Sinpro Disaster Fund		861	851
Sintraemdes Education Fund	Promoting the welfare of its public servants to meet their needs to pay for registration fees, textbooks and contributions required to pursue their own studies and those of their family group.	860	796
Sinpro Education Fund		921	904
Motorbike Repair Fund	Promoting the welfare of official workers who operate in the regional market and use their own motorbikes to carry out their work.	153	152
Motorbike Repair Fund		62	61
Guarantees			

Adapted Organization Fund and Fosyga Fund	Mechanism for controlling and monitoring the collection of contributions for the Contributory Regime of the General Social Security in Health System	1,430	641
International energy transactions	Represents the "compensation" that has to be carried out between the billing of stock exchange transactions and advance payments, with the aim of carrying out the real payment to XM.	70	358
Law 820 Deposits	Represents the guarantee demanded by the landlord from a tenant for the payment of public services. According to Article 15 of Law 820 of 2003 and Regulatory Decree 3130 of 2003.	44	40
EPM Parent Company total restricted resources		69,932	95,153

ESSA [Electrificadora de Santander S.A.] restricted resources

Puerto Wilches Barranca line	Construction of the Termobarranca Puerto Wilches 115/34.5 kW double-circuit line, a 115/34.5 kW substation at Puerto Wilches, and expansion of the Termobarranca substation.	23	-
Financial Support Fund for Electrifying Interconnected Rural Zones - FAER - Agreement 090	Broadening coverage, improving quality and continuity of the electricity service and satisfying the demand for the latter in the areas of the Interconnected National System (INS) located in the Network Operator's trading market, through the use of resources from the Financial Support Fund for the Electrification of Rural Interconnected Zones (FAER).	4,735	4,867
FAER Agreement 235		2,273	4,940
FAER Agreement 030	Technical service agreement between the Nation (Ministry of Mines) and ESSA for the management and implementation of the resources from the Financial Support Fund for the Electrification of Rural Interconnected Zones (FAER).	1,276	1,260
Program for Normalizing Electricity Networks (Programa de Normalización de Redes Eléctrica, PRONE).	Implementation of resources from the Program for Normalizing Electricity Networks (PRONE).	-	817
ESSA - Santander Governorship agreement, Phase V	Construction of medium and low-voltage grids, assembly of transformers, and internal installations for rural electrification of streets in the Department of Santander.	505	498
Public Lighting San Gil	Resources from remaining funds from Public Lighting in the City of San Gil	474	348

FAER Agreement 014	Management and implementation of the resources of the Financial Support Fund for the Electrification of Rural Interconnected Zones (FAER) assigned to rural electrification projects and to the normalization of electricity networks.	348	342
ESSA - Santander Governorship Agreement, Phase III	Construction of medium and low-voltage grids, assembly of transformers, and internal installations for rural electrification of streets in the Department of Santander.	296	296
FAER GSA Agreement 160 2012	Technical service agreement between the Nation (Ministry of Mines) and ESSA for the management and implementation of the resources from the Financial Support Fund for the Electrification of Rural Interconnected Zones (FAER).	97	395
ESSA - Santander Governorship Agreement - Phase IV	Construction of medium and low-voltage grids, assembly of transformers, and internal installations for rural electrification of streets in the Department of Santander.	206	203
Jesús María Agreement	Construction of medium and low-voltage grids, assembly of transformers, and internal installations for rural electrification of the streets in the city of Jesús María, in Santander.	138	138
FAER Agreements	FAER administration of resources	542	
Public hearings	General administration and implementation of resources from public hearings by ESSA, allocated to projects for constructing medium and low-voltage networks for rural electrification.	95	93
Macaravita Agreement	Construction of medium and low-voltage grids, assembly of transformers, and internal installations for rural electrification of the streets in the city of Macaravita - Santander.	26	-
Motor insurance Agreement	Motor insurance Agreement	4,985	4,960
ESSA total restricted resources		16,019	19,157
EDEQ [Empresa de Energía del Quindío] restricted resources			
Dwelling Fund	Resources destined for improving the quality of life of its workers by granting credits aimed at buying and improving the home.	818	554
Domestic Disaster Fund	Resources destined for events caused by serious and unforeseen situations that affect the worker or	11	11

	their family.		
EDEQ total restricted resources		829	565
CENS [Centrales Eléctricas del Norte de Santander (Power Plants in Northern Santander)] restricted resources			
FAER GGC Contract 105 - 2013 signed by the Nation (Ministry of Mines) and CENS. (FAER CATATUMBO III)	Carrying out rural electrification works in the cities of Convención, San Calixto, Cáchira, Hacarí, Ocaña, La Playa, Villa Caro, Teorama and La Esperanza in the department of Norte de Santander.	6,483	14,829
CENS - Governorship of Santander Agreement	Carrying out rural electrification works in the cities of Ábrego, El Carmen and El Tarra, in the department of Norte de Santander.	5,887	-
FUNDESCAT [Fundación Ecopetrol para el Desarrollo del Catatumbo]	Carrying out rural electrification works in the cities of Tibú and El Tarra, Norte de Santander department	4,321	5,275
CENS - ECOPETROL Agreement	Carrying out rural electrification works in the cities of Tibú and El Carmen, Norte de Santander department.	4,061	4,007
Rotational dwelling fund	Financing the cost of a home for those workers who do not have one.	180	178
FAER Agreement 021	General management and implementation of resources of the Financial Support Fund for the Electrification of Rural Interconnected Zones (FAER).	124	124
AOM Contract	Management, operation, maintenance and replacement of rural electrification assets built with the resources from the "Rural electrification program rural zone of Catatumbo and province of Ocaña, phase 1, Norte de Santander".	62	62
Electrificadora Vereda Aguablanca - FNR [Fondo Nacional de Regalías (Royalties National Fund)]	Building of medium and low-voltage connection networks in Vereda Aguablanca, City of Bucarasica, Norte de Santander.	-	106
FAER Agreement 003	General management and implementation of resources of the Financial Support Fund for the Electrification of Rural Interconnected Zones (FAER).	3	3
Total restricted resources CENS		21,121	24,584
Recursos restringidos CHEC			
INNpulsa fund	Fund shared between CHEC and Ministry of ICT (Innpulsa) for the project that ensures Internet access and improves productivity and competitiveness of SMEs beneficiaries through the	723	-

	implementation of existing software or new applications.		
Total restricted resources CHEC		723	-
Restricted resources Western Regional			
Agreement 10000083 Sopetrán	Resources received in 2011 from the inter-administrative agreement 08-CF-124850 signed between the Department of Antioquia and the cities of Santafé de Antioquia and San Jerónimo as well as the resources received in 2011 under the inter-administrative agreement for financial support signed between the Ministry of Environment, Housing, and Territorial Development; the Department of Antioquia, and Western Regional, whose object is the financial support of the regional frameworks for the supply of water and sewer services.	22	22
Agreement – San Jerónimo		13	13
Agreement – Santafé		2	2
Agreement 5847		1	1
Total restricted resources Western Regional		38	38
Restricted resources Aguas de Urabá			
Contributions 10005141- 143 EAU	Inter-administrative contract for the construction of the aqueduct master plans - II phase of the region of Urabá, cities of Turbo, Carepa, Apartadó and Chigorodó.	3,421	3,402
Financial yields 10004502	Balance of resources from capitalization received from the Department of Antioquia and the interest earned.	597	582
Departament Contributions 10008940, 8941	Inter-administrative contract for the development of the optimization of the system for collecting residual waters in the city of Turbo	37	371
Dwelling Fund	Resources destined for improving the quality of life of its workers by granting credits aimed at buying and improving the home.	34	-
Financial yields 10005141	Inter-administrative contract for the construction of aqueduct master plans - phase II in the region of Urabá, cities of Turbo, Carepa, Apartadó and Chigorodó.	-	5
Financial support 10005431- 07-CF12-4842	Balance of agreement signed with the Department of Antioquia for the performance of works.	-	2
Total restricted resources Aguas de Urabá		4,089	4,362
Restricted resources Aguas Nacionales			
Financial charge FiduBogota 197517	Inter-administrative cooperation		

	agreement No. 1 signed by EPQ in Liquidation and EPM, for the management of investments and their supervision, maintenance and operation of the aqueduct, sewer and sanitation systems in the urban zone of the city of Quibdó.	491	1,002
Bancolombia FL 536423		99	53
MN Main fund		-	30
Restricted subsidiary fund A FL MN		3	1
Financial charges on administration		973	-
Financial charges on administration	Financial charge, restricted resources exclusively for the construction of the Treatment Plant for Residual Water	519	-
Total restricted resources Aguas Nacionales		2,085	1,086
Total restricted resources		114,836	144,945

Note 11 Investments in securities

As of June 30, 2014 and December 31, 2013, investments securities are comprised as follows:

		2014		2013	
		Value	Average profitability	Value	Average profitability
Rights in funds and securities investment trust	(1)	79,902	2.63% E.A.	72,832	3.26% E.A.
Treasury securities-TES	(2)	11,345	7.92% E.A.	126,181	6.09% E.A.
Time deposits	(3)	331,225	6.37% E.A, 4.04% E.A. en GTQ, 1.37% E.A. en USD	633,692	4.06% E.A, 5.69% E.A. en GTQ, 3.85% E.A. en USD
Bonds and securities issued by financial institutions	(4)	170,246	0.25% E.A. en USD	309,467	0.38% E.A. en USD
Bonds and securities issued by international institutions	(5)	74,159	8.50% E.A. en GTQ 1.69% E.A. en USD	78,796	8.50% E.A. en GTQ 7.21% E.A. en USD
Bonds and securities issued by general government	(6)	41		51	
Bonds and securities issued by private sector		32,721	8.81% E.A.	31,492	
Other investments for liquidity management		6,486	3.04% E.A en USD	37,027	0.99% E.A en USD
Current investments in securities		706,125		1,289,538	
Deposits of foreign debt transactions		0		0	
Other investments for liquidity management		7,396		8,185	
Non-current investments in securities		7,396		8,185	
Total investments in securities		713,521		1,297,723	

- (1) Short-term investments made with own funds in investment funds. They are treated as a current account and are investments made to obtain a yield on cash surpluses.
- (2) Internal public debt securities issued by the National Government and administered by the Central Bank. These instruments are valued by price in case that they have been traded on the day of the valuation.
- (3) Financial instruments for borrowing of savings; their interest rate is determined by the amount, term and market conditions at the time of creation.

- (4) These correspond to term deposit investments, entered into with international financial institutions with a minimum rating of A+ for the long term, and A-1+ for the long term and branches abroad of banking institutions monitored by the Financial Superintendence of Colombia with the maximum rating in effect for long and short term.
- (5) Investments in international investment mutual funds or Exchange Trade Funds (ETF) and bonds issued by trusts and guaranteed with cash flows by bank loan.
- (6) Correspond to Tax Refund Securities (TIDIS, for its initials in Spanish).

Note 12 Accounts receivable, net

As of June 30, 2014 and December 31, 2013, accounts receivable are comprised as follows:

	2014	2013
Receivables from utility services		
Electric power service	1,247,426	1,268,526
Telecommunications service	300,673	296,898
Subsidy on telecommunications service	16,016	17,764
Subsidy on electric power service	68,758	5,741
Fuel gas service	94,831	98,402
Water service	66,827	62,123
Sewage draining service	55,356	69,140
Subsidy on fuel gas service	11,158	6,638
Subsidy on water service	6,932	5,511
Subsidy on sewage draining service	3,560	2,413
Cleaning service	17,617	6,929
Other accounts receivable	0	0
Rendering of services other than public utilities	297,551	217,802
Advances or credit balances for taxes and contributions	(1) 340,254	351,273
Deposits and advances delivered	199,347	162,978
Loans to employees	22,507	28,481
Interests	330	328
Resources given for administration	(2) 534,549	664,976
Pension payment quotas	24,222	25,532
Collection schemes	761	10,732
Sales of goods	25,778	30,061
Payments on behalf of third parties	27,241	38,062
Leasing	8,971	8,706
Administration of resources health system	0	0
Sales of assets	15,098	279
Fees and commissions	3,705	3,109
Dividends and shares receivable	24,098	0
Other minor accounts receivable	236,489	89,281
Doubtful accounts	0	0
Electric power service	163,037	161,234
Telecommunications service	147,002	137,313
Water service	9,889	9,684
Fuel gas service	10,931	10,335

Sewage draining service	8,408	8,149
Other doubtful accounts receivable	105,380	92,897
Current accounts receivable	4,094,702	3,891,297
Current portion provision	(620,968)	(587,698)
Current accounts receivable, net	3,473,734	3,303,599
Rendering of public utilities		
Fuel gas service	167,892	164,430
Electric power service	161,626	161,493
Water service	28,128	28,214
Sewage draining service	16,891	16,797
Other accounts receivable		
Loans to employees	114,404	112,089
Deposits and advances delivered	90,433	91,539
Payments on behalf of third parties	3,078	3,091
Interests	249	319
Sales of assets	3,837	4,830
Rendering of services	1,195	334,327
Resources given for administration	1,506	1,506
Charging scheme	0	84
Others	331,748	40,973
Non-current accounts receivable, net	920,987	959,692
Accounts receivable, net	4,394,721	4,263,291

(1) Includes mainly advances of income tax and VAT of temporary investments.

(2) Includes trusts by Aguas Nacionales S.A E.S.P.

(3) The movement of the allowance for doubtful accounts was as follows:

	2014	2013
Initial balance	587,698	543,248
Increase for the year	51,236	110,882
Expense from previous periods	-	(1,565)
Translation adjustment	(625)	2,208
Business combinations	-	7,743
Reclassification of provision	3,901	(1,107)
Recovery of provision	(20,026)	(33,888)
Use of provision	(1,216)	(39,823)
Total provision for accounts receivable	620,968	587,698

Note 13 Inventories, net

As of June 30, 2014 and December 31, 2013, inventories are comprised as follows:

	2014	2013
Materials	(1) 230,851	218,720
Goods for sale	(2) 36,250	30,787
Inventories held by third parties	6,553	7,685
Goods in transit	653	5,302
Working process	976	1,024
Subtotal inventories	275,283	263,518
Provision		
Materials for the rendering of services	(11,486)	(3,587)
Merchandise in stock	(2,347)	(1,848)
Total provision	(13,833)	(5,435)
Total inventories, net	261,450	258,083

- (1) Includes minor spare parts used for the repair of company assets, also includes elements and accessories for the rendering of services.
- (2) Include elements of foods and provisions associated to products commercialized in the supply stores of EPM.
- (3) The movement of the inventories provision was as follows:

	2014	2013
Initial balance	5,435	6,712
Increase of the year	1,264	2,319
Adjustment from previous periods	-	(476)
Translation adjustment	-	(8)
Recovery of provisions	7,134	(1,392)
Business combinations	-	(1,720)
End balance	13,833	5,435

Note 14 Prepaid expenses

As of June 30, 2014 and December 31, 2013, prepaid expenses are comprised as follows:

	2014	2013
Insurance	11,466	38,667
Leasing	6,746	6,776
Other expenses paid in advance	18,805	19,147
Current prepaid expenses	37,017	64,590
Insurance (1)	34,930	38,489
Leasing	28,322	30,806
Other expenses paid in advance (2)	81,203	131,383
Non-Current prepaid expenses (Note 18)	144,455	200,678
Non-Current prepaid expenses	181,472	265,268

- (1) Includes mainly all risks policies and third party liability of the Hidroituango project in EPM Parent. Both policies have an effective term up to March 2020.
- (2) Includes mainly the rights of use of cables called IRUS, Wimax and purchase of domains, among other items (Irrevocable Right of Use – IRU – on dark optic fiber thread, purchase of domains, beneficiary rights).

Note 15 Equity investments, net

As of June 30, 2014 and December 31, 2013, balances of non-current investments, net are comprised as follows:

		2014	2013
Investments in non - controlled entities		604,945	604,872
In entities under liquidation		102	102
Equity investments	(1)	605,047	604,974
Valuation allowance of investments	(2)	(103,716)	(103,604)
Equity investments, net		501,331	501,370

- (1) The non-current investments recorded under the cost method as not controlled were:

Company	Location	Corporate purpose	Percentage of participation		Creation date
			2014	2013	
Isagen S.A. E.S.P.	Medellín	Generation and commercialization of electric power, natural gas by grids, as well as commercialization of coal, steam and other energy sources of industrial use.	13.14%	13.11%	April 4, 1995
Interconexión Eléctrica S.A E.S.P.	Medellín	Operation and maintenance of its own transmission network, expansion of the national interconnection network, planning and coordination of the operation with resources from SIN.	10.17%	10.17%	September 14, 1967

Company	Location	Corporate purpose	Percentage of participation		Creation date
			2014	2013	
Hidroeléctrica Ituango S.A. E.S.P.	Medellín	Operation and maintenance of its own transmission network, expansion of the national interconnection network, planning and coordination of the operation with resources from SIN.	46.45%	46.45%	December 29, 1997
Gestión Energética S.A. E.S.P. GENSA	Manizales	Rendering of one or more public utilities considered under ACT 142 of 1994 or the conduction of one or several activities considered as complementary or one and the other activity.	0.19%	0.19%	May 4, 1993
Reforestadora Industrial de Antioquia RIA	Medellín	Produce, transform and commercialize timber products and non-timber products from forestry plantations, seeking high profitability and sustainability.	6.84%	6.82%	February 28, 2003
Electrificadora del Caribe S.A.	Barranquilla	Distribution and commercialization of electricity in the Colombian Caribbean.	0.07%	0.07%	June 06, 1998
Transoriente S.A. E.S.P.	Bucaramanga	Transportation of fuel gas by means of construction, operation and maintenance of gas pipelines, ducts and branches.	6.73%	6.73%	March 24, 1994
Gas Natural del Oriente S.A. E.S.P.	Bucaramanga	Rendering of essential public utilities of residential fuel gas distribution in any part of the country.	10.00%	10.00%	August 30, 1997

The value of investments recorded under the cost method, with detail of adjusted cost, revaluation and associated provisions, were:

2014

Entity	Cost	Provision	Net	Revaluation	Dividends
Isagen S.A. E.S.P.	194,312	-	194,312	916,617	28,131
Interconexión Eléctrica S.A. E.S.P.	187,035	-	187,035	845,558	24,098
Colombia Móvil S. A. E.S.P.	152,063	(86,742)	65,321	-	-
Hidroeléctrica Ituango S.A. E.S.P.	28,025	-	28,025	6,406	-
Gestión Energética S.A. E.S.P.	12,700	(12,050)	650	-	-
Transoriente S.A. E.S.P.	8,633	-	8,633	4,414	-
Gas Natural del Oriente S.A. E.S.P.	7,651	-	7,651	9,089	2,135
Reforestadora Industrial de Antioquia (RIA)	5,076	(125)	4,951	-	-
Electrificadora del Caribe S.A. E.S.P.	1,763	(314)	1,449	3	-
Hidroeléctrica del Río Aures	446	-	446	11	-
Others	7,343	(4,485)	2,858	26,454	459
Total	605,047	(103,716)	501,331	1,808,552	54,823

2013

Entity	Cost	Provision	Net	Revaluation	Dividends
Isagen S. A. E.S.P.	194,312	-	194,312	955,907	24,460
Interconexión Eléctrica S. A. E.S.P.	187,035	-	187,035	837,676	21,170
Colombia Móvil S. A. E.S.P.	152,073	(85,493)	66,580	-	-
Hidroeléctrica Ituango S. A. E.S.P.	28,111	-	28,111	6,314	1,977
Gestión Energética S. A. E.S.P.	12,700	(12,059)	642	-	-
Transoriente S. A. E.S.P.	8,633	-	8,633	4,089	-
Gas Natural del Oriente S. A. E.S.P.	7,651	-	7,651	11,137	2,416
Reforestadora Industrial de Antioquia (RIA)	5,076	(125)	4,951	-	-
Electrificadora del Caribe S. A. E.S.P.	1,764	(336)	1,428	-	-
Hidroeléctrica del Río Aures	446	-	446	12	-
Others	1,794	(213)	1,581	14,583	455
Total	599,595	(98,226)	501,370	1,829,718	50,483

The main financial information of equity investments as of December 31 was:

Company	Net result	Assets	Liabilities	Equity
Interconexión Eléctrica S. A. E.S.P.	433,048	10,233,090	2,818,975	7,414,115
Isagen S.A. E.S.P.	314,422	7,309,208	3,553,393	3,755,815
Hidroeléctrica Ituango S.A. E.S.P.	834	92,436	18,005	74,431
Reforestadora Industrial de Antioquia -RÍA-	67	77,203	3,480	73,723

(2) The movement of the investments provision was as follows:

	2014	2013
Initial balance	103,604	99,515
Increase for the year	398	4,097
Provision expense from previous years	-	855
Reclassification of provisions	-	47
Recovery of provisions	(286)	(910)
End balance	103,716	103,604

Note 16 Property, plant and equipment, net

As of June 30, 2014 and December 31, 2013, the components of property, plant and equipment are comprised as follows:

		2014	2013
Constructions in progress	(1)	3,777,941	3,204,013
Plants, ducts and tunnels	(2)	8,019,708	7,966,692
Networks, lines and cables	(2)	8,217,126	7,980,215
Buildings	(2)	3,067,627	3,058,647
Communication and computer equipment		1,347,982	1,298,462
Machinery and equipment		502,890	493,079
Land		210,225	210,648
Transportation, traction and lifting equipment		207,152	203,365
Movable goods in store		175,037	179,552
Furniture, fixtures and office equipment		114,167	113,978
Property, plant and equipment not used		92,066	103,530
Machinery, plant and equipment in assembly		113,709	131,409
Property, plant and equipment in transit		16,059	13,126
Medical and scientific equipment		32,133	29,787
Property, plant and equipment in maintenance		4,831	10,640
Others		11,208	11,215
Subtotal property, plant and equipment		25,909,861	25,008,358
Depreciation accrued			
Plants, pipelines and tunnels		(5,836,832)	(5,719,737)
Networks, lines and cables		(3,730,621)	(3,517,871)
Communication and computer equipment		(899,156)	(855,934)
Buildings		(842,033)	(780,247)
Machinery and equipment		(302,200)	(286,407)
Transportation, traction and lifting equipment		(169,629)	(161,560)
Furniture, fixtures and office equipment		(86,294)	(84,501)
Medical and scientific equipment		(18,742)	(17,483)
Others		(1,604)	(1,812)
Accumulated depreciation	(3)	(11,887,111)	(11,425,552)
Deferred depreciation		2,667,875	2,561,246
Total depreciation		(9,219,236)	(8,864,306)
Valuation allowance of property, plant and equipment	(4)	(122,104)	(120,903)
Total property, plant and equipment, net		16,568,521	16,023,149

- (1) On June 30, 2014 an increase of \$573,928, 18%, was presented with respect to December 2013. This can be explained by the acquisition of goods and services, mainly in the energy generation business for the construction of the Ituango Power Plant, which is under construction in relation with the tracks on the edge of the Cauca River, the construction of tunnels and of 13 vehicular bridges.

Execution of this construction work for the deviation of the Cauca River through two tunnels which are approximately 1 km long. Advance in generator room, transformer cavern, bottom discharge tunnel portal, dumping site and entrance and injection gallery excavations.

- (2) Corresponds to operating infrastructure components of the business of Generation, Transmission and Distribution, Natural Gas, Waterworks, Wastewater Sanitation and Telecommunication.

(3) The movement of the depreciation during the year is detailed below:

	2014	2013
Initial balance	11,425,552	10,392,462
Increase for the year	420,822	817,477
Business combination	-	46,735
Translation adjustments	(19,422)	59,601
Deferred depreciation, net	106,629	238,110
Disposal of property, plant and equipment	(45,888)	(120,460)
Charges from previous years	-	3,757
Others	(582)	(12,130)
End balance	11,887,111	11,425,552

(4) The movement of the provision during the year is detailed below:

	2014	2013
Initial balance	120,903	103,291
Increase for the period	3,408	29,811
Provision expense from previous years	-	(706)
Disposal of property, plant and equipment	(2,206)	(223)
Translation adjustments	-	3
Business combination	-	26
Recovery of provision	-	(2,365)
Others	(1)	(8,934)
End balance	122,104	120,903

Note 17 Pension plan asset

The pension plan asset as of June 30, 2014 and December 31, 2013, is made up by:

		2014	2013
Pension bonds (trust funds)	(*)	731,959	736,183
Total Pension plan asset		731,959	736,183

(*) This is mainly comprised by trust funds of EPM, the most relevant being:

- The autonomous equity trust was created with Fiduciaria Davivienda S. A. for the management of the resources intended to the payment of pension both of EPM and those derived from the pension commutation of EADE.

The autonomous equity trust was created for the amount of \$322,000; with this figure plus the returns that are expected to be obtained, it will be possible to cover up to 2056 the total pension payments according to the actuarial study.

- An autonomous equity trust was created with the Consortium EPM 2008 (made up by BBVA Fiduciaria S.A. with the participation of 40%, BBVA Horizonte with a participation of 40% and Fiduciaria Corficolombiana with a participation of 20%) to guarantee the coverage of the obligations generated by the pension bonds, pension

quota shares and the payment of substitution indemnification derived from the risks regulated by the general pension system.

The value of the autonomous equity trust is projected in such a way that it will extinguish at the time of the last pension bond payment due by EPM in 2065; therefore with its creation is guaranteed the availability of funds to cover the pension liability of bonds and their financial management is made independent.

Note 18 Other assets

The balance of other assets as of June 30, 2014 and December 31, 2013 corresponds to:

		2014	2013
Goods given to third parties	(1)	54,121	49,183
Deferred charges	(2)	31,175	35,667
Total other current assets	(1)	(574)	(250)
Intangible assets		84,722	84,600
Deferred charges	(3)	2,410,750	2,322,117
Assets held by third parties	(2)	472,459	499,169
Goods and services paid in advance	(1)	429,470	400,430
Trust fund rights	(4)	122,270	118,112
Leasehold improvements	(5)	138,138	133,158
Goods acquired by financial leasing		3,075	3,077
Goods of arts and culture		77	77
Nonrenewable natural resources		55	-
Goods received as payment in kind		553	-
Total other non-current assets		3,576,847	3,476,140
Amortization of intangible assets	(3)	(872,933)	(793,667)
Amortization of goods given to third parties	(1)	(332,764)	(301,787)
Depreciation of goods acquired in leasing		(2,973)	(2,914)
Allowance for goods given to third parties	(1)	(4)	(4)
Total depreciations, amortizations and provisions other assets		(1,208,674)	(1,098,372)
Total other non-current assets		2,368,173	2,377,768
Total other assets		2,452,895	2,462,368

- (1) The goods delivered to third parties as of June 30, 2014 and December 31, 2013, correspond to:

		2014	2013
Goods given for administration		397,992	368,353
Goods given as loan for use		53,971	51,330
Other goods given to third parties		31,628	29,930
Subtotal goods given to third parties		483,591	449,613
Amortization	(1.1)	(332,764)	(301,787)
Allowance		(578)	(254)
Total goods given to third parties		150,249	147,572

(1.1) The movement the goods delivered to third parties amortization is:

	2014	2013
Initial balance	301,787	254,811
Increase for the year	34,395	70,149
Withdrawals	(6,085)	(21,343)
Adjustments and eliminations	-	-
Other increases (decreases)	2,667	(1,830)
End balance	332,764	301,787

(2) Detail of the balance of deferred charges as of June 30, 2014 and December 31, 2013:

		2014	2013
Deferred taxes	(2.1)	388,252	413,138
Studies and projects		75,535	72,641
Equity tax	(2.2)	8,335	16,671
Discount in bonds and securities of long term foreign public debt	(2.3)	17,104	18,616
Premium for legal stability contracts	(2.4)	6,802	7,049
Organization and set up expenses		1,125	1,176
Development expenses		6,481	5,545
Other deferred charges		503,634	534,836

- (2.1) In 2013 deferred tax debit has been generated by receivables provision, actuarial calculation, provisions, exchange difference on investments abroad and goodwill, mainly.
- (2.2) Corresponds to the equity tax, pursuant to Law 1370 of 2009 in Colombia, for the Group companies that did not have in their equity appreciation of equity to be discounted. This tax will be amortized up to year 2014.
- (2.3) Corresponds to the discount granted by the issue of international bonds (coupon of 7.625%), by the credit of USD 500 million. The premium will be amortized up to its expiration date in July 2019.
- (2.4) Corresponds to the premium paid to the Nation for the legal stability agreement for the power generation activity of EPM. It was executed in a term of twenty years and its value was equivalent to 0.5% of the value of the investments made in the unproductive period and 1% in the operating phase. The initial value amounted to \$9,894.

(3) The detail of intangible as of June 30, 2014 and December 31, 2013 is:

	2014	2013
Goodwill and know how	1,399,948	1,420,440
Software, licenses, rights	929,998	877,837
Brands, concessions and franchises	1,651	24
Easements	18,584	14,230
Other intangible assets	60,569	9,586
Subtotal intangible assets	2,410,750	2,322,117
Less amortization of goodwill and know how	(372,190)	(353,635)
Less amortization of software, licenses, rights	(470,944)	(426,737)
Less amortization of brands, concessions and franchises	(6)	(4)
Less amortization of easements and others	(29,793)	(13,291)
Subtotal amortization	(872,933)	(793,667)
Total intangible assets	1,537,817	1,528,450

(3.1) The composition of the goodwill as of June 30 is the following:

Company	Cost	Amortization	Net value
Distribución Eléctrica Centroamericana II S. A. - DECA II	336,140	(28,405)	307,735
EPM Ituango S.A. E.S.P. en Liquidación	177,667	-	177,667
Panama Distribution Group S. A. - PDG	109,883	(19,821)	90,062
Emtelsa S.A. E.S.P.*	51,850	(14,044)	37,806
Promisión S.A. E.S.P.*	85,513	(35,932)	49,581
Empresa de Telecomunicaciones de Pereira S.A. E.S.P.	79,081	(79,081)	-
Edatel S.A. E.S.P.**	68,786	(57,340)	11,446
Costavisión S.A. E.S.P.*	65,453	(17,725)	47,728
Orbitel S.A. E.S.P.	55,869	(27,029)	28,840
UNE EPM Telecomunicaciones S.A.**	37,144	(21,945)	15,199
Del Sur S.A. de C.V.	43,730	(12,318)	31,412
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	23,923	(23,923)	-
Emtelco S.A.	20,929	(20,178)	751
Gestión de Empresas Eléctricas S.A.	17,681	(1,416)	16,265
UNE EPM Bogotá S.A.	6,409	(6,403)	6
Tecnología Intercontinental S.A. de C.V. (TICSA)	154,444	-	154,444
Hidroecológica del Teribe S.A. (HET)	6,032	(6,032)	-
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	593	(593)	-
Aguas de Malambo S.A. E.S.P.	64	(5)	59
Espíritu Santo Energy S. de R.L.	32,200	-	32,200
Aguas Nacionales EPM S.A. E.S.P.	3	-	3
Parque Eólico Los Cururos Ltda.	16,620	-	16,620
Parque Eólico La Cebada S.A.	9,934	-	9,934
Total goodwill	1,399,948	(372,190)	1,027,758

* According to a concept from the CGN, issued in December 2007, the goodwill generated by the higher price paid for a value representative of capital in respect to its intrinsic value, can only be recorded when the companies are effectively merged. For the case of Emtelsa, Promisión and Costavisión, the amortization generated started in January 2009.

** This corresponds to Know How

(3.2) The movement of the amortization is detailed below:

	2014	2013
Initial balance	793,667	716,946
Increase for the year	70,637	51,945
Withdrawal of intangible assets	-	-
Other decreases	8,629	24,776
End balance	872,933	793,667

(4) Trust rights are the resources delivered by the group companies to companies in charge of the administration of autonomous trusts.

(5) The leasehold improvements and works include adaptations in some customer service offices in the different zones.

Note 19 Reappraisal of assets

As of June 30, 2014 and December 31, 2013, reappraisal of assets is comprised as follows:

	2014	2013
Equity investments	1,808,553	1,840,799
Property, plant and equipment (*)	9,271,150	9,290,911
Other assets	52,954	52,954
Total Reappraisal of assets	11,132,657	11,184,664

(*) As of June 30, 2014 and December 31, 2013 comprise:

	2014	2013
Plants, ducts and tunnels	3,302,908	3,303,625
Networks, lines and cables	3,142,731	3,154,869
Buildings	1,261,824	1,263,924
Land	1,408,037	1,410,552
Communication and computer equipment	54,180	55,423
Transportation, traction and lifting equipment	49,638	50,178
Machinery and equipment	32,823	33,187
Furniture, fixtures and office equipment	17,093	17,230
Medical and scientific equipment	1,878	1,885
Dining room, kitchen, pantry and hotel equipment	38	38
Total Reappraisal of property, plant and equipment	9,271,150	9,290,911

Note 20 Financial obligations

As of June 30, 2014 and December 31, 2013, financial obligation transactions are as follows:

		2014	2013
Domestic debt transactions	(1)	348,951	326,604
Foreign debt transactions	(2)	546,259	521,202
Current financial obligations		895,210	847,806
Domestic debt transactions	(1)	3,114,666	3,473,724
Foreign debt transactions	(2)	4,862,265	4,908,966
Non-current financial obligations		7,976,931	8,382,690
Total financial obligations		8,872,141	9,230,496

(1) Domestic debt transactions:

	2014	2013
Current domestic debt transactions	348,951	326,604
Non-current domestic debt transactions	3,114,666	3,473,724
Total public credit transactions	3,463,617	3,800,328

As of June 30, 2014				As of December 31, 2013	
Company	Type	Interest rate	COP (Millions)	Interest rate	COP (Millions)
EPM	Bonos *	DTF + 1.49% a 2.59%, IPC + 3.25% a 7.12%, Fixed 10.80% a 13.80%	1,511,390	DTF + 1.49% a 2.59%, IPC + 3.25% a 7.12%, Fixed 10.80% a 13.80%	1,662,990
EPM	Club Deal (Davivienda, Bogot.)	DTF + 2.7%	517,214	DTF + 2.7%	557,000
UNE	Bonos **	IPC + 3.67% a 5.10%	600,000	IPC + 3.67% a 5.10%	600,000
UNE	Sindicado Local	DTF + 3.45%	360,000	DTF + 3.9%	400,000
UNE	Davivienda	DTF + 1.36%	0	DTF + 1.36%	310,000
ESSA	Banco de Bogotá	DTF + 2.84%	183,500	DTF + 2.84%	155,500
ESSA	Fondos Ordinarios	TV	0		0
EPM	Banco Agrario	IPC + 4.7%	116,000		0
CENS	Bancolombia Y Banco de Bogr	DTF + 3.0%	75,000	DTF + 3.3% - DTF + 3.0%	70,000
EDEQ	Bancolombia y BBVA	DTF + 2.45% - DTF + 2.9%	18,800	DTF + 2.45% - DTF + 2.9%	20,508
AGUAS DE URABÁ	Helm Bank, Banco Popular y	EDTF - 0.7% - 1% - DTF + 3.9%	18,638	DTF - 1% - DTF + 3.9%	17,844
AGUAS DE OCCIDENTE	Bancolombia y Popular	DTF + 2.75 %-3.5%	7,700	DTF + 2.75 %-3.5%	6,000
CHEC	Icel, Bancolombia	Fixed 6.5%	55,375	Fixed 6.5%	485
TOTAL			3,463,617		3,800,328

* The EPM bonds do not have guarantee and included: i) \$1,000,000 which auction took place between November 2008 and March 2009, with expiration between the years of 2011 and 2024, ii) \$500,000 which auction took place on December 14, 2010, with expiration in years 2016, 2022 and 2030, and iii) \$367,280 which auction took place on December 4, 2013, with expiration in years 2018, 2023, and 2033.

** This item corresponds to bonds without guarantee which auctions took place as follows: i) \$300,000 on March 12, 2010 with expiration in 2015 and 2020 and ii) \$300,000 on October 20, 2011 with expirations in 2016 and 2023.

(2) Foreign debt transactions:

	2014	2013
Current foreign debt transactions	546,259	521,202
Non-current foreign debt transactions	4,862,265	4,908,966
Total public credit transactions	5,408,524	5,430,168

As of June 30, 2014						As of December 31, 2013				
Entity	Type	Interest rate	Source currency	Balance source currency	Equivalent en pesos	Interest rate	Source currency	Balance source currency	Equivalent en pesos	
EPM	Bonos *	7.625%	USD	500	940,595	7.625%	USD	500	963,415	
EPM	Bonos **	8.375%	COP	1,250,000	1,250,000	8.375%	COP	1,250,000	1,250,000	
EPM	BID 1664, 2120, 800, 792 y 2217	Libor + 1.05%, 1.43% ,2%	USD	244	458,460	Libor + 1.05%, 1.43% ,2%	USD	370	712,289	
EPM	BID 2120-1	6.2716%	COP	190,295	190,295					
EPM	IFC	Libor + 1.875% - 2.15%	USD	303	569,775	Libor + 1.875% - 2.15%	USD	349	672,464	
EPM	AFD ***	4.32%	USD	269	506,040	4.32%	USD	195	375,732	
EPM	Bank of Tokyo y BBVA Tokyo	Libor + 0,95%	USD	158	297,849	Libor + 0,95%	USD	167	321,133	
EEGSA	Citibank	8.5%	USD	97.24	182,918	8.25%	USD	97	187,355	
EEGSA	Banco Industrial	Active rate - 6.56%	GTQ	496.60	120,098	Active rate - 5.30%	GTQ	497	122,028	
EEGSA	Banco G&T Continental	Active rate - 6.56%	GTQ	322.60	78,018	Active rate - 5.50%	GTQ	323	79,271	
EEGSA	Banco Agromercantil de Guatemala	Active rate - 6.56%	GTQ	175.10	42,347	Active rate - 6.56%	USD	175	43,002	
EEGSA	Banco Reformador	Active rate - 6.56% Tasa Piso 6%	GTQ	130.34	31,522	Active rate - 6.56% Tasa Piso 6%	GTQ	130	32,029	
EEGSA	Banco Internacional	Active rate - 6.55% 13.48%	GTQ	33.00	7,981	Active rate - 6.55% 13.48%	GTQ	33	8,109	
TICSA***	Interacciones	TIEE+3.00% ,3.90% ,4.0% y 4.07%	MXN	641	92,910	TIEE+3.00% ,3.90% ,4.0% y 4.07%	MXN	672	98,805	
TICSA***	Banobras	8.16% , 8.28% , 9% y 11.5%	MXN	206	29,929	8.16% , 8.28% , 9% y 11.5%	MXN	217	31,994	
TICSA***	Banco del Bajío	TIEE+2.75%	MXN	201	29,126	TIEE+2.75%	MXN	117	17,185	
TICSA***	Banorte	TIEE+4.00%	MXN	126	18,304	TIEE+4.00%	MXN	143	20,992	
TICSA***	Santander	TIEE + 4.5%	MXN	0	0	TIEE + 4.5%	MXN	20	2,932	
ENSA	Bonos	7.6% - Libor + 2.375% - 4.73% EA	USD	200	376,238	7.6% - Libor + 2.375% - 4.73% EA	USD	200	385,366	
ENSA	Others	TF	USD	44	82,857			0		
DEL SUR	Bonos	Min 4.5 % - Max 8%	USD	30	56,337	Min 4.5 % - Max 8%	USD	30	57,692	
DEL SUR	Banco Davivienda	3.97%	USD	25	46,927	3.97%	USD	25	48,056	
HET	Others	9.00%	USD	0	0	9.00%	USD	0	319	
TOTAL					5,408,524	5,430,168				

(*) Bonds without guarantee issued in July 2009, quoted in the Luxembourg Euro MTF stock exchange, placed in the United States, Europe, Asia and Latin American markets, with expiration in July 2019. They are exempt from compliance with financial covenants because they have double investment degree rating granted by Fitch Ratings and Moody's.

(**) EPM issued in January 2011, global bonds in pesos in the international capital market for an amount of \$1,250,000 million, intended to the general investments plan. The issue, which received an investment grade rating of Baa3 by Moody's and BBB- by Fitch Ratings, was placed at a yield of 8.5% with expiration on February 1, 2021 and coupon of 8.375%.

(***) In September 2013, the EPM Group entered the Mexican water market, with capitalization of USD 113 million to the firm Tecnología Intercontinental SAPI de CV, TICSA, equivalent to 80% of the company shares, through the affiliate EPM Capital México SA de CV.

Covenants related to loans

1. Bank of Tokyo Mitsubishi and Banco Bilbao Vizcaya Argentaria Tokyo with Guarantee from the Japan for International Cooperation JBIC:

- Debt to EBITDA ratio – EPM should not allow the total financial debt to EBITDA ratio to be higher than 3.5 to 1.
- Debt to capital ratio – EPM should not allow the total long term financial debt to capital ratio to be higher than 1.5 to 1.

2. Inter-American Development Bank "IADB"

- Total debt to EBITDA ratio of EPM Group must be lower than or equal to 3.5.
- Relationship between total long term debt and assets of EPM Group should not exceed 1.5 times its assets.

3. International Finance Corporation "IFC"

- Total debt to EBITDA ratio of EPMs must be lower than or equal to 3.5.
- Interest coverage ratio must be higher than 3 times.

4. French Development Agency – AFD

- Total debt to EBITDA ratio of the EPM Group must be lower than or equal to 3.5.
- Interest coverage ratio must be higher than 3 times.

5. Credit of EGGSA with Citibank

- Total debt to EBITDA ratio must be lower than or equal to 5.
- EBITDA / financial expenses ratio should be 3 times higher.

At June 30, 2014, the EPM Group was in fulfillment of these covenants.

The detail of the expirations of financial obligations as of June 30, 2014, corresponds to:

Year	US dollars (millions)	Quetzales (millions)	Colombian pesos (millions)	Mexican pesos (millions)	Equivalent in pesos (millions)
2014	223	5	142,544	37	568,671
2015	145	5	273,922	91	560,537
2016	160	167	401,208	102	757,623
2017	103	167	220,610	125	472,924
2018	121	167	483,933	132	770,742
2019 onwards	1,118	648	3,381,697	688	5,741,644
Total	1,870	1,159	4,903,914	1,175	8,872,041

Note 21 Hedging operations

The balance of hedging operations as of June 30, 2014 and December 31, 2013, is as follows:

	2014	2013
Obligations in derivative contracts	277,723	133,940
Rights in derivative contracts (DB)	(246,695)	(101,137)
Current hedging operations	31,028	32,803
Obligations in derivative contracts	525,988	141,029
Rights in derivative contracts (DB)	(474,865)	(105,394)
Non-current hedging operations	51,123	35,635
Total hedging operations (*)	82,151	68,438

(*) The detail of the expirations of hedging operations for the year is as follows:

Year	Contractual rights	Contractual obligations	Net
2014	135,649	157,700	(22,052)
2015	221,864	239,694	(17,830)
2016	229,355	268,587	(39,233)
2017	67,347	68,865	(1,518)
2018	67,347	68,865	(1,518)
Total	721,560	803,711	(82,151)

Note 22 Accounts payable

As of June 30, 2014 and December 31, 2013, the balance of accounts payable is comprised as follows:

	2014	2013
Acquisition of domestic goods and services	798,682	960,536
Acquisition of foreign goods and services	385,999	350,270
Creditors	861,468	565,887
Interests payable	144,851	186,703
Other accounts payable	69,938	59,930
Current accounts payable	2,260,953	2,123,326
Acquisition of domestic goods and services	3,139	2,233
Acquisition of foreign goods and services	0	0
Other accounts payable	343,551	298,708
Non-current accounts payable	347,510	300,941
Total accounts payable	2,608,463	2,424,267

Note 23 Taxes payable

As of June 30, 2014 and December 31, 2013, the balance of taxes payable is comprised as follows:

	2014	2013
Income tax (1)	76,571	52,124
Equity tax (2)	73,481	147,078
Withholding tax and stamp tax	61,994	80,359
Tax on sales	53,665	(4,049)
Industry and trade tax	22,090	37,979
Other taxes, liens and encumbrances	56,673	148,572
Total current taxes payable	344,474	462,063
Equity tax (2)	1,042	2,085
Tax on sales for temporary imports (3)	744	720
Other taxes, liens and encumbrances	323	0
Total non-current taxes payable	2,109	2,805
Total taxes payable	346,583	464,868

- (1) Income tax: tax regulations applicable and in force provide the following:
- For 2014 the nominal rate of the income tax is 33% (2013 – 33%) for the parent and national affiliates with the exception of Orbitel Servicios Internacionales, which because it is a company located in a Free Trade Zone has a nominal tax rate of 15%. The nominal rate of the income tax for equity CREE is of 9% as of 2013- For the Guatemala affiliates, the tax is determined by the Optional Regime (rate of 31% on the taxable income determined on the taxable income determined on the basis of the net income) or by the General Regime (6% rate on gross income and 10% for capital gains); for the affiliates of El Salvador 30% for the companies with taxable income higher than US\$150,000 and 25% for those that do not exceed that limit; for the Panama and Mexico affiliates a taxation rate of 30%.
 - The domiciliary public utility companies in Colombia are excluded from determining the income tax by the system of presumptive income calculated based on the net tax equity of the immediately preceding year; for the calculation of the income tax for equity CREE they are not benefited by that exclusion.
 - Due to the operations that EPM carries out with its related parties located abroad, it is subject to the regulations that in respect to transfer pricing were introduced in Colombia with laws 788 of 2002 and 863 of 2003.
 - The Parent Company of the EPM Group uses the tax deduction called “Special deduction for investments in productive fixed assets”, equivalent to 40% of investments made during the fiscal year. This benefit continues in effect for the parent company on occasion of the legal stability agreement signed with the National Government in 2008. Said benefit contemplates the condition of applying the depreciation by the straight line system on the assets subject to this deduction; if the assets are sold or cease to be used in the income producing activity prior to the expiration of their economic life, it will be mandatory for the company to reimburse the value of the deduction claimed proportionately to the remaining useful life of the asset in the income tax return of the tax period in which this event occurs. This benefit is transferred to the shareholders through the increase of not taxed dividends.
 - With the entry into force of Decree 957 of December 2011 that modified ISR (Income Tax) Law of El Salvador, the dividends that are paid or credited to the partners or shareholders were taxed with a 5% withholding.

The listing of the net taxable income for the Group as of June 30, 2014, and June 30, 2013 is shown below:

	2014	2013
	1,285,749	1,152,813
Profit before income tax provision		
Less Less Profits before income tax provision in Guatemala ISR 6%(*)	24,439	19,032
Plus Items increase income		
Non- deductible expense for tax on equity	8,863	9,153
Valuation of investments by straight line method	13,711	10,464
Other non-deductible expenses	131,203	388,249
Increase of non-deductible provisions	39,060	25,777
Dividends received from companies where control is held	353,117	820,015
Expenses and costs from previous periods	16,999	5,582
Total items increasing net taxable income	562,952	1,259,240
Less Items Decrease income		
Special 40% deduction on investments in the year	153,971	120,106
Excess property, plant and equipment depreciation	220,304	235,196
Non-taxable income	229,253	249,490
Income not subject to income tax- dividends	332,878	760,263
Deduction by investment in technology and others	1,854	-
Profits from liquidity investments appraisal	18,232	10,216
Total items decreasing net income	956,491	1,375,271
Net ordinary income for the period	867,772	1,017,750
Less Exempt income	26,828	8,822
Clearings	17,346	5,849
Plus Plus Especial net income	-	-
Net taxable income	823,598	1,003,079

Considering the different income tax rates, the detail of the calculation of the provision for this tax is as follows:

	Tariff 30% - 25%	Tariff 28%	Tariff 25%	Tariff 20%	Tariff 15%	Total
Taxable income	46,818	57,696	741,820	-28,078	5,340	823,596
Provision for current income tax before discounts	14,330	16,155	193,382	0	801	224,668
Tax discounts-water and draining / withholdings overseas	-	-	24511		-	24,511
Provision for current income tax (1)	14,330	16,155	168,871	0	801	200,157
Tax on occasional gain	-	-	362		-	362
Net charge to income for deferred income tax	8649	-	88,365	-6,452	-	90,562
Income tax provision charge to income	22,979	16,155	257,598	-6,452	801	291,081
(+) ISR 6% on income taxable (****)	-	-	-		-	3,076
Total income tax						294,157

		2014
	Income tax for equity CREE , taxable income liquid	753,284
Plus	Items increase income	
	Special deduction in productive fixed assets	153,971
	Other special Deductions	485
	Other increase Items	1,173
	Total items increase taxable income	155,629
Less	Items decrease income	
	Other items decrease	9,755
	Total items decrease taxable income	9,755
	Taxable income for ordinary deputation	899,159
Plus	Minimum income tax base for equity CREE	36,319
	Total taxable income liquid	935,477
	Tax rate	9%
	Income tax for equity CREE , provision	84,193
Total income tax and tax for equity CREE		378,350

The detail of the calculation of the provision for income tax in 2013 was the following:

	Tariff 34%	Tariff 31%	Tariff 30%	Tariff 15%	Total
Taxable income	871,286	55,570	68,622	7,601	1,003,079
Provision for current income tax before discounts	269,511	17,227	20,843	1,140	308,721
Tax discounts-water and draining / withholdings overseas	37,055	-	-	-	37,055
Provision for current income tax (1)	232,456	17,227	20,843	1,140	271,666
Tax on occasional gain	-	-	-	-	-
Net charge to income for deferred income tax	65,208		2,353		67,561
Income tax provision charge to income	297,664	17,227	23,196	1,140	339,227
(+) ISR 5% on income taxable (*****)	-	-	-		2,354
Total income tax					341,581

(*) It is excluded from the calculation of the net income because some Guatemalan affiliates are taxed on 6% of their income and not at the rate of 31% on taxable income.

(**) The excess of tax over accounting depreciation corresponds to: (i) the utilization of different useful lives; (ii) the application of the depreciation method of declining balances and additional shifts, and (iii) the increase in the depreciation base by the addition in the cost of historic inflation adjustments (2001-2006), since as of that date they were suspended by legal provision

(***) In Colombia, the discount for investment in regional water networks and sewage companies is set forth in Article 104 of Law 788 of 2002, equivalent to 40% of the capital effectively paid in order to extend the service coverage.

(****) Tax calculated based on the income.

Movements of deferred taxes during the year were as follows:

	2014	2013
Initial balance of deferred tax asset	413,138	337,587
Initial balance of deferred tax liability	(978,430)	(878,073)
Subtotal	(565,292)	(540,486)
Net adjustment on income for the period	(90,564)	(70,696)
Adjustment on deferred tax charged to previous years	7,670	49,016
New investments / interests minority elimination	(12,755)	(3,126)
End balance of deferred tax asset	388,252	413,138
End balance of deferred tax liability	(1,049,193)	(978,430)
Total deferred tax, net	(660,941)	(565,292)

Reconciliation between accounting equity and tax equity at June 30, 2013 and December 31, 2013, is shown below:

	2014	2013
Accounting equity	21,925,264	22,047,514
Less		
Revaluation of assets	(11,132,657)	(11,184,664)
Adjustments for inflation, depreciation and tax amortization	(2,825,555)	(2,825,555)
Excess of tax depreciation	(3,922,834)	(3,207,375)
Credit deferred monetary correction, net	(45,830)	(53,222)
Deferred tax, assets	(388,252)	(413,138)
	(18,315,128)	(17,683,954)
Plus		
Tax inflation adjustments	4,206,291	4,313,778
Deferred tax, liabilities	1,049,193	978,430
Actuarial computation	63,194	51,874
Provisions and contingencies	275,835	252,677
Provision for property, plant and equipment	122,104	120,903
Provision accounts receivables	418,885	399,186
Provisions of investments	103,716	103,604
	6,239,218	6,220,452
Fiscal tax equity	9,849,354	10,584,012

- (2) Corresponds to accrual of tax on equity payable, for the years 2013 and 2014.
(3) Corresponds to the VAT payable for temporary imports of goods.

On a general basis, income tax returns of the EPM Group for the years 2011 and 2012 are opened to review by the tax authorities. The Administration of EPM and subsidiaries, as well as their legal advisors consider that the amounts recorded are sufficient and it is not likely that liabilities arise in excess of those already recorded.

Legal stability contracts

EPM Parent Company entered into a legal stability contract in Colombia based on Law 963 of 2005 (for the power generation business). The contract protects EPM against adverse tax changes and permits it to use the rules that are favorable to it; the main rules stabilized are:

- Income tax rate of 33%
- Tax on equity until 2010.
- Special deduction of 40% on the investment of real productive fixed assets.
- Special deduction for investment in science and technology and environmental.
- Other basic rules in the determination of income.

The agreement has a term of 20 years counted as of June 2008.

New regulations

Tax reform and emergency measures Colombia

The main changes incorporated by the Law 1607 of 2012 are summarized in:

- **Income tax:** The previous income tax rate of 33% is modified, reducing it to 25% and a new tax called income tax for equality (CREE) is created with a rate of 9% for years 2013 to 2015 and of 8% as of 2016. For taxpayers of CREE the reform establishes the exoneration of contributions to SENA (2%), ICBF (3%) as of July 1, 2013 and healthcare (8.5%) as of January 1, 2014, in respect to employees (new and old) who earn up to 10 minimum monthly legal wages.
- **Capital gains tax:** In respect to this tax, it has been reduced from 33% to 10% for legal and similar persons. This implies in the sale of fixed assets owned by EPM for over two (2) years. However, for lotteries, raffles, bets, and similar, the tax rate continues to be 20%.
- **Sales tax –VAT–:**
 - * The number of existing rates is reduced to only three: 0%, 5% and 16%.
 - * The surveillance, temporary and integral cleaning and cafeteria services will be subject to 16% VAT, but applied to the AIU (Administration, Contingencies and Profit) margin, which in no case shall be less than 10% of the contract value.
 - * Exchange operations of purchase and sale of foreign currency, as well as the exchange operations on derivative instruments have been excluded from VAT.

These changes in the VAT will be applicable to contracts that are awarded as of January 1, 2013. The contracts that are currently being performed or that have already been awarded will continue with the VAT rate and taxable base that were in effect at the time of the award. When these contracts are modified or extended, the regulatory changes indicated above will be applied.

- **New national consumption tax:** As of January 1, 2013 the national consumption tax is created, which will apply to the rendering of the mobile telephone service (4%), some vehicles (8% and 16%) and to the prepared food and beverage sale service in restaurants, cafeterias, self-service premises, ice cream, fruit shops and bakeries (8%).

Tax reform in Guatemala:

The major changes brought by the income tax reform (Decree 10-2012), which effects take place as of January 1, 2013 are:

- Modification of the rate for determination of the taxable income of profitable activities as follows:
 - * Tax year 2013: 31%
 - * Tax year 2014: 28%
 - * Tax year 2015: 25%
- Modification of the rate for determination of capital income, capital gains and losses:

- * Movable and immovable capital income: Rate 10% (formerly taxed in the general regime of 5% and the optional regime at a rate of 31%)
- * Capital gains: Rate 10% (formerly taxed in the general regime of 10% and the optional regime at a rate of 31%)
- * Distribution of dividends, gains and profits: Rate 5%. In the previous law they were not taxed.

Tax reform in Mexico:

- Mexico had a tax reform in December 2013. By means of Decree published in the Official Diary, on December 11, this new regulation derogated the Business Tax at Single Rate (IETU) and the Tax on Cash Deposits.
- A new Income Tax Law (ISR) was issued, maintaining for legal persons a taxation rate of 30%. A withholding of 10% is established on dividends paid to individuals and foreigners, which in the case of payment of dividends to Colombia do not apply because of the Double Taxation Treaty signed with Mexico and which entered into force on January 1, 2014. Based on said treaty, the withholding in the payment of interest to a Colombian credit shall not be higher than 10%.
- The profit sharing received by the workers of the company (PTU) will be calculated on the same basis of the income tax, without being reduced by the profit sharing paid in the period or with the tax losses pending to be applied.

Note 24 Labor liabilities

The balance of labor liabilities as of June 30, 2014 and December 31, 2013, was:

		2014	2013
Severance	(1)	41,990	56,972
Vacation bonuses	(2)	42,193	34,738
Vacations		29,817	24,435
Interest on severance payments		4,203	10,488
Payroll payable		15,115	11,234
Other premiums		37,488	14,281
Other salaries and social benefits		37,036	5,626
Current labor liabilities		207,842	157,774
Severance	(1)	30,579	34,838
Other premiums	(3)	644	23,962
Compensations		8,533	8,301
Other salaries and social benefits		567	93
Non-current labor liabilities		40,323	67,194
Total labor liabilities		248,165	224,968

- (1) The current portion corresponds to the severance payments for employees that shall be transferred to the severance funds before February 14, 2014. The non-current portion corresponds to the severance payments for employees of the previous scheme.

- (2) This corresponds to the Premium granted to employees of EPM and UNE EPM Telecomunicaciones S. A. who enjoy vacations equivalent to 32 days of ordinary salary per each year of service and proportional to each fraction of a year.
- (3) It corresponds to the estimate, at present value, of the future payments corresponding to the seniority bonus. In EPM, Central Hidroeléctrica de Caldas SA. E.S.P. and the Empresa de Energia de Quindío S.A. E.S.P. the official workers are entitled to this bonus every time they complete five years of service in the company, continuous or discontinuous. The estimated value is determined by the actuary, taking into account the average salary increase, discount rate of 5.77% and the mortality rates approved by the Financial Superintendence in Resolution 155 of 2010. For the remaining affiliates the estimate is updated each year based on the consolidation of information of all employees who become entitled to those bonus.

Note 25 Pension plan obligations

The balance of pension obligations as of June 30, 2014 and December 31, 2013, is comprised as follows:

	2014	2013
Pension bonds	84,571	79,744
Retirement pensions	113,363	157,817
Pension commutation	6,444	4,232
Current pension plan obligations	204,378	241,793
Retirement pensions	680,930	637,867
Pension bonds	440,326	429,963
Pension commutation	88,044	90,169
Non-current pension plan obligations	1,209,300	1,157,999
Total pension plan obligations (*)	1,413,678	1,399,792

(*) The movement of the actuarial calculation was:

	Actuarial computation	Balance to be amortized	Net liability
Balance at December 31, 2012	1,368,907	(68,068)	1,300,839
Adjustment per actuarial valuation	194,127	(194,127)	-
Benefits paid and bonuses issued	(96,708)	-	(96,708)
Charge to results — amortization	-	134,620	134,620
Business combination - Emvarias	174,086	(107,279)	66,807
Net movement pensions payable	86	-	86
Other charges to income	(5,852)	-	(5,852)
Balance at December, 2013	1,634,646	(234,854)	1,399,792
Adjustment per actuarial valuation	60,014	(60,014)	-
Benefits paid and bonuses issued	(48,577)	-	(48,577)
Charge to results — amortization	-	62,119	62,119
Business combination - Emvarias	-	-	-
Net movement pensions payable	344	-	344
Balance at June, 2014	1,646,427	(232,749)	1,413,678

The major factors in the actuarial calculations corresponding to retirement as of December 31, 2013, were:

	2013	2012
Number of people covered	7,035	6,811
Technical interest rate	4.80%	4.80%
Pension readjustment rate*	2.99%	3.26%

(*) This rate corresponds to the weighted average of inflation of 2010, 2011 and 2012, as follows: 3 points for 2013, 2 points for 2011 and 1 point for 2010, according to the provisions in Paragraph 1 of Article 1 of Decree 2783 of December 20, 2001.

Note 26 Estimated liabilities

As of June 30, 2014 and December 31, 2013, the estimated liabilities balance is comprised as follows:

		2014	2013
Provision for contingencies	(*)	53,625	49,735
Other provisions		21,992	16,529
Current estimated liabilities		75,617	66,264
Provision for contingencies	(*)	116,529	108,454
Provision for insurance and reinsurance		45	45
Other provisions		116,627	111,059
Non-current estimated liabilities		233,201	219,558
Total estimated liabilities		308,818	285,822

(*) This includes provisions for civil and administrative litigations, labor lawsuits, tax proceedings and other contingencies. The main proceedings rated as probable were the following:

Third party	Claim	2014	2013
Municipality of Tuta	Discussion on the industry and commerce tax for the commercialization activity in the municipality for the generator.	15,205	17,547
Manuel Márquez y otros	Riogrande II Project - Compensation to the community for not having acquired mining fields.	7,789	7,728
Ruiz Betancur José Alberto	Damages for primary electric power lines crossing close to a house in Copacabana.	5,807	5,546
Municipality of Yumbo	Discussion on the industry and commerce tax for the commercialization activity in the municipality for the generator.	4,094	3,940
Municipality of Caloto	Discussion on the industry and commerce tax for the commercialization activity in the municipality for the generator.	3,188	3,095
Concretos y Asfaltos S.A	Compensation from damages in the sub-management of Projects in water of EPM. USD3,298,054	-	6,325

Note 27 Other liabilities

As of June 30, 2014 and December 31, 2013, other liabilities balance is comprised as follows:

		<u>2014</u>	<u>2013</u>
Collections in favor of third parties	(1)		
Sale of public utilities and telecommunications		13,617	17,901
Taxes		9,726	14,011
Public lighting		20,238	20,076
Sales on behalf of third parties		10,036	8,188
Collections of third party accounts receivable		14,043	13,072
Other collections in favor of third parties		5,743	7,632
Income received in advance			
Sales		53,362	56,028
Sale of public utilities and telecommunications		26,801	27,065
Leasing		12,592	13,674
Other income received in advance		15,999	13,340
Deferred taxes	(2)	82,653	50,892
Advanced Taxes		266	109
Other current liabilities		265,076	241,988
Deferred taxes	(2)	966,541	927,539
Other liabilities		19,036	14,690
Other non-current liabilities		985,577	942,229
Total other liabilities		1,250,653	1,184,217

- (1) Agreements for collection of receivables executed with entities such as Municipality of Medellin, Empresas Varias de Medellin E.S.P., Publicar S.A., Telmex S.A., Comcel S.A. and Colombia Movil S.A. E.S.P., among others.
- (2) The deferred tax is credit if the difference that originated implied the payment of a lower tax in the year.

Note 28 Reserves

As of June 30, 2014 and December 31, 2013, the reserves balances are comprised as follows:

		<u>2014</u>	<u>2013</u>
Legal reserves		2,511,760	3,257,570
Occasional reserves		574,008	574,008
Equity funds	(1)	7,591	7,591
Total reserves	(2)	3,093,359	3,839,169

- (1) As of June 30, 2014 and December 31, 2013, the equity funds showed the following balances:

	2014	2013
Self-insurance fund	3,491	3,491
Financing Plan	3,108	3,108
Housing fund	992	992
Total equity funds	7,591	7,591

- (2) The Board of Directors or General Shareholders' meetings approve the following each year upon presentation of the financial statements at period end:
- Create and release reserves to comply Article 130 of the Colombian Tax Code.
 - Create and release reserves to comply with Decree 2336 of 1995 for the profits in the application of the equity method.
 - Create reserves for future reinvestments.

Note 29 Distribution to the city of Medellín

Based on the determination of the COMPES in the meeting of April 17, 2014, ordinary financial surpluses were transferred to the Municipality of Medellín for \$496,237 (2013 - \$526,122) and extraordinary financial surpluses for \$413,531 (2013 - \$708,435).

The total financial surpluses paid as of June 30, 2014, were \$582,373 (2013 - \$1,183,493).

Note 30 Memorandum accounts

As of June 30, 2014 and December 31, 2013, memorandum accounts are comprised as follows:

		2014	2013
Contingent rights	(1)	819,914	899,588
Fiscal debit accounts	(2)	5,764,160	6,518,951
Control debit	(3)	587,990	583,297
Debit memorandum accounts		7,172,064	8,001,836
Contingent liabilities	(4)	1,146,537	254,144
Fiscal credit accounts	(5)	18,788,098	19,021,106
Control credit		1,125,856	991,323
Credit memorandum accounts		21,060,491	20,266,573
Memorandum accounts, net		13,888,427	12,264,737

- (1) Contingent rights correspond to litigations in civil processes in which the companies of the EPM Group brings suit against third parties, generally contractors that is considered that failed to comply with their contractual obligations. These have probabilities of having a favorable result.

- (2) Tax debit memorandum accounts refer to the differences between accounting and tax regulations. They include mainly the difference in the depreciation, inflation adjustments to property, plant and equipment, shares and contributions and addition to tax goodwill. In general, differences in asset, cost and deduction accounts.
- (3) It records the operations that the companies of the EPM Group have with third parties or for internal control, without their nature affecting their financial situation. These accounts include fully amortized assets, obsolete inventories and other. It corresponds to the right in favor of the Company.
- (4) The contingent liabilities correspond to civil proceedings in which the companies of the EPM Group are sued by third parties, generally contractors that are considered to have failed to comply with their contractual obligations. Contingent liabilities include counter-guarantee to the National Government related to credits granted by the IADB. The value of the guarantee corresponds to the encumbrance of the operating income, equivalent to 120% of the debt service of the following six-month period of the IABD credits.
- (5) Tax credit memorandum accounts are made up by the differences between accounting and tax regulations. They refer especially to the recording of appreciation of investments, the deferred monetary indexation and accumulated depreciation of properties, plant and equipment.

Note 31 Revenues

As of June 30, revenues are comprised as follows:

	2014	2013
Rendering of services		
Electric power service (1)	4,814,240	4,516,323
Telecommunications service	1,003,559	927,465
Fuel gas service	251,027	257,404
Sewage service (2)	215,329	180,246
Water service (2)	180,090	172,899
Communications service	184,762	157,276
cleaning service	77,655	1,317
Insurance and reinsurance service	2,684	2,887
Computation service	1,059	901
Other service (3)	233,016	146,081
Total service rendering	6,963,421	6,362,799
Sale of goods	42,679	37,001
Total sales of goods and rendering services	7,006,100	6,399,800
Discounts		
Sales of services		
Electric power service	(16,982)	(42,202)
Sewage service	(8)	0
Telecommunications service	(5)	(3)
other service	(5)	0
Total sale of services	(17,000)	(42,205)
Sale of goods	(74)	(49)
Total discounts and returns	(17,074)	(42,254)
Total net income	6,989,026	6,357,546

Amounts stated in millions of Colombian pesos

Note 32 Cost of sales

As of June 30, cost of sales are comprised as follows:

		2014	2013
Cost of goods and public utilities – Sales	(1)	2,720,769	2,415,663
Access charge and interconnection for telecommunication services		110,343	114,810
Cost of distribution and marketing gas natural		88,187	93,467
Personnel cost		489,781	457,420
Orders and contracts on account of other services		308,676	211,025
Maintenance and repair	(2)	174,049	172,450
General costs		97,369	81,160
Licenses, contributions and royalties		92,054	87,433
Materials and operating costs		70,717	55,853
Leases		65,875	59,584
Costs for the sale of goods		52,945	43,270
Direct inputs consumption	(3)	44,656	34,494
Fees		35,322	23,839
Insurance		32,179	29,719
Taxes		31,043	23,757
Public utilities		26,887	26,844
Cost for services rendering loses		1,056	1,332
Total cost of sales		4,441,908	3,932,120

- (1) Includes energy purchases, payment for the use of networks and pipelines and restrictions.
- (2) Includes maintenance and repairs of lines, networks and ducts and maintenance and repairs of buildings.
- (3) Includes purchases of fuel for generation of the thermal plant La Sierra and chemical products for the treatment of potable water.

Note 33 Provision, depreciation, and amortizations

As of June 30, provision, depreciation, and amortization are comprised as follows:

	2014	2013
Depreciation		
Networks and lines depreciation	185,413	171,187
Plants, pipelines and tunnels depreciation	125,022	127,602
Communication and computer equipment depreciation	44,290	44,657
Buildings depreciation	21,958	20,990
Machinery and equipment depreciation	14,957	11,968
Other depreciations	9,742	7,967
Total depreciation cost	401,382	384,371
Amortization cost		
Intangible assets amortization	45,970	38,165
Goods delivered to third parties amortization	34,355	31,450
Improvements in others' property amortization	7,398	4,788
Studies and projects	4,183	4,865
Future pensions actuarial computation amortization	481	102
Depletion	327	-
Total amortizations cost	92,714	79,370
Total depreciation and amortizations cost	494,096	463,741
Depreciation		
Communications and computer equipment depreciation	9,341	9,043
Buildings depreciation	2,724	2,606
Furniture, mixtures, and office equipment depreciation	2,619	3,508
Machinery and equipment depreciation	2,831	2,449
Transport equipment depreciation	1,266	1,018
Other depreciation	659	527
Total depreciation expense	19,440	19,151
Actuarial computation		
Retirement pension updating	37,660	44,431
Bond quotas and bonds updating	14,910	14,932
Pension commutation updating	2,116	5,704
Pension quotas updating	3,841	1,246
Future pension updating	3,112	2,824
Total actuarial computation expense	61,639	69,137
Amortization		
Intangible assets amortization	4,972	31,479
Goods delivered to third parties	40	275
Total amortization expense	5,012	31,754
Provisions		
Allowance for doubtful accounts	51,236	45,200
Property, plant and equipment provision	3,408	243
Allowance for inventory obsolescence	1,264	389
Industry and Commerce tax provision	-	30
Other provisions	7,770	11,503
Total provisions expense	63,678	57,365
Total provision, depreciation, and amortizations expense	149,769	177,407
Total provision, depreciation, and amortizations	643,865	641,148

Note 34 Administrative expenses

As of June 30, administrative expenses are comprised as follows:

	2014	2013
Personnel expenses		
Salaries and wages	183,004	171,256
Effective contributions	25,603	30,045
Attributable contributions	19,245	16,555
Payroll contributions	2,480	4,456
Total personnel expenses	230,332	222,312
General expenses		
Commissions, fees and services	46,095	48,029
Studies and projects	4,206	5,562
Leases	24,643	24,118
Intangible expenses (1)	11,327	15,014
Maintenance	19,167	16,112
Advertisement	6,961	7,162
Promotion and disclosure	6,187	6,726
Monitoring and security	7,118	5,218
Public utilities	4,447	4,331
Materials and supplies	1,568	1,495
General insurances	5,837	3,581
Communications and transport	3,287	2,702
Cleaning elements, laundry and cafeteria	970	570
Other administrative expenses	23,840	18,898
Total general expenses	165,653	159,518
Industry and Commerce tax	36,803	30,730
Financial movements lien	26,330	23,264
Supervision and audit quota	14,472	13,384
Contributions	1,116	1,324
Equity tax (2)	8,985	9,153
Other taxes	13,363	9,055
Total taxes	101,069	86,910
Total administrative expenses	497,054	468,740

- (1) Value of licenses and software of an administrative nature used in the support activities.
- (2) Corresponds to the equity tax that was accounted for by the companies that did not have any balance in the account "revaluation of equity" as of December 31, 2010 (see note 23).

Note 35 Non-operating revenues

As of June 30, non-operating revenues is comprised as follows:

	2014	2013
Financial revenue		
Accounts receivable interests	27,597	27,666
Interests in arrears	15,347	12,628
Interests on financial institutions deposits	11,941	17,526
Dividends and participations	54,822	48,069
Yields on administrative deposits	1,623	2,553
Profit from the appraisal of liquidity	25,881	5,034
administrative investments in debt securities		
Other financial revenue	50,714	34,994
Exchange difference adjustment	140,518	117,638
Other ordinary revenue	18,616	98,895
Extraordinary revenue		
Recoveries	32,349	82,086
Uses	2,302	3,460
Compensations	2,782	8,410
Other extraordinary revenue	35,909	6,599
Adjustment from previous periods	(881)	(1,936)
Total non-operating revenues	419,520	463,622

Note 36 Non-operating expenses

As of June 30, non-operating expenses are comprised as follows:

	2014	2013
Interests		
Domestic public credit transactions	110,208	94,205
Foreign public credit transactions	128,235	107,472
Other interests	62,410	55,639
Commissions	7,148	5,320
Exchange difference adjustment	138,659	277,703
Financial expenses		
Securities administration and issuance	516	504
Discount on financing bonds and securities	1,434	1,434
Loss for the appraisal of liquidity administrative	1,089	3,710
investments		
Other financial expenses	3,010	4,760
Other ordinary expenses	15,561	30,169
Extraordinary expenses	2,035	1,345
Equity investment provision	398	8,575
Tax obligations provision	2,415	1,615
Contingencies provision		
Litigations	23,389	9,203
Other provisions	4,240	456
Intangible expenses amortization	19,695	17,021
Adjustment from previous periods	19,528	7,216
Total non-operating expenses	539,970	626,347

Note 37 Minority interest

As of June 30, the minority interest for each of EPM Group subsidiaries was comprised as follows:

	2014		2013	
	Percentage	Amount	Percentage	Amount
Electrificadora de Santander S.A. E.S.P. (ESSA)	25.95%	220,955	25.95%	227,591
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	19.90%	114,350	19.90%	166,850
Elektra Noreste S.A. (ENSA)	49.00%	159,707	49.00%	146,709
Edatel S.A. E.S.P.	20.00%	61,069	44.00%	126,799
Empresa Eléctrica de Guatemala S.A. (EEGSA)	19.10%	97,632	19.10%	100,970
Transportista Eléctrica Centroamericana S.A. (TRELEC)	19.10%	47,240	19.10%	46,035
Tecnología Intercontinental S.A. de C.V. (TICSA)	20.00%	25,431	20.00%	44,020
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	8.48%	42,056	8.48%	41,721
Aguas de Urabá S.A. E.S.P.	36.58%	15,480	36.58%	15,244
Distribuidora de Electricidad del Sur (Delsur)	13.59%	13,809	13.59%	15,832
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	7.15%	10,585	7.15%	10,774
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	19.10%	5,928	19.10%	6,280
Regional de Occidente S.A. E.S.P.	37.89%	5,371	37.89%	5,123
Inmobiliaria y Desarrolladora Empresarial de América S.A. (IDEAMSA)	19.10%	4,642	19.10%	5,081
Aguas de Malambo S.A. E.S.P.	11.27%	2,531	12.01%	2,508
Empresas Públicas de Oriente S.A. E.S.P.	41.67%	2,173	41.67%	2,296
Enérgica S.A. (ENÉRGICA)	19.10%	1,555	19.10%	2,021
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	43.99%	1,269	43.99%	1,251
Crediegsa S.A. (CREDIEGSA)	19.10%	820	19.10%	1,018
Empresas Varias de Medellín S.A. E.S.P.	0.10%	81	0.10%	67
Hidroecológica del Teribe S.A. (HET)	0.96%	2,680	0.96%	25
Empresa de Telecomunicaciones de Pereira S.A. E.S.P. (ETP)	0.01%	17	0.01%	18
Sistema de Aguas de Tecomán S.A. de C.V.	50.40%	669	50.40%	-
Desarrollos Hidráulicos de TAM S.A. de C.V.	20.71%	298	20.71%	-
Aguas Nacionales EPM S.A. E.S.P.	0.01%	8	0.01%	16
Otras (*)	-	11	-	49
Total minority interest		836,367		968,297

Note 38 Transactions with related parties

At June 30, transactions with related parties were comprised as follows:

	June 2014			Dic-13		
	Accounts receivable	Accounts payable	Other obligations	Accounts receivable	Accounts payable	Other obligations
Área Metropolitana del Valle de Aburrá	1,566	-	-	1,566	-	-
Caja Nacional de Prevision Social en Liquidación	-	-	-	-	-	-
Comisión de Regulación de Energía y Gas	-	-	-	-	1,586	-
Corporación Autónoma Regional de las Cuencas de los ríos Negro y Nare	3	950	-	34	2,240	-
Corporación Autónoma Regional del Centro de Antioquia	-	3,302	-	-	5,451	-
Corporación Ruta N Medellín	584	263	-	1,700	737	-
Departamento de Antioquia	1,504	3	2	210	9,437	-
Dirección de Impuestos y Aduanas Nacionales	34,454	75,501	789	-	92,102	813
E.S.P. Empresa de Energía del Casanare - Enerca S.A.	-	-	-	112	156	-
E.S.P. Generadora y Comercializadora de Energía del Caribe S.A.	-	1,053	-	483	-	-
E.S.P. Transportadora de Gas Internacional S.A.	-	14	-	-	8,926	-
E.S.P. Enviaseo	-	-	498	-	10	1,310
E.S.P. XM Compañía de Expertos en Mercados S.A	-	-	-	30,731	37,704	-
Ecopetrol S.A.	72	3,058	27	171	3,874	27
Electrificadora del Huila S. A. E.S.P.	-	43	-	661	394	3
Electrificadora del Meta S. A. E.S.P.	-	68	-	7,420	326	26
Electrificadora del Tolima S. A. E.S.P. en Liquidación	1,180	-	-	1,180	-	24
Empresa de Energía Eléctrica de Arauca	1,034	19	-	111	99	-
Empresa de Vivienda de Antioquia	-	956	-	1,820	-	-
Empresa Urrá S.A. E.S.P.	-	-	-	-	1,394	-
Empresas Municipales de Cali E.I.C.E E.S.P.	11,453	2,080	-	7,827	2,790	94
Fundación Empresas Públicas de Medellín	5,392	-	-	5,675	4,506	-
Isagen S.A.	5	5,694	-	3,311	20,118	-
Interconexion Electrica S.A. - Isa	24,108	-	-	105	156	-
Ministerio de Minas y Energía	87,245	3,275	-	58,052	2,611	-
Municipio de Amalfi	512	893	-	13	1,191	-
Municipio de Arboletes	1,175	22	-	13	34	-
Municipio de Barbosa	93	618	-	68	1,598	-
Municipio de Bello	565	990	1	495	2,169	1
Municipio de Caldas	1,388	1,212	-	292	583	-
Municipio de Envigado	119	980	-	208	1,388	-
Municipio de Itagüí	896	138	6	937	1,269	7
Municipio de Medellín	20,787	477,958	2,480	6,209	159,912	4,429
Municipio de Necoclí	2,345	49	-	72	76	-
Municipio de San Rafael	470	397	-	437	891	-
Municipio de Turbo	1,551	180	-	116	213	-
Municipio de Yolombó	828	216	-	421	333	-
Municipio de Yondó (Casabe)	1,652	36	-	1,405	31	-
Universidad de Antioquia	4,742	920	872	5,290	1,462	2,356
Universidad Nacional de Colombia	-	234	-	373	1,663	-
Otros	23,492	10,621	2,180	11,054	18,741	1,724
Total	229,215	591,743	6,855	148,572	386,171	10,814

	June 2014			June 2013		
	Income from the sale of goods and services	Other income	Costs and expenses	Income from the sale of goods and services	Other income	Costs and expenses
Área Metropolitana del Valle de Aburrá	125	-	3,824	-	-	6,400
Centrales Eléctricas de Nariño S. A. E.S.P.	971	-	2,311	970	-	2,305
Comisión de Regulación de Energía y Gas	-	-	2,124	-	-	1,954
Corporación Autónoma Regional de las Cuencas de los ríos Negro y Nare	94	-	3,671	-	-	4,869
Corporación Autónoma Regional del Centro de Antioquia	-	-	9,573	-	-	6,384
Departamento de Antioquia	1,170	-	450	1,225	-	513
E.S.P. Empresa de Energía de Pereira S.A.	831	-	586	821	-	574
E.S.P. Empresa de Energía del Casanare - Enerca S.A.	600	-	808	558	-	871
E.S.P. Empresa Distribuidora del Pacífico S.A.	283	-	1,059	8,620	-	1,099
E.S.P. Generadora y Comercializadora de Energía del Caribe S.A.	2,222	-	5,073	132	-	-
E.S.P. Transportadora de Gas Internacional S.A.	-	-	48,126	-	-	42,208
E.S.P. XM Compañía de Expertos en Mercados S.A.	239,291	-	5,694	-	-	6,280
Electrificadora Del Caquetá S. A. E.S.P.	7,021	-	308	276	-	221
Ecopetrol S.A.	340	-	32,734	332	-	3,677
Electrificadora del Huila S. A. E.S.P.	1,118	-	2,158	7,147	-	2,022
Electrificadora del Meta S. A. E.S.P.	1,347	-	1,788	23,182	-	2,216
Empresa de Energía de Cundinamarca S. A. E.S.P.	4,577	-	1,186	940	-	1,180
Empresa de Energía Eléctrica de Arauca	4,412	-	410	7,445	-	790
Empresas Municipales de Cali E.I.C.E E.S.P.	51,047	-	2,167	79,996	3	4,007
Empresas Municipales de Cartago	219	-	50	5,729	-	23
Empresas Varias de Medellín	-	-	-	106	2,823	10
Instituto Colombiano de Bienestar Familiar	-	-	1,052	118	-	1,771
Isagen S.A.	6,763	10	22,355	12,866	10	28,108
Municipio de Amalfi	68	18	2,192	1	11	1,161
Municipio de Bello	138	362	1,234	136	417	1,553
Municipio de Carolina del Príncipe	-	3	1,300	-	5	1,161
Municipio de Envigado	681	-	835	559	-	1,103
Municipio de Guatapé	21	8	2,121	22	-	1,065
Municipio de Itagüí	855	280	1,334	871	324	1,051
Municipio de Medellín	5,838	-	33,232	7,469	-	32,018
Municipio de Santa Rosa de Osos	43	29	1,167	-	25	1,042
Municipio de Yondó (Casabe)	1,078	8	93	-	4	14
Superintendencia de Servicios Públicos Domiciliarios	-	-	6,416	-	-	5,910
Universidad de Antioquia	2,404	87	1,696	2,489	132	1,911
Otros	14,689	3,098	24,246	7,757	2,826	23,146
Total	348,246	3,903	223,373	169,767	6,580	188,617