



# EMPRESAS PÚBLICAS DE MEDELLIN E.S.P. and SUBSIDIARIES

Interim Condensed Consolidated Financial Statements and Notes

Under International Financial  
Reporting Standards  
(Unaudited)

March 31, 2016 and December 31, 2015

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

As of March 31, 2016 and December 31, 2015

Amounts stated in millions of Colombian pesos

	Notes	March 2016	December 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Properties, plant and equipment, net	7	26,250,171	25,783,576
Investment properties		165,172	165,488
Goodwill		3,108,541	3,124,194
Other intangible assets		1,736,299	1,758,576
Investments in associates		1,856,845	1,908,319
Investments in joint ventures		99	99
Asset for deferred tax		144,446	170,421
Trade debtors and other accounts receivables		1,028,003	1,028,590
Other financial assets		2,786,442	2,459,117
Other assets		94,280	93,316
<b>Total non-current assets</b>		<b>37,170,298</b>	<b>36,491,696</b>
<b>Purchases and sales from/to non-controlling interests</b>			
Inventories		358,788	351,251
Trade debtors and other accounts receivable		2,643,908	2,663,051
Assets for current taxes		338,920	290,255
Other financial assets		578,824	511,516
Other assets		279,886	315,679
Cash and cash equivalents		1,238,091	1,338,626
<b>Total Current assets</b>		<b>5,438,417</b>	<b>5,470,378</b>
<b>Total assets</b>		<b>42,608,715</b>	<b>41,962,074</b>
<b>Debit balances of deferred regulatory accounts</b>		-	-
<b>Deferred tax assets related to balances of deferred regulatory accounts</b>		<b>16,776</b>	<b>17,967</b>
<b>Total assets and debit balances of deferred regulatory accounts</b>		<b>42,625,491</b>	<b>41,980,041</b>

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

As of March 31, 2016 and December 31, 2015

Amounts stated in millions of Colombian pesos

<b>Liabilities and Equity</b>			
<b>Equity</b>			
Capital		67	67
Premium on placement of shares		(4,835)	(2,700)
Treasury shares		-	(0)
Reserves		3,596,477	3,836,190
Other accumulated comprehensive income		2,836,800	2,671,869
Accumulated results		11,554,426	10,533,254
Net result of the period		98,643	931,422
<b>Equity attributable to controlling interests</b>		<b>18,081,578</b>	<b>17,970,102</b>
Non controlling interests		769,357	843,974
<b>Total equity</b>		<b>18,850,935</b>	<b>18,814,075</b>
<b>Non current liabilities</b>			
Credits and loans	10,11	12,154,413	10,380,634
Creditors and other accounts payable		464,344	444,617
Other financial liabilities		524,990	549,117
Employee benefits		739,393	737,178
Net liability for deferred tax		2,745,112	2,675,636
Provisions	12	510,771	506,309
Other liabilities		126,770	131,956
<b>Non current liabilities</b>		<b>17,265,793</b>	<b>15,425,447</b>
<b>Current liabilities</b>			
Credits and loans	10,11	2,903,861	4,258,238
Creditors and other accounts payable		2,369,920	2,301,370
Other financial liabilities		270,905	238,478
Employee benefits		183,016	177,941
Income tax payable		216,493	213,359
Taxes contributions and rates payable		208,462	159,420
Provisions	12	128,516	122,747
Other liabilities		171,669	209,074
<b>Total current liabilities</b>		<b>6,452,842</b>	<b>7,680,627</b>
<b>Total liabilities</b>		<b>23,718,635</b>	<b>23,106,074</b>
Credit balances of deferred regulatory accounts		55,921	59,891
Deferred tax liabilities related to balances of deferred regulatory accounts		-	-
<b>Total liabilities and credit balances of deferred regulatory accounts</b>		<b>23,774,556</b>	<b>23,165,965</b>
<b>Total liabilities and equity</b>		<b>42,625,491</b>	<b>41,980,041</b>

The accompanying notes are an integral part of the financial statements

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

For the periods from January 1 and March 31, 2016 and 2015

Amounts stated in millions of Colombian pesos

	Notes	2016	2015
<b>Continued operations</b>			
Sale of goods		21,765	3,400
Rendering of services		3,727,264	3,017,596
Leases		15,085	13,642
Other income		65,545	34,664
<b>Income from ordinary activities</b>		<b>3,829,659</b>	<b>3,069,302</b>
Profit in sale of assets		2,926	1,329
<b>Total income</b>	13	<b>3,832,585</b>	<b>3,070,631</b>
Costs for rendering services	14	(3,077,186)	(1,983,395)
Administration expenses	15	(405,455)	(372,563)
Other expenses	16	(25,880)	(10,688)
Financial income	17	87,183	83,365
Financial expenses	17	(224,722)	(176,876)
Net exchange difference	18	194,479	(40,624)
Equity method in associates and joint business		(53,963)	(39,067)
Purchases and sales non controlling interest		35,096	93,449
<b>Result for the period before tax</b>		<b>362,137</b>	<b>624,232</b>
Income tax		(230,465)	(198,929)
<b>Result of the period after taxes of continued operations</b>		<b>131,672</b>	<b>425,303</b>
Discontinued operations		-	-
<b>Net result of period before net movement in balances of deferred regulatory accounts</b>		<b>131,672</b>	<b>425,303</b>
Net movement in balances of net regulatory accounts related to the result of the period		956	(38,854)
Net movement in deferred tax related to deferred regulatory accounts related to the results of the period		(482)	3,000
<b>Net result of the period and net movement in balances of deferred regulatory accounts</b>		<b>132,146</b>	<b>389,449</b>
<i>Other comprehensive income, net of taxes</i>			
<b>Items that will not be reclassified subsequently to the result of the period</b>			
New measurements of defined benefit plans		(390)	1,607
Equity investments measured at fair value through equity		324,165	(104,676)
Income tax related to components that will not be reclassified		(24,938)	(244)
		<b>298,837</b>	<b>(103,313)</b>
<b>Items that may be reclassified subsequently to the result of the period :</b>			
<b>Cash flow hedging</b>		-	<b>19,946</b>
Result recognized of the period		-	67,694
Reclassification adjustment		-	(47,748)
<b>Exchange differences for conversion of business abroad *</b>		<b>(50,237)</b>	<b>104,570</b>
Profit (loss) recognized in the period		(50,237)	104,570
<b>Income tax related to the components that can be reclassified</b>		-	<b>(52,333)</b>
		<b>(50,237)</b>	<b>72,183</b>
<b>Other comprehensive income, net of taxes</b>		<b>248,600</b>	<b>(31,130)</b>
<b>Total comprehensive income for the period</b>		<b>380,746</b>	<b>358,319</b>
<b>Result of the period attributable to:</b>			
Owners of the company		98,641	355,750
Non controlling interest		33,505	33,699
		<b>132,146</b>	<b>389,449</b>
<b>Total comprehensive income attributable to:</b>			
Controlling interests		347,217	326,161
Non controlling interests		33,529	32,158
		<b>380,746</b>	<b>358,319</b>

The accompanying notes are an integral part of the financial statements

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN THE EQUITY

For the periods between January 1 and March 31, 2016 and 2015

Amounts stated in millions of Colombian pesos

	Other comprehensive income												
	Capital issued	Premium on placement of shares	Treasury stock	Reserves	Accumulated results	Equity Investment	Defined benefit plans	Cash flow hedging	Conversion differences	Appreciation of properties, plant and equipment	Attributable to controlling interests	Non controlling interests	Total
<b>Balance as of January 1, 2015</b>	67	(3,053)	-	3,139,572	11,240,053	1,841,717	51,047	(10,996)	356,743	6,117	16,621,267	736,370	17,357,637
Income for the period	-	-	-	-	355,750	-	-	-	-	-	355,750	33,699	389,449
Other comprehensive income of the period net of income tax	-	-	-	-	-	(104,920)	1,422	(32,387)	106,296	-	(29,589)	(1,542)	(31,131)
<b>Comprehensive income for the period</b>	-	-	-	-	355,750	(104,920)	1,422	(32,387)	106,296	-	326,161	32,157	358,318
Surpluses and dividends declared	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of reserves	-	-	-	481,281	(481,281)	-	-	-	-	-	-	-	-
Purchases and sales to non-controlling interests	-	5	-	-	-	-	-	-	-	-	5	(5)	-
Effect by disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movement of the period	-	-	-	-	50,051	2,225	(8,652)	-	(5,036)	(6,112)	32,476	(23,985)	8,491
<b>Balance as of March 31, 2015</b>	67	(3,048)	-	3,620,853	11,164,573	1,739,022	43,817	(43,383)	458,003	5	16,979,909	744,537	17,724,446
<b>Balance as of January 1, 2016</b>	67	5,584	-	3,827,907	11,464,675	1,763,131	46,233	-	857,582	3,335	17,970,102	843,974	18,814,076
Income for the period	-	-	-	-	98,643	-	-	-	-	-	98,643	33,505	132,148
Other comprehensive income of the period net of income tax	-	-	-	-	-	299,244	(479)	-	(50,189)	-	248,576	24	248,600
<b>Comprehensive income for the period</b>	-	-	-	-	98,643	299,244	(479)	-	(50,189)	-	347,219	33,529	380,748
Surpluses and dividends declared	-	-	-	-	(186,983)	-	-	-	-	-	(186,983)	(43,326)	(230,309)
Appropriation of reserves	-	-	-	(239,469)	239,469	-	-	-	-	-	-	-	-
Purchases and sales to non-controlling interests	-	(2,136)	-	(236)	-	-	-	-	-	-	(2,372)	2,372	-
Transfer to accumulated results	-	-	-	-	(17)	17	-	-	-	-	-	-	-
Effect by disposal of subsidiary	-	-	-	(8)	(94)	-	-	-	-	-	(102)	(2,461)	(2,563)
Other movement of the period	-	(8,283)	-	8,283	37,376	-	-	-	(83,663)	-	(46,287)	(64,730)	(111,017)
<b>Balance as of March 31, 2016</b>	67	(4,835)	-	3,596,477	11,653,069	2,062,392	45,754	-	723,730	3,335	18,081,577	769,358	18,850,935

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Periods ended as of March 31, 2016 and 2015

Amounts stated in millions of Colombian pesos

	2016	2015
<b>Cash flows for operating activities:</b>		
Results of the period attributable to controlling interests	98,643	355,750
<b>Adjustments to reconcile the net result of the period to the net cash flows used in operating activities:</b>		
Depreciation and amortization of properties, plant and equipment and intangible assets	219,891	183,614
Impairment of property, plant and equipment and intangibles	17	169
Impairment of financial instruments	18,274	5,602
Reversal of loss for impairment of financial instruments	(783)	(3,105)
Reversal of loss for impairment of others financial assets	-	(2,327)
(Profit) loss for net exchange difference	(107,977)	140,202
(Profit) loss for valuation of financial instruments and hedge accounting	174,773	(82,104)
Provisions, post-employment and long term defined benefit plans	29,418	16,726
Government subsidies applied	(277)	(538)
Deferred income tax	138,534	(16,501)
Current income tax	87,494	198,929
Participation in the profit (loss) of investments in associates and joint business	53,963	39,067
Interest income	(56,404)	(36,223)
Interest expense	37,399	159,751
(Profit) loss for disposal of properties, plant and equipment, intangibles and investment properties	14,599	612
Profit (loss) for disposal of non-current assets held for sale and other assets	(2,926)	-
Non-controlling interests	33,505	32,143
Dividends from investments	(35,096)	(93,449)
Other income and expenses not effective	(397,257)	431,786
	<u>305,790</u>	<u>1,330,104</u>
<b>Purchases and sales to non-controlling interests</b>		
(Increase)/decrease in inventories	(7,883)	(11,457)
(Increase)/decrease in debtors and other accounts receivable	271,802	12,635
(Increase)/decrease in accounts receivable due from customers on construction contracts	-	2,244
(Increase)/decrease in other assets	(47,504)	467,962
Increase/(decrease) in creditors and other accounts payable	86,069	(29,813)
Increase/(decrease) in labor obligations	(22,888)	5,205
Increase/(decrease) in provisions	-	(22,933)
Increase/(decrease) in other liabilities	(48,903)	(36,671)
	<u>(364,542)</u>	<u>(264,148)</u>
Interest paid	(70,297)	(52,776)
Income tax paid and equity tax	(70,297)	(52,776)
<b>Net cash flows originated by operating activities</b>	<b>101,644</b>	<b>1,400,352</b>
<b>Cash flows for investment activities:</b>		
Acquisition of subsidiaries or business, net of cash acquired	-	(1)
Disposal of subsidiaries or business	(5,871)	-
Acquisition of property, plant and equipment	(851,253)	(759,550)
Disposal of property, plant and equipment	2,926	-
Acquisition of intangible assets	(3,930)	(58,508)
Acquisition of investment properties	-	5,125
Acquisition of investments in financial instruments	(79,973)	(51,475)
Disposal of investments in financial instruments	277	4,903
Interest received	56,404	36,223
Other dividends received	1	881
Other cash flows from investment activities	12,597	32,482
<b>Net cash flows originated by investment activities</b>	<b>(868,822)</b>	<b>(789,920)</b>
<b>Cash flows for financing activities:</b>		
Obtaining of public credit and treasury	1,437,287	891,289
Payments of public credit and treasury	(597,421)	(489,916)
Payments of liabilities for financial leasing	(298)	(355)
Dividends or surpluses paid	(186,982)	(272,659)
Capital subsidies	63	-
<b>Net cash flows originated by financial activities</b>	<b>652,649</b>	<b>128,359</b>
<b>Net cash and cash equivalent increase/(decrease)</b>	<b>(114,529)</b>	<b>738,791</b>
Effects of variations in exchange rates in the cash and cash equivalents	13,994	8,921
Cash and cash equivalent at the beginning of period	1,338,626	1,023,734
<b>Cash and cash equivalent at the end of the period</b>	<b>1,238,091</b>	<b>1,771,446</b>
Restricted resources	<u>200,462</u>	<u>18,076</u>

The accompanying notes are an integral part of the financial statements

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## Notes to the condensed consolidated financial statements of Empresas Públicas de Medellín E.S.P. and Subsidiaries for the periods ended as of March 31, 2016, and December 31, 2015

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

### Note 1. Reporting Entity

Empresas Públicas de Medellín E.S.P. (hereinafter, "EPM Group") is the holding company of a multi-Latin enterprise group formed by 48 companies and one structured entity, that have presence in the provision of public utilities in Colombia, Chile, El Salvador, Guatemala, Mexico and Panama.

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

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

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EPM Group offers its services through the following sectors:

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

The consolidated financial statements of EPM Group corresponding to the year ended as of December 31, 2015 and 2014, were authorized by the Board of Directors to be published on March 31, 2016. The main activities of EPM Group are described in Note 20 – Operation Segments.

#### 1.1 Legal and regulatory framework

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

##### 1.1.1 Legislation for Colombia



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

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

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

#### 1.1.1.1 Regulation commissions

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

These entities are:

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

#### 1.1.1.2. Regulation by sector

##### 1.1.1.2.1. Activities of the aqueduct, sewage and cleaning sector

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

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

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

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

##### 1.1.1.2.2 Electric sector activities

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

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

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

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

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

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

#### 1.1.1.2.3 Activities of the natural gas sector

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

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

### 1.1.2. Legislation for Chile

#### 1.1.2.1 Electric sector activities

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

In Chile there are four electric systems interconnected: the Interconnected System of the Great North (“Sistema Interconectado del Norte Grande – SING”) that covers the territory included between the cities of Arica and Antofagasta, with 28.06% of the country’s installed capacity; the Central Interconnected System (“Sistema Interconectado Central – SIC”) that goes between the locations of Taltal and Chiloé, with 71.03% of the country’s installed capacity; the Aysén System that covers the consumption of Region XI, with 0.29% of the capacity; and the Magallanes System that supplies Region XII, with 0.62% of the country’s installed capacity.

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

#### 1.1.2.2 Sanitary service activities

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

#### 1.1.2.1 Regulatory framework

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

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

- Law N° 20402 of 2009. It creates the Ministry of Energy, establishing modifications to the Decree Law N° 2224 and to other legal bodies.

- Law N° 20257 of 2008. It introduces modifications to the Electric Services General Act (“Ley General de Servicios Eléctricos - LGSE”) regarding the electric power generation with non-conventional renewable energy sources.
- Decree Law N° 4 DFL N° 4 of 2007. It approves modifications to the Decree Law N° 1 of 1982, Electric Services General Act, on electric power matters.
- Decree Law N° 1 DFL N° 1 of 1982. The Electric Services General Act establishes the fundamental norms for the development of the economic activity in the electric industry. It may only be modified at the National Congress and its most relevant modifications are those that are applied through Law N° 19.940 of 2004 (Short Act I (“Ley Corta I”)), that reformed the regulatory framework of the Transmission, and Law N° 20.018 of 2005 (Short Act II (“Ley Corta II”)), that reformed the commercialization regime between generators and distributors for the supply of regulated clients. The bylaws, in turn, are elaborated by the sectorial bodies of the Executive Power and must be submitted to the norms established in the Law.

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

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

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

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

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

- Regulations of the General Sanitary Service Law (Supreme Decree MOP No. 1199, Dec/2004 – Published in the Official Diary on November 9, 2005): they approve the regulations of sanitary concessions of production and distribution of potable water and collection and disposal of waste water and of the regulations on the quality of the customer service to the users of these services.
- Law of rates of sanitary services: Decree with Force of Law MOP No. 70 of 1988 – Published in the Official Diary on March 30, 1988.
- Code of Waters and its modifications: the Decree with Force of Law No. 1.122 regulates the property and the right of the use of the water. The latest modifications are: Law No. 20.017 of 2005 and Law No 20.099 of 2006.
- Regulation of the General Law of Sanitary Services Supreme Decree MOP No. 1199, December/2004: approves the regulations of the sanitary concession of production and distribution of potable water and of collection and disposal of waste water and of the regulations on the quality of the customer services to the users of these services.

### 1.1.2.2 Regulatory entities

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

- Ministry of Economy, Promotion and Reconstruction: It designs and watch for the implementation of public policies that affect the country’s competitiveness. Its main action axes are related to the design and promotion of the Innovation and Entrepreneurship Policies.

- **Ministry of Energy:** It is the higher body of collaboration to the President of the Republic in the functions of governance and administration of the energy sector. This public body is responsible for determining the plans, policies and norms for the development of the electric sector. Further, it grants concessions for hydro-electrical centrals, transmission lines, substations, and electric distribution zones. The National Energy Commission (“Comisión Nacional de Energía - CNE”) is attached to the Ministry of Energy.
- **National Energy Commission (“Comisión Nacional de Energía - CNE”):** The Comisión Nacional de Energía (CNE) is a public decentralized entity with its own equity and full capacity to acquire and exercise rights and obligations that relate to the President of the country through the Ministry of Energy. In particular, the Comisión Nacional de Energía leads the tariff fixation processes to the electricity and gas companies of the network. It is responsible for designing technical standards and calculating the regulated prices established in the Law. Likewise, it monitors and projects the current and expenses operation of the energy sector, through the generation of the works plan that constitutes an indicative guide for a ten-year expansion of the system. Likewise, proposes to the Ministry of Energy the legal and regulatory norms that are required in the matters of its competence.
- **Office of the Superintendent of Electricity and Fuels (“Superintendencia de Electricidad y Combustibles - SEC”):** It is the public body whose mission is to watch over the adequate operation of the electricity, gas and fuels services, in terms of their safety, quality and price. In addition to fixing technical standards, the SEC’s objective is to audit and oversee compliance with the legal and regulatory norms for generation, production, storage, transportation and distribution of liquid fuels, gas and electricity, to verify that the quality of services that are provided to the users be the one stated in those decisions and technical norms and that the operations and the use of the energy resources do not constitute danger to the people or their things. The institutional framework of SEC is Law 18410 of 1985, modified by Law 20402.
- **Economic Center of Cargo Shipping (“Centro Económico de Despacho de Carga”) (SIC):** The CDEC-SIC is the entity in charge of coordinating and determining the operation of SIC facilities, including power generating station, lines and substations of the transmission and consumption bars system of free clients. Amongst its functions are: watching over the service security in the electrical system; guaranteeing the most economical operation of the set of facilities of the electrical system; and guaranteeing the right of way on the transmission systems established through electrical concession decree. The CDEC-SIC is integrated by the power generators, transmitters and free clients that operate in the SIC, and the members are the ones that fund it. The institutional framework of CDECs is Decree 291.
- **Economic Cargo Shipping Center (“Centro de Despacho Económico de Carga”) (SING):** The CDEC-SING is the body in charge of coordinating and determining the operation of the SING facilities. It is analog to the CDEC-SIC.

Some of the major regulatory entities at the sanitary level (potable water and sewerage system)

- **Ministry of Public Works (MOP):** grants the concessions and promotes the supply of water and the sanitation in rural zones through its Sanitation Programs Department. Besides to the functions that are proper to it, in respect to the sanitary sector it corresponds to the administration of the legislation on the subject of water resources, the assignment of water rights and the approval of the concession rights to establish, construct and exploit sanitary services.
- **Superintendency of Sanitary Service (SISS):** entity of the State of Chile that regulates and monitors the companies that provide the potable water service and collection and treatment of wastewater of the urban population.
- **Ministry of Health:** monitors the quality of water in the sanitary services that are not under the jurisdiction of the Superintendency (that are not sanitary public utilities) and officializes the rules of quality studied under the provisions of the National Standardization Institute.
- **Ministry of Economy, Development and Reconstruction:** It promotes and monitors the activities in the sectors of the industry, services and commerce. Its main function in respect to the sanitary sector is the determination of regulated prices, at the proposal from the Superintendency.

### 1.1.3. Legislation for El Salvador

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

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

#### 1.1.3.1 . Regulatory framework

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

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

#### 1.1.3.2 . Regulatory entities

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

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

#### 1.1.4 Legislation for Guatemala

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

##### 1.1.4.1 Regulatory framework

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

##### 1.1.4.2 Regulatory entities

Some of the main energy regulatory entities in Guatemala are:

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

### 1.1.5 Legislation for México

#### 1.1.5.1 Regulatory framework for the water and sanitary

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

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

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

#### 1.1.5.2 Regulatory entities

Some of the main energy regulatory entities in Mexico are:

- Secretariat of the Environment and Natural Resources (“Secretaría de Medio Ambiente y Recursos Naturales - SEMARNAT”): In the different environments of the society and of the public function, it incorporates criteria and instruments that assure the optimal protection, preservation, and utilization of the country’s natural resources, thus forming an integral and

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

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

### 1.1.6 Legislation for Panama

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

#### 1.1.6.1 Regulatory framework

The regulatory regime mainly consists of the following norms:

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

#### 1.1.6.2 Regulatory entities

Some of the main energy regulatory entities in Panama are:

- The Energy Secretariat (“Secretaría de Energía”): its mission is to formulate, propose and promote the national energy policy with the purpose of guaranteeing the security of the supply, the rational and efficient use of the resources and energy in a sustainable fashion, as per the National Development Plan (“Plan de Desarrollo Nacional”). Currently, it is processing before the Electrical Transmission Company (“Empresa de Transmisión Eléctrica - ETESA”) the formation of an energetic matrix with greater and more varied renewable and clean resources (Aeolian, gas, among others.)
- The National Authority of the Public Services (“Autoridad Nacional de los Servicios Públicos - ASEP”): Established according to the law of the regulatory entity of public services of 1996. It is an autonomous Government entity with the responsibility



of regulating, controlling, and auditing the provision of the water and sanitary sewage, telecommunications, radio and television, electricity and natural gas services.

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

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

## 1.2. External Audit

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

## Note 2. Significant accounting policies

### 2.1 Bases for preparation of the consolidated financial statements

The consolidated financial statements of EPM Group are prepared in conformity with the International Financial Reporting Standards (hereinafter, IFRS) and the International Accounting Standards (hereinafter, IAS) issued by the International Accounting Standards Board (hereinafter, IASB), as well as the interpretations issued by the Interpretations Committee (hereinafter, IFRIC).

The interim financial statements as of March 31, 2016 have been prepared in accordance with IAS 34, Interim Financial Information appearing on international financial reporting standards issued by the IASB (for its acronym in English). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the financial statements for the annual period ended December 31, 2015.

The presentation of financial statements in conformity with IFRS require making estimates and assumptions that affect the amounts reported and disclosed in the financial statements, without undermining the reliability of the financial information. Actual results may differ from those estimates. The estimates and assumptions are constantly revised. The review of accounting estimates is recognized in the period where the estimates are revised if the review affects such period or in the review period and future periods, if it affects both the current and the future periods. The estimates made by Management, in applying the IFRS, that have a material effect on the financial statements, and those that imply significant judgments for the annual financial statements, are described in greater detail on Note 4 – Significant accounting judgments, estimates, and causes for uncertainty in the preparation of the financial statements.



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

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

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

## 2.2 Consolidation principles

The consolidated financial statements include the financial statements of EPM and of its subsidiaries as of March 31, 2016 and December 31, 2015. Using the global integration method, EPM consolidates the financial results of the companies on which control is exercised, and which are detailed in Note 8.

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

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

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

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

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

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

Intra-group assets, liabilities, equity, revenues, costs, expenses and cash flows are eliminated in the preparation of the consolidated financial statements.

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

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

Any changes in the interest share of EPM Group in subsidiaries that do not result in the loss of control, are recorded as equity transactions. The carrying value of EPM Group's controlling interest and the non-controlling interest are adjusted to reflect the

changes in their relative interest in the subsidiaries. Any difference between the amount for which the controlling interest, the non-controlling interest, and the fair value of the consideration paid or received are adjusted, is directly recognized in net equity.

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

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

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

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

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

- When EPM Group keeps a derivative, for which the hedging accounting is not applied, during a term exceeding twelve (12) months as from the presentation date, the derivative is classified as non-current (or divided into current and non-current portions) so that it corresponds with the classification of the underlying item.
- Implicit derivatives that are not closely related to the host contract are classified coherently with the cash flows of the host contract.
- Derivative instruments that are designated as hedging instruments and that are effective, are classified coherently with the classification of the underlying hedged item. The derivative instrument is divided into a current portion and another non-current only if such assignment can be made reliably.

### 2.4 Cash and cash equivalents

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

### 2.5 Business combinations

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

Identifiable assets acquired, contingent assets and liabilities assumed from the acquired entity are recognized at fair value on the acquisition date, the acquisition costs are recognized in the results for the period, and the goodwill as an asset in the consolidated statement of financial position.

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

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

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

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

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

As of the acquisition date, for each business combination EPM Group selects to measure the non-controlling interest at fair value or by the proportional part of the identifiable assets acquired, the liabilities and contingent liabilities assumed from the acquired entity.

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

If the initial recording of a business combination is not finalized at the end of the period for presentation of the financial statements when the combination takes place, the Group reports the provisional amounts of the items for which recording is incomplete. During the measurement period, the acquiring entity recognized adjustments to the provisional amounts or recognizes additional assets or liabilities necessary to reflect the new information obtained on facts and circumstances that existed on the acquisition date and, if they had been known, they would have affected the measurement of the amounts recognized on that date.

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

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

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

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

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

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

## 2.6 Investments made in associates and joint ventures

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

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

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

Investments in associates and joint ventures are measured in the consolidated financial statements by the equity method, except if the investment or a portion thereof is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Through this accounting methodology, the investment is initially recorded at cost and is later adjusted in terms of the changes experienced, after the acquisition, by the portion of the net assets of the entity that corresponds to the investor. The Profit and Loss of the Group includes its participation in the Profit and Loss of the entity in which the interest is held and the other comprehensive income of the Group includes its participation in the other comprehensive income of the entity in which the interest is held. When the participation of the Group in the loss of an associate or joint venture exceeds the participation of the Group thereon (which includes any long term participation that, in substance, forms part of the net investment of the Group in the associate or joint venture), the Group ceases to recognize its participation in future losses. Additional losses are recognized provided that the Group has contracted some legal or implied obligation or has made payments in the name of the associate or joint venture.

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

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

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

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

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

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

## 2.7 Joint Operations

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

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

## 2.8 Foreign currency

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

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

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

For the presentation of the consolidated financial statements of EPM Group, the assets and liabilities of the foreign businesses, including the goodwill and any adjustment to the fair value of the assets and liabilities that arose from the acquisition, are

translated into Colombian pesos using the exchange rate in force and effect as of the closing date of the period being reported. The revenues, costs and expenses and cash flows are translated using the average exchange rates of the period.

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

The adjustments corresponding to goodwill and the fair value over identifiable assets and liabilities acquired that are generated in the acquisition of a foreign business are considered as assets and liabilities of such transaction and are translated using the exchange rate in force and effect at the end of each period being reported. Any exchange difference that may arise shall be recognized in other comprehensive income.

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

## 2.9 Ordinary income

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

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

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

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

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

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

## 2.10 Construction contracts

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

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

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

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

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

### 2.11 Government grants

Government grants are recognized at fair value when there is reasonable security that those subsidies shall be received and that all conditions linked to them shall be met. The grants that pretend to offset costs and expenses already incurred in, without subsequent related costs, are recognized in the statement of income of the period when they become enforceable. When the grants related to an asset, it is recorded as deferred income and is recognized in the result for the period on a systematic basis throughout the estimated useful life of the corresponding asset. The benefit if a government loan at an interest rate below market is treated as a government subsidy, measured as the difference between the amounts received and the fair value of the loan based upon the market interest rate.

### 2.12 Taxes

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

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

#### Income tax

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

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

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

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

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

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



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

Deferred tax assets and liabilities are measured at the fiscal rates expected to be applied in the period when the asset is realized or the liability is cancelled, based upon the fiscal rates and norms that were approved on the presentation date, or the approval procedure of which is about to be completed for such date. The measurement of deferred tax assets and liabilities will reflect the fiscal consequences that would be derived from the fashion in which the entity expects to recover or liquidate the carrying value of its assets and liabilities, at the end of the period being reported.

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

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

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

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

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

### **Value Added Tax – VAT**

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

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

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

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

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

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

### **Wealth tax**

In order to determine the accrual of the tax under IFRS, it is necessary to analyze the event or activity that produces the payment of the tax, that is, the taxable base, as stated in IFRIC 21 (IFRIC – International Financial Reporting Standards Interpretations Committee) in paragraphs 8, 9 and 10. For the wealth tax, as defined in Article 4 of Law 1739 of 2014, the taxable base is the value of the gross equity of the legal persons and de factor corporations owned as of January 1, 2015, 2016 and 2017, that is



there is an “binding event” that generates the obligation in respect to the tax authority only upon arriving to January 1 of each of these years, therefore in this period it is when the tax of each year must be accrued; on the other hand, taking into consideration that this tax does not meet the conditions of being an asset, it is recorded in the Comprehensive income statement as an expense.

### 2.13 Non-current assets held for sale and discontinued operations

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

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

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

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

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

### 2.14 Property, plant and equipment

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

All properties under construction for purposes of administration, production or supply of services are recorded at cost less any recognized impairment cost. Cost includes the professional fees and, in the case of those qualified assets, the costs for loans capitalized in conformity with the EPM Group’s accounting policy. Those properties are classified into the appropriate categories of property, plant and equipment upon their termination and when they are ready for their intended use. The depreciation of these assets, according to the same basis of the other properties assets, starts when the assets are ready to be used.

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

The replacement of certain intervals of significant components as well as the significant inspections, are recognized as components of property, plant and equipment with specific useful lives and their respective depreciations. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred, except when they increase the useful life, increase the productive capacity and efficiency thereof, or reduce costs to the Company, in which case they are capitalized.

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

<b>Plants, ducts and tunnels</b>	
Civil work	50 to 100 years
Equipment	10 to 100 years
<b>Networks, lines and cables</b>	
Electrical transmission network	30 to 40 years
Electrical distribution network	30 to 40 years
Aqueduct network	40 to 80 years
Residual waters network	30 to 80 years
Gas network	60 to 80 years
<b>Buildings</b>	50 to 100 years
Communications and computing equipment	5 to 40 years
Machinery and equipment	7 to 40 years
Furniture, fixtures and office equipment	10 to 15 years

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

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

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

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

## 2.15 Leases

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

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

### EPM Group as a lessee

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

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

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

### **EPM Group as a lessor**

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

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

### **2.16 Loan costs**

Loan costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial time to be prepared for their destined use or sale, are capitalized as part of the cost of the respective asset until the asset is ready for their intended use. The revenue from the temporary investment in specific loans pending to be consumed in qualified assets is deducted from the costs for loans that are fit for their capitalization. All other loan costs are recorded as expenses in the period when incurred. Loan costs consists of interest and other costs incurred in by EPM with respect to the loan of funds.

### **2.17 Investment properties**

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

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

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

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

### **2.18 Intangible assets**

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

The useful lives of intangible assets are determined as finite or undefined. Intangible assets with finite useful lives are amortized throughout their economic useful life on a linear basis and are evaluated to determine whether they had any value impairment, provided that there are indications that the intangible asset could have suffered such impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are revised at least at every period's closing. Any changes in the expected useful life or the expected consumption pattern of the future economic beneficiaries of the asset are recorded when changing the amortization period or method, as the case may be, and are treated as changes in the accounting estimates. The amortization expense of intangible assets with finite useful lives is recognized in the statement of comprehensive income in the section "result for the period" in the category of expenses that shall result being coherent with the intangible asset's function.

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

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

### ***Research and Development Costs***

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

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

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

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

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

### ***Goodwill***

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

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

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

## Other intangible assets

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

## 2.19 Financial instruments

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

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

### Financial assets

At the moment of initial recognition, EPM Group classifies its financial assets for subsequent measurement at amortized cost or fair value depending upon the business model of EPM Group to manage financial assets and the characteristics of the contractual cash flows of the instrument.

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

### Impairment of financial assets

For assets at amortized cost, the impairment value is evaluated on the date of the period being reported, if there is evidence of impairment. Whenever there is objective evidence that a value impairment loss of financial assets at amortized cost has been incurred in, the value of the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the investment. Value impairment losses are recognized in the results for the period.

EPM Group evaluates first if there is objective individual evidence of impairment value for financial assets or collectively for the financial assets that are not individually significant or when there is objective evidence of impairment value for a financial asset that has been individually evaluated. When the collective impairment evaluation is made, the accounts receivable are grouped by similar credit risk characteristics that allow identifying the debtor's payment capacity, according to the contractual terms of negotiation of the account receivable. EPM Group uses the expected loss method denominated cascade to collectively determine the impairment losses.

The objective evidence that an asset or group of assets is impaired includes:

- a) Significant financial difficulties of the issuer or the counterparty;
- b) Infractions of contractual clauses, such as breaches or delinquency in the payment of interest or principal;
- c) The lender grants concessions or advantages that would have not granted under other circumstances;
- d) It is probable that the borrower enters in bankruptcy or in other financial reorganization way;
- e) The disappearance of an active market for the financial asset evaluated.

If in subsequent periods, the value of the impairment loss decreases and the decrease may be objectively related to the event that generated the recognition of the impairment, the previously recognized impairment loss shall be reverted, thus guaranteeing that the carrying value of the financial asset exceeds the amortized cost that would have been determined had the value impairment loss not been recorded on the reversal date. The reversal amount shall be recognized in the results for the period.

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

The fair value through results category includes the investments that are made to optimize liquidity surpluses, i.e., all those resources that are not immediately devoted to the development of the activities that form the company’s corporate purpose. The investment of the liquidity surpluses is made under the criteria of transparency, security, liquidity and profitability, under the guidelines of an adequate control and in market conditions without speculative purposes (Decree of the General Manager of EPM No. 1651 of 2007).

Taking into consideration the provisions of Decree 1525 of 2008 issued by the Ministry of Finance and Public Credit, modified by Decree 2805 of 2009, all investments to optimize liquidity surpluses in EPM and its subsidiaries may become “B” Class, fixed-rate or indexed-at-UVR Treasury Securities TES, and term deposit certificates, deposits in current account, savings account or term deposits in bank establishments supervised by the Office of the Superintendent of Finance in Colombia or in special-regime entities, contemplated in part ten of the Financial System Organic Statute, and in collective portfolios of the monetary market or open market with not permanence agreement in entities with the maximum rating in force and effect in strength or quality in the portfolio management and that comply with the investment regime foreseen for EPM Group.

The bank establishments where surpluses are invested must count in a current rating, corresponding to the maximum short-term category according to the scales currently used by the security rating companies BRC Investor Services S.A. (BRC1+) and FITCH RATINGS (F1+), and at least count on the third best rating in force and effect for the long term used by the respective companies, which is equivalent to AA. Foreign currency surpluses may be invested in international governments or financial institutions with a minimum rating of A+ for the long term and A1+ for the short term, as well as in foreign branches of bank establishments under the supervision of the Office of the Superintendent of Finance in Colombia that have the maximum rating in force an effect for the long term and for the short term, as per the scale used by the risk rating companies that rate the Nation’s external debt.

### **Classification as debt or equity**

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

### **Financial liabilities**

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

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

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

### **Financial guarantee contracts**

The financial guarantee contracts issued by EPM Group are those contracts that require the making of a specific payment to reimburse the holder of the loss incurred in when a specified debtor does not meet their payment obligation, according to the

conditions of a debt instrument. The financial guarantee contracts are initially recognized as a liability at fair value, adjusted by the transaction costs that are directly attributable to the issuance of the collateral. Subsequently, the liability is measured at: (i) the best estimate of the disbursement required to settle the current obligation as of the presentation date; and (ii) the amount initially recognized less the accrued amortization, whichever is greater.

### **Write-off of financial assets and liabilities**

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

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

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

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

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

### **Compensation of financial instruments**

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

### **Derivative financial instruments**

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

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

Any gain or loss that arises from the changes in derivatives’ fair value is directly recognized in the statement of comprehensive income in the “statement of income” section, except for those that are under hedge accounting.



The derivatives implicit in main contracts are treated as separate derivatives whenever they meet the definition of a derivative and when their risks and characteristics are not closely related to those main contracts and the contracts are not measured at fair value with change in results.”

### Hedge accounting

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

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

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

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

A change in the fair value of a derivative that is a hedging instrument is recognized in the statement of comprehensive income, in the “statement of income” section as financial cost or revenue. A change in the fair value of the item hedged attributable to the risk hedged is recorded as part of the carrying value of the hedged item, and also is recognized in the statement of comprehensive income in the “statement of income” section as financial cost or revenue.

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

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

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

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

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

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



expected to happen, the accrued gain or loss previously recognized in the other comprehensive income is reclassified into the statement of comprehensive income in the “statement of income” section.

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

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

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

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

### Equity instruments

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

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

### Classification as debt or equity

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

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

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

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

### 2.20 Inventories

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

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

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

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

### 2.21 Impairment value of non-financial assets

As of every presentation date, EPM Group evaluates whether they have any indication that a tangible or intangible asset may be impaired. EPM Group estimates the recoverable value of the asset or cash-generating unit at the moment it detects an indication of impairment, or annually (as of December 31) for goodwill, intangible assets with undefined useful life and those that are still being used.

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

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

Losses for impairment of continued operations are recognized in the comprehensive income statement in the section income statement in those expense categories that correspond to the function of the impaired asset. Losses for impairment attributable to a Cash Generating Unit are assigned proportionately based in the book value of each asset to the non current assets of the Cash Generating Unit after extinguishing the goodwill.

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

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

### 2.22 Provisions

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

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

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

### **Dismantlement reserve**

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

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

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

### **Onerous Contracts**

EPM Group recognizes as provisions the current obligations that are derived from an onerous contract. An onerous contract is the one in which the unavoidable costs of complying with the obligations it implies, exceed the economic benefits that are expected to receive therefrom.

### **Contingent liabilities**

The possible obligations that arise from past events and the existence of which shall only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not entirely under EPM’s control or the current obligations that arise from past events, but that it is not probable, but possible, that on outlay of resources including economic benefits be required to liquidate the obligation or the amount of the obligation cannot be measured with enough reliability, are not recognized in the statement of financial position, they are rather disclosed as contingent liabilities. Contingent liabilities generated in a business combination are recognized at fair value on the acquisition date; subsequently they are measured at the value that should be recognized according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, or the value initially recognized less, the accrued amortization recognized according to IAS 18 Revenues from Ordinary Activities, whichever is greater.

### **Contingent assets**

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

## **2.23 Employee benefits**

### **2.23.1 Post-employment benefits**

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

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

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

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

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

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

### 2.23.2 Short-term employee benefits

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

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

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

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

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

### 2.23.3 Long-term employee benefits

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

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

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

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

#### 2.23.4 Benefits for termination

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

#### 2.24 Service concession agreements

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

This interpretation is applicable to those concessions where:

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

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

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

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

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

#### 2.25 Fair value

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

The fair value is determined:

- Based upon prices quoted in active or passive markets identical to those the Company can access on the measurement date (level 1).
- Based upon valuation techniques commonly used by market participants who use variables different from the quoted prices that are observable for the assets or liabilities, directly or indirectly (level 2).

- Based upon internal valuation techniques of cash flow discounts or other valuation models, using variables estimated by EPM Group non-observable for the asset or liability, in the absence of variables observed in the market (level 3).

Note 42 Measurement of Fair Value provides an analysis of the fair values of the financial instruments and non-financial assets and liabilities and greater details of their measurement.

## 2.26 Operating segments

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

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

## 2.27 Dividends in cash distributed to stockholders of the Group

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

## 2.28 Changes in estimates accounting policies and errors

**2.28.1 Changes in accounting estimates:** As of Marh 31, 2016, there are no significant changes in accounting estimates.

**2.28.2 Changes in accounting policies:** As of March 31, 2016, the Group made a change in the subsequent measurement of investments in subsidiaries to move from cost to equity method for companies with investments in subsidiaries, according to the amendment issued in August of 2014 to the IAS 27 separate financial Statements.

## 2.28.3 Application of new and revised standards

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

Standard	Date of mandatory application	Type of change
IFRS 15 Revenue from contracts with customers	January 1, 2018	New
IFRS 16 Leases	January 1, 2019	New
IFRS 9 Financial Instruments	January 1, 2018	Modification
IAS 7 Cash flows	January 1, 2017	Modification
IAS 12 Income taxes	January 1, 2017	Modification
IFRS 10 — Consolidated Financial Statements	Postponed	Modification

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

This new standard intends to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies of different industries and regions. It provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. In addition it requires more detailed disclosures. It would replace the standards IAS 18, Revenues and IAS 11 Construction Contracts, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of assets from customers and SIC 31 Barter Transactions Involving Advertising Services. Its application is effective as of January 1, 2018 and early application is permitted.

The Company is assessing the impacts that the mentioned new standard could generate.

**IFRS 16 Leases:** issued in January 2016, this new standards eliminates the difference between the operating and financial leasing (IAS 17) for the lessor and instead introduces two notions: lease and service agreement, the latter is only recorded as expense. In the case of the lessor the current practice is maintained, that is, the lessors continue classifying the leases as financial and operating leases. The advance anticipation is permitted if IFRS 15 – Revenues from contracts with customers.

The company is assessing the impacts that could generate the mentioned new standard.

**IFRS 9 Financial Instruments:** The modification to IFRS 9 issued in July 2014, changes the determination of the impairment of financial assets, passing to a model of expected losses. According to the impairment approach of IFRS 9, it is no longer necessary that an event related to the credit occurs before the credit losses are recognized. Instead, an entity will always account for the expected credit losses, as well as the changes in those expected credit losses. The amount of the expected credit losses is updated on each presentation date to reflect the changes in the credit risk since the initial recognition and, therefore, more timely information is provided on the expected credit losses.

The Company is still in the period of implementation of this change and it is assessing the impacts that the mentioned modification could generate.

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

It requests new information to be disclosed on the changes in the liabilities derived from the financing activities, such as: changes in cash flows from financing activities, changes derived from the obtaining or loss of control of subsidiaries or other business, the effect of the changes in the foreign exchange rates, the changes in the fair value and other changes. It also establishes that the changes in the liabilities derived from financing activities must be disclosed separately from the changes in other assets and liabilities, and includes a reconciliation between the beginning and ending balances in the statement of financial position, for the liabilities derived from financing activities. Early adoption is permitted.

**IAS 12 Income taxes:** the modification to IAS 12, issued in January 2016, clarifies that unrealized losses in debt instruments measured at fair value in the financial instruments but at cost for tax purposes may give rise to deductible temporary differences, which the carrying value of an asset does not limit the estimate of the probable future profits subject to taxes and that when the deductible temporary differences are compared to the future profits subject to taxes, the future profits subject to taxes exclude the tax deductions resulting from the reversal of those deductible temporary differences.

The company is assessing the impacts that the mentioned new standard could generate.

**2.28.4 Errors for previous periods:** As of March 31, 2016, there were not adjustments to the consolidated financial statements of errors for previous periods.

**2.28.5 Changes in presentation:** As of March 31, 2016, there were no changes to the consolidated financial statements.

### Note 3. Seasonality

EPM Group does not have seasonal operations during the period.

### Note 4. Significant accounting judgments, estimates, and causes of uncertainty in the preparation of financial statements.

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



Estimates are based upon historic experience and as a function of the best information available on the facts analyzed as of December 31, 2015 and 2014. These estimates are used for determining the value of the assets and liabilities in the separate financial statements, when it is not possible to obtain such value from other sources. EPM Group evaluates its estimates on a regular basis. Actual results may differ from those estimates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivatives are estimated at fair value.

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

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

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



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

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

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

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

– **Recoverability of deferred tax assets**

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

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

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

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

## Note 5. Significant transactions carried out and other relevant aspects during the interim period

### Indebtedness

On December 29, 2015, EPM signed a credit for USD 1,000 million with a group of seven banks, which will be intended to the financing of the budget and the investment plan of year 2016 of the Company. The loan was granted with a term of five years with single payment of principal at maturity, without the requirement of collateral, payable in advance, with a rate Libor + 1.40%, and will be disbursed over a period of 12 months. The participant banks in this operation were Bank of America, HSBC, Bank of Tokyo, Sumitomo, Citigroup, JP Morgan y Mizuho. Derived from the signature of the contract transaction costs for \$14,181 were paid corresponding to the contract signature commission, administrative agent commission and national and international lawyers. As of March 31, 2016, the company has disbursed a total of COP 653,674, equivalent to USD 200 million, these resources entered to EPM on January 12, 2016.

### Note 6. Surpluses

EPM Group paid ordinary surpluses during the period by \$186,893 (as of March, 2015 \$272,659).

## Note 7. Property, plant and equipment, net

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

	March 2016	December 2015
Cost	30,041,036	31,078,638
Accumulated depreciation and impairment	(3,790,865)	(5,295,062)
<b>Total</b>	<b>26,250,171</b>	<b>25,783,576</b>

During 2016, EPM Group has invested \$851,253 in infrastructure.

The main projects under construction are the following:

Project	March 2016	December 2015
Ituango	4,255,639	3,939,363
Bello waste water treatment plant	715,404	697,416
Nueva Esperanza	280,437	257,097
Conection Ecopetrol-Magdalena Medio	87,195	85,722
Conection San Nicolás d. Primaria	83,487	74,414
Cold District	33,441	33,686
Others	1,607,127	1,411,321
<b>Total</b>	<b>7,062,731</b>	<b>6,499,020</b>

Figures in millions of Colombian pesos

<sup>1</sup> As of March 31, 2016 the Ituango Hydroelectric Project shows the following progress:

Activity	Unit *	Total	Executed	% Executed
Excavations of spillway	m <sup>3</sup>	13,479,965	9,570,775	71%
Excavations in the dam	m <sup>3</sup>	1,094,352	596,094	54%
Fillings of the dam	m <sup>3</sup>	19,484,575	6,020,734	31%
Access galleries to dam injection gallery	m	1,874	1,835	98%
Dam injection gallery	m	874	674	77%
Auxiliary deviaton gallery (vault)	m	2,269	939	41%
Powerhouse excavations	m <sup>3</sup>	243,816	212,851	87%
Excavation in transformer cavern	m <sup>3</sup>	58,000	58,000	100%
Concrete in transformer cavern	m <sup>3</sup>	2,803	1,609	60%
Excavation return ditch 1	m <sup>3</sup>	88,788	88,788	100%
Excavation return ditch 2	m <sup>3</sup>	76,194	67,965	89%
Plant's constructure gallery	m	1,504	1,504	100%
Excavation floodgate sump pit yard	m <sup>3</sup>	647,000	647,000	100%
Excavations intake yard	m <sup>3</sup>	580,000	66,120	11%
Intermediate discharge tunnel	m	909	909	100%
Discharge tunnels N.1 to 4 (vaut)	m	3,149	2,797	89%
Lower conduction tunnels N.1 to 8	m	550	550	100%
Higher conduction tunnels N.1 to 8	m	936	432	46%
Pressure wells No. 1 to 8 - widening to 4 m	m	1,000	747	74%

• Measurement unit stated in cubic meters (m<sup>3</sup>) and meters (m)

## Note 8. Investment in subsidiaries

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

Name of subsidiary	Location (country)	Business	% ownership and voting rights		% participation of non-controlling interest		Date of creation
			2015	2014	2015	2014	
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	Colombia	Provides public utilities of electric power purchase and sale and distribution of electric power.	92.85%	92.85%	7.15%	7.15%	22/12/1988
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	Colombia	Provides public utilities of electric power, operation of electric power generation plants, transmission and subtransmission lines and distribution networks as well as the commercialization, import, distribution and sale of electric power.	80.10%	80.10%	19.90%	19.90%	09/09/1950
Electrificadora de Santander S.A. E.S.P. (ESSA)	Colombia	Provides public utilities of electric power purchase and sale, commercialization and distribution of electric power.	74.05%	74.05%	25.95%	25.95%	16/09/1950
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	Colombia	Provides public utilities of electric power, purchase, export, import, distribution and sale of electric power, construction and operation of generation plants, substation, transmission lines and distribution networks.	91.52%	91.52%	8.48%	8.48%	16/10/1952
Elektra Noreste S.A. (ENSA)	Panama	Acquires energy, transports, distributes to customers, transforms voltage, installs, operates and maintains public lighting, authorized to make power generation up to a limit of 15% of the maximum demand of the concession zone.	51.16%	51.16%	48.84%	48.84%	19/01/1998
Hidroecológica del Teribe S.A. (HET)	Panama	Finances the construction of the Bonyic hydroelectric project required to meet the growing demand of energy of the Panama Isthmus.	99.19%	99.19%	0.81%	0.81%	11/11/1994
Empresa Eléctrica de Guatemala S.A. (EEGSA)	Guatemala	Provides electric power distribution services.	80.90%	80.90%	19.10%	19.10%	05/10/1939
Gestión de Empresas Eléctricas S.A. (GESA)	Guatemala	Provides advisory and consultancy services to electric energy distribution, generation and transportation companies.	100.00%	100.00%	-	-	17/12/2004

Almacenaje y Manejo de Materiales Eléctricos S.A. (AMESA)	Guatemala	Provides outsourcing services in the material management area.	100.00%	100.00%	-	-	23/03/2000
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	Guatemala	Provides electric power commercialization services.	80.52%	80.52%	19.48%	19.48%	05/11/1998
Transportista Eléctrica Centroamericana S.A. (TRELEC)	Guatemala	Provides electric power transmission services.	80.90%	80.90%	19.10%	19.10%	06/10/1999
Enérgica S.A. (ENERGICA)	Guatemala	Provides construction and maintenance services of projects and goods of the electric sector.	78.19%	78.19%	21.81%	21.81%	31/08/1999
Crediegsa S.A. (CREDIEGSA)	Guatemala	Provides personnel hiring services and other administrative services.	80.90%	80.90%	19.10%	19.10%	01/12/1992
Distribuidora de Electricidad del Sur (DELSUR)	El Salvador	Transformation, distribution and commercialization of electricity that supplies power to the center-south zone of El Salvador in Central America.	86.41%	86.41%	13.59%	13.59%	16/11/1995
Innova Tecnología y Negocios S.A. de C.V.	El Salvador	Provision of specialized services in electric power and sale of home appliances to electric power users of the company Delsur.	86.41%	86.41%	13.59%	13.59%	19/10/2010
Parque Eólico Los Cururos Ltda.	Chile	Generation of electric power through all types of fuels and renewable energies such as eolic, photovoltaic and biomass energy, transmission, purchase, sale and commercialization of electric power.	100.00%	100.00%	-	-	26/08/2011
Aguas Nacionales EPM S.A. E.S.P. (1)	Colombia	Provides public utilities of water, sewage and waste collection, treatment and utilization of waste, complementary activities and engineering services proper of these public utilities.	99.99%	99.99%	0.01%	0.01%	29/11/2002
Aguas Regionales S.A. E.S.P. (2)	Colombia	Guarantee the rendering of domiciliary public utilities of water, sewage and waste collection and offset the infrastructure backlog of these utilities in the member municipalities.	69.76%	75.45%	30.24%	24.55%	18/01/2006
Empresas Públicas del Oriente S.A. E.S.P. (3)	Colombia	Provides water and sewage utilities to the rural and suburban zones of the municipalities of Envigado, Rionegro and El Retiro in the so-called San Nicolas Valley.	-	57.31%	-	42.69%	12/11/2009

Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	Colombia	Provides domiciliary public utilities of water and sewage, as well as other complementary activities proper of each of these utilities.	56.01%	56.01%	43.99%	43.99%	22/11/1999
Regional de Occidente S.A. E.S.P. (2)	Colombia	Provides domiciliary public utilities of water, sewage and waste collection, as well as other complementary activities proper of each of these utilities and the treatment and utilization of waste.	-	62.11%	-	37.89%	26/12/2006
Aguas de Malambo S.A. E.S.P. (4)	Colombia	Engaged in guaranteeing the rendering of domiciliary public utilities of water and waste collection in the jurisdiction of the Municipality of Malambo Department of Atlántico.	95.06%	88.73%	4.94%	11.27%	20/11/2010
Aquasol Pachuca S.A. de C.V.	Mexico	Engaged in preparing executive project of construction of a wastewater treatment plant, its equipment and start up in the city of Pachuca de Soto, develop potable water and treatment plant projects.	57.60%	57.60%	42.40%	42.40%	05/07/2004
Ecosistemas de Colima S.A. de C.V.	Mexico	Engaged in preparing executive project for the wastewater treatment plant, its construction, equipment and start up, conservation and maintenance, mud stabilization in municipalities of the State of Colima.	79.99%	79.99%	20.01%	20.01%	14/02/2006
Ecosistemas de Tuxtla S.A. de C.V.	Mexico	Engaged in the construction, equipment, start up, operation and maintenance of a wastewater treatment system with the modality of total private recoverable investment. Develop drinking water projects and water treatment plants.	80.03%	80.03%	19.97%	19.97%	17/11/2006
Ecosistemas de Uruapan S.A. de C.V.	Mexico	Subsidiary engaged in the rendering of wastewater treatment services of the Municipality of Uruapan, Michoacan, comprises the constructions, equipment, tests and start up, conservation and maintenance of the plant.	80.00%	80.00%	20.00%	20.00%	18/11/2009
Ecosistema de Ciudad Lerdo S.A. de C.V.	Mexico	Subsidiary engaged in the construction, equipment, start up, operation and maintenance for 20 years of a wastewater treatment system in the city of Lerdo, Durango, with the modality of total private recoverable investment.	80.00%	80.00%	20.00%	20.00%	24/04/2007
Aquasol Morelia S.A. de C.V.	Mexico	Subsidiary engaged in the construction of a wastewater treatment plant as well as the equipment and start up, of that plant located in the town of Atapaneo in the Municipality of Morelia, Michoacán.	80.00%	80.00%	20.00%	20.00%	13/11/2003
Ecosistemas de Celaya S.A. de C.V.	Mexico	Engaged in the preparation of the executive project for the wastewater treatment plant, as well as the treatment, transportation and final disposal of solid waste and muds in the plant of the city of Celaya, Guanajuato.	80.00%	80.00%	20.00%	20.00%	05/12/2008

Ecosistema de Morelos S.A. de C.V.	Mexico	Engaged in the construction, electromechanical equipment, operating tests, capacity, start up, operation, conservation and maintenance of the wastewater treatment plan, Acapantzingo, Municipality of Cuernavaca, Morelos.	80.00%	80.00%	20.00%	20.00%	17/11/2009
Desarrollos Hidráulicos de TAM S.A. de C.V.	Mexico	Engaged in the construction, equipment, expansion, improvement, conservation, maintenance and operation of water supply systems and sewage services, wastewater collection, drainage and treatment.	79.99%	79.99%	20.01%	20.01%	25/08/1995
Ecoagua de Torreón S.A. de C.V.	Mexico	Engaged in providing treatment operation services of wastewater from any source, either municipal or domestic, as well as the activity related to the wastewater treatment.	80.00%	80.00%	20.00%	20.00%	25/10/1999
Sistema de Aguas de Tecomán S.A. de C.V. (5)	Mexico	Subsidiary engaged in preparing the wastewater treatment plant, equipment and start up, as well as stabilization of the muds that are generated.	0.00%	49.60%	100.00%	50.40%	21/08/2009
Proyectos de Ingeniería Corporativa S.A. de C.V.	Mexico	Provision of design, general or construction engineering services, professional and technical services, intended to operate, manage, direct and, in general, carry out all activities that are necessary for the performance of activities of any company of a commercial, industrial or service type, in the modality of natural or legal person.	79.97%	79.97%	20.03%	20.03%	01/08/2008
Corporación de Personal Administrativo S.A. de C.V.	Mexico	Provision of professional services intended to operate, manage, direct and in general carry out all activities that are necessary for the performance of activities of any company of a commercial, industrial or service type in its modality of natural or legal person, as well as the administration, selection, contracting and interchange of personnel that perform functions within the facilities of the requesting companies.	79.97%	79.97%	20.03%	20.03%	01/08/2008
Empresas Varias de Medellín S.A. E.S.P. (6)	Colombia	Subsidiary engaged in the rendering of the public utility of waste collection within the framework of the integral management of solid waste.	99.93%	99.90%	0.07%	0.10%	11/01/1964
EPM Inversiones S.A.	Colombia	Engaged in the investment of capital in national or foreign companies organized as public utilities.	99.99%	99.99%	0.01%	0.01%	25/08/2003
Maxseguros EPM Ltda. (7)	Bermuda	Negotiation, contracting and management of reinsurance for the policies that cover the equity.	100.00%	100.00%	-	-	23/04/2008
Panamá Distribution Group S.A. - PDG	Panama	Capital investment in corporations.	100.00%	100.00%	-	-	30/10/1998
Distribución Eléctrica Centroamericana DOS S.A. - DECA II	Guatemala	Makes capital investments in companies that engage in the distribution and commercialization of electric power and to promoting telecommunications services.	100.00%	100.00%	-	-	12/03/1999

Inmobiliaria y Desarrolladora Empresarial de America S.A. (IDEAMSA)	Guatemala	Subsidiary engaged in making investments in real estate.	80.90%	80.90%	19.10%	19.10%	15/06/2006
Promobiliaria S.A. (8)	Panama	Subsidiary engaged in buying, selling, building, modifying, managing, leasing and generally entering into any contract for the provision, improvement, use and enjoyment of real estate not required for principal operations owned by EPM Group companies.	100%	-	-	-	2015-09-08
EPM Latam S.A.	Panama	Makes capital investments in corporations.	100.00%	100.00%	-	-	17/05/2007
Electricidad de Centroamérica Ltda. de C.V. (ELCA)	El Salvador	Makes investments in shares and other securities and advisory to the company DELSUR.	100.00%	100.00%	-	-	09/12/1997
PPLG El Salvador II	Cayman Islands	Subsidiary engaged in making capital investments in corporations.	-	100.00%	-	-	09/04/1999
EPM Capital México S.A. de C.V. (9)	México	Develops infrastructure projects related to electric power, lighting, gas, telecommunications, sanitation, water treatment plants, sewage, wastewater treatment, buildings, as well as their operation, studies and services.	100.00%	100.00%	-	-	04/05/2012
EPM Chile S.A. (10)	Chile	Develops energy, lighting, gas, telecommunications, sanitation, water treatment plants and treatment of wastewater, as well as provide those services and participate in all types of public and private bidding processes and auctions.	100.00%	100.00%	-	-	22/02/2013
Inversiones y Asesorías South Water Services SpA	Chile	Participating in all types of bids, tenders and auctions, either public or private, for the purchase of stakes in national or foreign corporations. Entering into strategic alliances, shared-risk associations and business cooperation agreements to participate in biddings processes, obtain concessions and/or authorizations. Providing consulting and other services directly or indirectly related to the activities performed by the corporation.	100.00%	-	-	-	16/12/2014
Aguas de Antofagasta S.A. (11)	Chile	Construction and exploitation of public utilities of production and distribution of potable water and collection and disposal of wastewater through the exploitation of the sanitary concessions of Empresa de Servicios Sanitarios de Antofagasta S.A. (currently Econssa Chile S.A.), and the performance of the remaining services related to those activities, all of it in the manner and conditions established in the Decrees with Force of Law numbers 382 and 70, both of 1998, from the Ministry of Public Works, and other relevant regulations. For this purpose, dated December 29, 2003, Aguas de Antofagasta S.A. entered into with Empresa de Servicios Sanitarios de Antofagasta S.A. (currently	100.00%	-	-	-	28/11/2003



		Empresa Concesionaria de Servicios Sanitarios S.A. – Econssa S.A.) the “Contract of transfer of exploitation right of sanitary concessions”, for a term of 30 years as of the date of its execution.					
Tecnología Intercontinental S.A. de C.V. TICSA	Mexico	Engaged in the study, development, promotion and performance of industrial projects, in the design, manufacturing, assembly and set up of machinery, development of technology, including commercialization, commercial representation and commerce in general.	80.00%	80.00%	20.00%	20.00%	28/07/1980
Patrimonio Autónomo Financiación Social	Colombia	Administer the resources and payments of the social financing program created by EPM and UNE in order to facilitate to its customers the purchase of home appliances, gas applicants and products related to information technology.	86.68%	86.68%	13.32%	13.32%	14/04/2008
EV Alianza Energética S.A. (12)	Panamá	Provision of energy efficiency services and all those involved, such as environmental services, marketing and financing efficiency projects, and the provision of energy and technological solutions, production, processing, purchase, sale and supply of energy, gas and products related services such as biogas; consulting services, studies, reports and projects concerning holdings and past services as well as those related to the environment and energy saving.	51.00%	-	49%	-	22/01/2016

- 1) In December 2015, EPM capitalized Aguas Nacionales EPM S.A. by \$250,000.
- 2) On December 23, 2015, in accordance with public deed No. 4934 of Notary Third of Medellín, the approval of the merger for absorption was approved whereby Aguas de Urabá S.A. E.S.P. absorbs Regional de Occidente S.A. E.S.P., as evidenced in minutes 17 and 16 of the general stockholders’ meetings of the companies, respectively, entered into on October 23, 2015. Based on the merger commitment, it was established that for accounting purposes, the final operation is formalized based on the figures resulting from accounting of the two companies, as of the last day of the month when the solemnization of the respective deed takes place, that is as of December 31, 2015. Consequently, the operations of the Regional de Occidente S.A. E.S.P. (absorbed company) are made by Aguas de Urabá S.A. E.S.P. (absorbing company) as of January 1, 2016.  
On February 5, 2016, according to public deed No. 0000196 of Notary Public Apartado, the company changed its name from Aguas de Urabá S.A. E.S.P. to Aguas Regionales EPM S.A. E.S.P.
- 3) Subsidiary liquidated, according to minutes No. 012 of the General Assembly of Shareholders on 29 January, 2016, and registered at the Chamber of Commerce of Eastern Antioquia on 24 February, 2016, under number 33233 Book IX.
- 4) In March 2016, EPM capitalized Aguas de Malambo S.A. E.S.P. by \$9,000.
- 5) Subsidiary sold in May 2015 (see note 8.3).
- 6) In December 2015, EPM Inversiones and EPM capitalized Empresas Varias de Medellín S.A. E.S.P. by \$35,447 y \$18, respectively.
- 7) In May 2015, EPM capitalized Maxseguros EPM Ltd. by \$24,170.

- 8) Subsidiary incorporated on September 8, 2015 in the Republic of Panama, as per deed No. 32,306 of Public Notary Fifth of the Circuit of Panama City.
- 9) In December 2015, EPM Latam S.A. and Panama Distribution Group S.A. - PDG, capitalized EPM Capital Mexico S.A. de C.V. by USD 33,000,000 and USD 17,500,000, respectively.
- 10) In June and November 2015, EPM capitalized EPM Chile S.A. by \$663,749 and \$221,120, respectively.
- 11) Subsidiary acquired by the EPM Group on June 2, 2015 (see note 9 - business combinations) and merged with Inversiones y Asesorías Corvina S.A. by virtue of the provisions of Law 18.046 on joint stock companies and in accordance with the approval by the Extraordinary Board of Shareholders held on November 27, 2015, minutes converted into public deed on November 30, 2015 in Notary 27 of Santiago de Chile under registration Number 35.919-2015. The merger was made by absorption or incorporation, in which Inversiones y Asesorías Corvina S.A. is the absorbing company and by reform of the bylaws assumes the corporate name of the absorbed company. In addition, the absorbing entity became the holder of the exploitation right of the sanitary concession of Empresa de Servicios Sanitarios de Antofagasta S.A., filed in the absorbed company.
- 12) Subsidiary incorporated on January 22, 2016, in the Republic of Panama, a per deed No. 2.890 of Public Notary Fifth of the Circuit of Panama City.

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

March 2016	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Revenues	Results of the period		Other comprehensive income	Total comprehensive income	Cash flow
						Continued operations	Discontinued operations			
Elektra Noreste S.A. (ENSA)	391,660	1,408,401	696,532	663,343	434,081	27,273	-	(19,294)	7,979	6,427
Empresa Eléctrica de Guatemala S.A. (EEGSA)	473,569	1,296,699	405,623	721,900	419,808	49,493	-	(76,547)	(27,054)	12,975
Electrificadora de Santander S.A. E.S.P. (ESSA)	209,889	1,029,008	296,660	426,520	276,239	23,731	-	-	23,731	48,105
Distribuidora Eléctrica del Sur S.A. de C.V. (DELSUR)	209,116	305,998	174,946	197,874	195,089	13,499	-	(5,927)	7,572	33,126
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	182,655	798,744	158,389	396,101	165,974	(10,720)	-	269	(10,451)	34,294
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	145,312	636,686	183,038	373,572	146,500	3,224	-	-	3,224	32,494
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	84,301	640	36,006	55	70,967	911	-	(6,801)	(5,890)	8,997
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	45,213	181,424	52,096	32,228	63,607	10,735	-	-	10,735	11,755

Tecnología Intercontinental S.A. de C.V. (TICSA)	233,992	227,990	234,989	25,341	31,386	(630)	-	(3,325)	(3,955)	5,105
Transportista Eléctrica Centroamericana S.A. (TREC)	59,771	372,770	100,286	728	21,365	13,746	-	(20,503)	(6,757)	24
Aguas Regionales S.A. E.S.P. (before Aguas de Urabá S.A. E.S.P.)	30,073	90,348	13,865	28,075	10,013	496	-	-	496	7,251
Otras participantes <sup>(1)</sup>	1,470,232	3,699,206	720,629	1,068,910	100,485	14,413	-	(17,423)	(3,010)	590,758

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

December 2015	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Revenues	Results of the period		Other comprehensive income	Total comprehensive income	Cash flow
						Continued operations	Discontinued operations			
Elektra Noreste S.A. (ENSA)	486,523	1,439,286	802,684	691,391	1,651,377	137,243	-	112,502	197,439	6,759
Empresa Eléctrica de Guatemala S.A. (EEGSA)	454,217	1,360,908	227,024	847,904	1,551,638	159,944	-	135,286	295,230	15,975
Electrificadora de Santander S.A. E.S.P. (ESSA)	174,645	1,027,022	220,227	418,281	939,669	82,145	-	3,040	85,185	45,460
Distribuidora Eléctrica del Sur S.A. de C.V. (DELSUR)	201,266	318,589	172,015	213,340	810,508	40,143	-	27,866	68,965	23,399
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	188,213	803,748	195,519	338,099	633,792	42,671	-	2,718	45,389	33,069
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	127,821	638,506	156,018	361,353	564,662	25,896	-	1,763	27,660	23,236
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	98,147	987	41,285	58	358,843	6,316	-	14,683	20,999	6,714
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	41,940	181,912	36,420	42,274	188,252	17,708	-	367	18,075	11,176
Tecnología Intercontinental S.A. de C.V. (TICSA)	219,474	195,378	204,798	24,415	146,587	12,727	-	8,324	21,051	3,407

Transportista Eléctrica Centroamericana S.A. (TRELEC)	65,153	377,161	99,006	766	91,985	45,292	-	75,389	120,682	59
Aguas de Urabá S.A. E.S.P.	30,933	66,078	14,405	19,410	28,503	519	-	-	519	4,207
Regional de Occidente S.A. E.S.P.	3,694	22,997	3,320	8,582	8,012	1,275	-	-	1,275	1,302
Otras participations <sup>(1)</sup>	1,411,635	3,699,205	631,552	1,100,204	429,713	126,133	-	71,918	198,051	565,114

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

The result of the period, the dividends paid and the equity assigned to the non-controlling participations as of the date of the period reported is the following:

Non-controlling participations	March 2016				December 2015			
	Equity	Result of the period	Other comprehensive income	Dividends	Equity	Result of the period	Other comprehensive income	Dividends
Elektra Noreste S.A. (ENSA)	214,971	13,551	-	-	210,842	41,480	-	-
Electrificadora de Santander S.A. E.S.P. (ESSA)	133,844	6,159	-	18,472	146,157	21,319	789	15,781
Empresa Eléctrica de Guatemala S.A. (EEGSA)	122,751	9,452	35	17,817	141,362	30,546	(210)	-
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	84,951	(2,133)	54	4,179	91,206	8,491	541	2,839
Transportista Eléctrica Centroamericana S.A. (TRELEC)	63,315	2,625	-	1,297	65,419	8,650	-	1,091
Tecnología Intercontinental S.A. de C.V. (TICSA)	41,548	(959)	-	-	43,987	269	(2,174)	-
Centrales Eléctricas del Norte de Santander S.A. E.S.P.	19,115	273	-	2,272	21,114	2,196	150	3,213
Distribuidora de Electricidad del Sur S.A. de C.V. (DELSUR)	19,341	1,835	-	-	18,378	5,564	80	-
Aguas Regionales S.A. E.S.P. (before Aguas de Urabá S.A. E.S.P.)	23,732	150	-	-	15,514	127	-	-

Comercializadora Electrica de Guatemala S.A. (COMEGSA)	9,335	174	-	2,862	11,037	1,206	-	2,752
Empresa de Energia del Quindio S.A. E.S.P. (EDEQ)	10,168	767	-	971	10,372	1,265	26	1,257
Regional de Occidente S.A. E.S.P.	-	-	-	-	5,603	483	-	-
Others <sup>(1)</sup>	26,287	1,611	(1,006)	4,092	30,928	3,184	314	3,254

<sup>(1)</sup> *Corresponds to investments in subsidiaries where the non-controlling participation is not significant and corresponds the following companies: Inmobiliaria y Desarrolladora Empresarial de América S.A, Enérgica S.A., Aguas de Malambo S.A. E.S.P., Empresa de Aguas del Oriente Antioqueño S.A. E.S.P., Hidroecológica del Teribe S.A., Crediegsa S.A., Aguas Nacionales EPM S.A. E.S.P., Ecosistemas de Colima S.A. de C.V., Empresas Varias de Medellín S.A. E.S.P., Patrimonio Autónomo Financiación Social, Aquasol Pachuca S.A. de C.V. y E.V. Alianza Energética S.A.*

## 8.2. Significant restrictions

As of March 31, 2016, and December 31, 2015, the EPM Group does not have significant restrictions to access or use the assets, liquidate liabilities of the Group, the non-controlling participations do not have either protective rights that may restrict the capacity of the EPM Group to access or use the assets and liquidate the liabilities of the subsidiaries or restrict the dividends and other capital distributions.

## 8.3. Consolidated structured entities

As of March 31, 2016, and December 31, 2015, the EPM Group owns as consolidated structured entity, Patrimonio Autónomo Financiación Social. The interest in that entity is of 86.68%, the value of total assets amounts to \$127,961 (2015: \$128,130), total liabilities are \$7,489 (2015: \$9,876) and the net profit and loss of the period is \$2,036 (2015: \$4,286). Entity to which there is to obligation to provide financial support.

## 8.4. Loss of control of a subsidiary

### Sistema de Aguas de Tecomán S.A. de C.V.

On May 15, 2015 the Group disposed of its investment in Sistema de Aguas de Tecomán S.A. de C.V. that carried out activities related to providing the services of treatment of wastewater from any source, either municipal or domestic, as well as the activity related to the wastewater treatment.

The profit in the disposal is included in the profit and loss for the period and corresponded to:

	2015
Interchange value	832
Value of net assets of the subsidiary <sup>1</sup>	3.048
Value of noncontrolling interests	(1.158)
<b>Profit for disposal of subsidiary (Note 28)</b>	<b>2.722</b>

- Figures in millions of Colombian pesos -

<sup>1</sup> As of the date of the transition the value of the net assets of Sistema de Aguas de Tecomán S.A. de C.V. was negative.

The net effect as of the date of the transaction in the Consolidated statement of cash flows represents a decrease corresponding to the cash and cash equivalents that were held in the subsidiary for \$8.

## Note 9. Business combination

A summary of the business combinations carried out by EPM Group as of March 31, 2015, and December 31, 2015, is as follows:

Year	Entity	Activity	Transaction Date	Interest acquired
2015	Aguas de Antofagasta S.A. - ADASA	Establishment, construction and exploitation of the public utilities of production and distribution of potable water and collection and disposal of wastewater through the exploitation of sanitary concessions of Empresa Concesionaria de Servicios Sanitarios S.A. - Econssa S.A., and the performance of the remaining services related to those activities.	6/2/2015	100%

## Aguas de Antofagasta S.A.

On April 23, 2015, the EPM Group through its subsidiaries in Chile, Inversiones y Asesorías Hanover S.A. and Inversiones y Asesorías Pascua S.A. <sup>(1)</sup>, signed a contract for the purchase of 100% of the voting rights of Aguas de Antofagasta S.A., formalizing the transaction and acquiring the control of that company on June 2, 2015.

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

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

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

- Most companies providers of the services obtained positive operating profitabilities and profits on equity. Particularly Aguas de Antofagasta was rated with the best indicators of the industry in 2013.
- Chile has the largest copper production in the world (31.5%) and has the largest quantity of proven reserves of this mineral. In 2013 it reported a total of 124 initiatives and USD 71,327 million in investments.
- In this decade investments are projected for USD 2,000 million in desalinization plants for mining, agriculture and supply of potable water, of which USD 1,620 million correspond to the region of Antofagasta, originated in the scarcity of “fresh water” resources.
- Water is an unsubstutuable input for the industry and weighs only 4% of production costs. It is estimated that for one (1) ton of copper 60 m<sup>3</sup> of water are required.
- Aguas de Antofagasta constructed and operates the largest desalinization plant in Latin America, with a capacity of 730 liters per second and with an extension projected of 170 liters per second for 2016.
- The growth of the economy in the region has generated a fast growth of the urban population in the zone.
- The total demand of water of the mining companies during 2011 was of 12.6 m<sup>3</sup>/second.

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

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

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

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<sup>(1)</sup> As of December 31, 2015, the subsidiaries Investments and Asesorías Hanover S.A. and Inversiones y Asesorías Pascua S.A. were merged with Aguas de Antofagasta S.A. See Note 8 - investment in subsidiaries.

Item	Chilean pesos (CLP)	Millions of Colombian pesos
Property, plant and equipment	30.905.535.217	126.059
Intangibles	294.222.589.000	1.200.094
Noncurrent financial assets	2.482.613.696	10.126
Current financial assets	175.592.320	716
Asset for deferred taxes	-	-
Other current assets	218.987.973	893
Accounts receivable <sup>1</sup>	11.049.840.949	45.071
Inventories	919.871.469	3.752
Cash and cash equivalents	13.051.447.293	53.235
<b>Identifiable assets</b>	<b>353.026.477.917</b>	<b>1.439.946</b>
Other noncurrent liabilities	2.006.040.455	8.182
Accounts payable	55.165.022.613	225.011
Contingent liabilities <sup>2</sup>	1.211.645.220	4.942
Provision for costs of operating leases	-	-
Provision for costs of dismantling	-	-
Other current liabilities	7.445.667.666	30.370
Deferred tax liability	63.156.103.186	257.605
<b>Assumed liabilities</b>	<b>128.984.479.140</b>	<b>526.110</b>
<b>Total net identifiable assets at fair value</b>	<b>224.041.998.777</b>	<b>913.836</b>
Fair value of previously held interests <sup>3</sup>	-	-
Fair value of consideration received	-	-
Cash and cash equivalents	589.902.284.162	2.406.131
Other tangible or intangible assets	-	-
Liabilities incurred	-	-
Contingent consideration <sup>4</sup>	-	-
Equity shares or instruments issued (___ shares) <sup>5</sup>	-	-
Acquisition costs <sup>6</sup>	-	-
<b>Total fair value of consideration transferred</b>	<b>589.902.284.162</b>	<b>2.406.131</b>
<b>(Goodwill)/profit in advantageous purchase generated in acquisition<sup>2</sup></b>	<b>(365.860.285.385)</b>	<b>(1.492.295)</b>

- Figures in millions of Colombian pesos-

<sup>1</sup> The fair and gross value of the contractual amounts receivable and their composition as of the date of the transaction is the following:

	Chilean pesos		Millions of Colombian pesos	
	Fair Value	Gross contractual amounts receivable	Fair Value	Gross contractual amounts
Trade debtors and other accounts receivable	10.641.401.736	10.641.401.736	43.405	43.405
Accounts receivable from Related Parties	408.439.213	408.439.213	1.666	1.666
<b>Total accounts receivable</b>	<b>11.049.840.949</b>	<b>11.049.840.949</b>	<b>45.071</b>	<b>45.071</b>

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

<sup>2</sup> It includes significant provisions and contingent liabilities for a value of COP\$4,942 (CLP\$1,211,645,220) resulting from the provisions of the closing of working capital and legal litigations. The former originate in the obligation to return the working capital existing at the end of the term of the concession of the Sanitary Concession Transfer Contract entered into between Aguas de Antofagasta S.A. and Econssa Chile S.A., the latter are due to legal actions in which Aguas de Antofagasta S.A. was sued as a result of its operations. The working capital closing provision will be resolved at the expiration of the Sanitary Concession Transfer Contract, that is, on December 29, 2033; and the contingent liabilities, upon final judgment of the legal



actions. As of the date of presentation the fair value of provisions and contingent liabilities is COP\$7,865 (CLP\$1,771,198,366). Changes have been recognized in the Profit and loss for the period.

<sup>3</sup> The goodwill includes the value of expected synergies that will arise from the acquisition of this entity which corporate object is aligned with the execution of the strategy of the EPM Group of development of investment alternatives that leverage the objective of having future expansion options and increasing its participation in the Chilean market. The goodwill was assigned to the segments of water supply and sanitation.

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

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

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

	<b>2015</b>
<b>From the acquisition date up to the reporting period</b>	
Income from ordinary activity	228.034
Profit	71.466
<b>From the beginning of the annual reporting period until up to the reporting period</b>	
Income from ordinary activity	379.698
Profit	105.420

- Figures in millions of Colombian pesos -

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

	<b>2015</b>
Consideration transferred	(2.406.131)
Costs of transaction of the acquisition (included in the cash flows for operating activities)	(7.201)
Net cash acquired from subsidiary (including the cash flow from investment activities)	53.235
<b>Net cash flow as of the acquisition date</b>	<b>(2.360.097)</b>

- Figures in millions of Colombian pesos -

## Note 10. Credits and Loans

The following is the detail of the books value of credits and loans as of March 31, 2016, and December 31, 2015:

Credits and loans	2016	2015
<b>Non-current</b>		
<b>Credits and loans</b>		
Commercial banks loans	5,726,645	5,963,779
Multilateral banks loans	3,601,430	3,092,837
Development banks loans	1,310,609	640,451
Bonds and securities issued	860,334	-
Other bonds and securities issued	655,395	683,567
<b>Total Credits and loans non current</b>	<b>12,154,413</b>	<b>10,380,634</b>
<b>Credits and loans</b>		
Commercial banks loans	1,240,959	1,067,512
Multilateral banks loans	608,945	432,830
Development banks loans	414,852	334,604
Bonds and securities issued	279,244	290,934
Other bonds and securities issued	235,716	1,050,265
Other loans	124,145	1,082,093
<b>Total Credits and loans current</b>	<b>2,903,861</b>	<b>4,258,238</b>
<b>Total credits and loans</b>	<b>15,058,274</b>	<b>14,638,872</b>

- Figures in millions of Colombian pesos -

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

Entity / Loan	2016		2015	
	IRR	Value	IRR	Value
<b>EPM</b>				
AFD	4.47%	984,206	4.47%	1,082,093
CLUB DEAL-DAVIVIENDA	8.92%	200,874	7.26%	196,934
CLUB DEAL-SANTANDER	9.07%	53,420	7.40%	52,355
CLUB DEAL-BBVA	9.14%	133,363	7.47%	130,682
CLUB DEAL-HELM BANK	9.28%	25,864	7.60%	25,336
BID 2120	1.24%	379,922	3.79%	413,175

BONOS IPC	14.61%	179,202	9.71%	180,186
BONOS TASA FIJA	13.82%	60,755	13.82%	58,826
BONOS IPC II TRAMO	14.36%	140,503	9.31%	140,809
BONOS TF II TRAMO	10.81%	76,144	10.81%	82,237
BONOS IPC III TRAMO	14.41%	202,662	9.50%	203,223
BONOS INTERNACIONALE	8.16%	1,514,222	8.16%	1,607,032
BONOS IPC IV TRAM 1	12.98%	111,943	8.05%	111,998
BONOS IPC IV TRAM 2	12.42%	118,981	7.66%	119,431
BONOS IPC IV TRAM 3	13.11%	265,616	8.33%	266,678
GLOBAL 2021 COP	8.70%	1,250,869	8.70%	1,329,058
BONOS IPC V TRAMO I	12.56%	41,473	7.73%	41,574
BONOS IPC V TRAMO II	12.89%	95,137	8.09%	95,460
BONOS IPC V TRAM III	13.32%	226,562	8.50%	227,402
BONOS IPC VI TRAMO I	12.12%	124,637	7.25%	124,873
BONOS IPC VI TRAMO II	12.50%	124,557	7.66%	124,871
BONOS IPC VI TRAM III	12.79%	249,118	7.94%	249,792
GLOBAL 2024 COP	7.73%	999,625	7.73%	981,247
BONOS IPC V TRAM IV	12.71%	129,632	7.93%	130,090
BONOS IPC VII TRAMO I	10.93%	118,826	6.26%	119,241
BONOS IPC VII TRAMO II	11.97%	119,190	7.27%	119,664
BONOS IPC VII TRAM III	12.47%	258,630	7.75%	259,673
BID-1664/OC-CO	0.00%	4,190	3.62%	518,990
BID-1664-1	9.58%	474,615	0.00%	-
BID 2120-1	6.74%	187,343	6.65%	191,417
BANK OF TOKYO-MITSUB	0.67%	401,271	1.82%	446,591
BID 800- RELIQUIDADO	1.55%	88,864	3.18%	106,358
BID 2217/OC-CO	3.55%	10,119	3.54%	14,184
AGRARIO	12.89%	118,360	8.13%	115,343
BNP Paribas	1.38%	574,396	1.38%	598,694
BBVA	6.55%	282,487	6.63%	282,376
BOGOTA	9.59%	150,391	8.86%	150,454
CLUB DEAL BANK OF TOKYO	2.52%	594,708	0.00%	-

BOGOTA	9.47%	150,980	0.00%	-
<b>DELSUR</b>				
BANCO DAVIVIENDA	1.02%	118,555	1.02%	124,697
BONOS	1.52%	63,128	1.52%	66,551
<b>ENSA</b>				
Bonos senior	8.16%	301,981	8.16%	320,505
Bonos corporativos	3.46%	61,111	3.46%	63,695
Bonos (Private Placement)	4.96%	241,631	4.96%	248,768
Banco Nacional de Panamá	1.15%	133,002	1.40%	85,036
<b>CENS</b>				
Banco de Bogotá	7.27%	20,921	0.59%	24,280
Banco de Bogotá	7.98%	10,266	0.54%	10,082
Banco Agrario	7.40%	20,110	0.55%	25,408
Banco de Bogotá	7.39%	10,205	0.23%	10,023
Banco BBVA	8.17%	10,189	0.00%	-
Banco BBVA	8.95%	5,055	0.00%	-
Banco BBVA	9.59%	5,082	0.00%	-
Banco Davivienda	9.32%	25,088	0.00%	-
<b>EDEQ</b>				
AGRARIO	7.23%	8,336	6.51%	9,101
BBVA	6.96%	586	6.62%	876
BBVA	7.06%	762	1.44%	994
DAVIVIENDA	9.13%	7,459	7.69%	7,417
BBVA T	8.49%	3,047	0.00%	-
<b>ESSA</b>				
Banco de Bogotá	7.91%	91,352	6.96%	95,652
Banco de Bogotá	7.95%	31,909	6.92%	33,227
Banco de Bogotá	7.82%	6,089	6.89%	6,343
Banco de Bogotá	8.08%	18,521	6.81%	18,233
Banco de Bogotá	8.07%	10,279	6.81%	10,120
Banco de Bogotá	8.21%	13,321	6.70%	13,162
Banco de Bogotá	8.59%	15,218	0.00%	-
Banco de Bogotá	8.61%	13,130	0.00%	-

Banco de Bogotá	8.60%	7,005	0.00%	-
<b>EEGSA</b>				
Banco Industrial, S.A.	6.96%	193,174	6.97%	203,332
Banco GYT Continental, S.A.	6.96%	125,469	6.97%	132,059
Banco Reformador, S.A.	6.97%	50,706	6.98%	53,368
Banco Internacional, S.A.	7.64%	10,072	7.65%	11,572
Banco Agromercantil de Guatemala, S.A.	6.98%	68,054	6.98%	71,628
Banco Industrial, S.A.	4.43%	75,500	4.44%	78,692
Banco de Desarrollo Rural, S.A.	4.80%	30,199	4.82%	31,477
Banco de América Central, S.A.	4.49%	30,200	4.51%	9,443
Banco Internacional, S.A.	4.49%	9,060	4.50%	31,476
<b>ANTOFAGASTA</b>				
Banco del Estado	1.04%	34,197	3.98%	33,200
Banco del Estado	1.51%	183,580	4.67%	189,158
Banco del Estado	4.11%	617,946	5.52%	607,652
Scotiabank	4.11%	617,946	5.52%	607,653
<b>CHEC</b>				
IPSE	6.46%	273	6.46%	269
BBVA	10.65%	69,222	7.41%	67,014
CORBANCA	10.64%	52,694	7.41%	51,009
DAVIVIENDA	-	-	8.33%	50,404
BBVA	9.29%	60,193	8.21%	60,026
BANCO AGRARIO	9.58%	66,401	0.00%	-
<b>AGUAS REGIONALES</b>				
AU-Helm	4.33%	6,826	3.57%	6,881
AU-Popular 1500	9.18%	1,317	8.44%	1,324
AU-Popular 350	9.18%	321	8.42%	322
AU-Popular 700	9.20%	637	7.91%	650
AU-Popular 4 (800)	9.19%	723	8.43%	726
Popular 666	9.18%	647	8.38%	649
Popular 520	9.20%	504	8.38%	505
Popular 616	9.18%	596	8.34%	598
Popular 500	9.28%	497	8.45%	498

Popular 1082	9.19%	1,065	8.34%	1,069
Popular 950	9.30%	961	8.39%	964
Popular 1915	9.27%	1,934	8.36%	1,943
BBVA 1000 -0.7 subv	4.96%	1,029	9.07%	1,095
BBVA 700	11.32%	748	8.32%	711
BBVA 400	11.42%	426	8.25%	407
BBVA 400-2	11.48%	426	8.29%	407
BBVA 1.377 -07 subv	5.27%	1,397	10.19%	1,471
BBVA 850	12.13%	887	8.52%	858
BANCOLOMBIA 3000	8.34%	3,041	7.55%	3,072
POPULAR 3000	8.54%	3,102	7.51%	3,042
POPULAR 1700	8.62%	1,763	7.66%	1,731
POPULAR 520 Occ	8.90%	536	7.79%	528
BOGOTA 680	9.12%	692	7.69%	689
<b>TICSA</b>				
Banobras (Aguasol Morelia S. A. de C. V.)	12.97%	6,120	12.98%	6,501
Banobras (Aguasol Morelia S. A. de C. V.)	11.09%	16,086	11.09%	16,953
Banobras (Aguasol Morelia S. A. de C. V.)	8.85%	2,996	8.85%	3,175
FIDE (Aguasol Morelia S. A. de C. V.)	8.69%	1,304	0.00%	-
Interacciones (Ecosistema de Ciudad Lerdo S. A. de C. V.)	7.53%	38,085	7.76%	40,433
Banobras (Ecoagua de Torreón S. A. de C. V.)	11.80%	3,044	11.22%	12,526
Interacciones (Ecoagua de Torreón S. A. de C. V.)	11.22%	12,206	12.12%	3,802
Banorte (Ecosistema de Celaya S. A. de C. V.)	8.44%	20,759	8.26%	21,718
Interacciones (Ecosistema de Colima S. A. de C. V.)	6.97%	35,251	6.97%	36,410
Interacciones (Ecosistema de Colima S. A. de C. V.)	11.28%	2,853	11.28%	2,938
Banco del Bajío (Ecosistema de Tuxtla S. A. de C. V.)	6.43%	68,430	6.43%	69,013
Interacciones (Tecnología Intercontinental S. A. P. I. de C. V.)	9.39%	11,406	8.61%	13,109
Bank of America (Tecnología Intercontinental S. A. P. I. de C. V. crédito Tesorería)	4.06%	57,498	5.30%	40,507
Santander	4.06%	4,031	0.00%	-
Ajustes PPA y otros <sup>(1)</sup>		(23,751)		(20,302)
<b>Total</b>		<b>15,058,274</b>		<b>14,638,872</b>

- Figures in millions of Colombian pesos -

<sup>(4)</sup> Includes the value of the subsidy of credits BBVA 1000 and BBVA 1377 of the affiliate Aguas de Urabá.

The interest paid as of March 31, 2016, for credit operations were \$364,542 (as of December 31, 2015, \$789,061)

The net exchange difference assumed as of March 31, 2016, were \$190,390 (as of December 31, 2015, \$1,651,257)

The information of the bonds issued is the following:

Subseries	Amount Awarded							
	A 2015	A 2014	A 2013	A 2012	A 2011	A 2010	A 2009	A 2008
A10a	539,220	539,220	539,220	313,010	313,010	313,010	313,010	141,450
A12a	364,900	244,900	119,900	119,900	119,900	119,900	-	-
A15a	198,400	198,400	198,400	198,400	198,400	198,400	198,400	-
A20a	1,006,590	746,590	496,590	267,400	267,400	267,400	-	-
A5a	161,880	41,880	41,880	-	-	-	-	-
A6a	237,700	237,700	112,700	112,700	112,700	112,700	-	-
C10a	132,700	132,700	132,700	132,700	132,700	132,700	132,700	58,000
<b>Total</b>	<b>2,641,390</b>	<b>2,141,390</b>	<b>1,641,390</b>	<b>1,144,110</b>	<b>1,144,110</b>	<b>1,144,110</b>	<b>644,110</b>	<b>199,450</b>

Figures in millions of Colombian pesos-

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

Type of Bond	Amount Awarded						
	A 2015	A 2014	A 2013	A 2012	A 2011	A 2010	A 2009
International Bond	3,790,480	3,790,480	2,824,735	2,824,735	2,824,735	1,574,735	1,574,735
<b>Total</b>	<b>3,790,480</b>	<b>3,790,480</b>	<b>2,824,735</b>	<b>2,824,735</b>	<b>2,824,735</b>	<b>1,574,735</b>	<b>1,574,735</b>

- Figures in millions of pesos, the exchange rate used was the 2015 closing MRRER (\$3,149.47)

Type of Bond	Amount Awarded						
	A 2012	A 2011	A 2010	A 2009	A 2008	A 2007	A 2006
International Issue (ENSA)	251,958	-	-	-	-	-	341,947
Local Issue (ENSA)	-	-	-	-	62,989	-	-
Local Issue (DELSUR)	-	-	66,139	-	-	-	-
<b>Total</b>	<b>251,958</b>	<b>-</b>	<b>66,139</b>	<b>-</b>	<b>62,989</b>	<b>-</b>	<b>341,947</b>

Figures in millions of Colombian pesos -

During the first quarter of 2016 the Group obtained the following disbursements by credit:

- Empresa de Energía de Quindío (EDEQ) acquired a new financial obligation with Banco BBA for \$3,000 disbursed on January 22, 2016, under the modality of commercial line, at a term of 6 months and an interest fix rate of DTF 8.20%.
- Central Hidroeléctrica de Caldas (CHEC) obtained a commercial line of credit with Banco Agrario on January 6, 2016, for \$65,000 at a term of 10 years and a rate DTF + 2.99%.
- Electrificadora de Santander (ESSA) obtained three loans with Banco de Bogotá disbursed as follows: on January 27, 2016 for \$15,000, on February 16, 2016, for \$13,000, March 18, 2016, for \$7,000, all of them with a rate of IBR + 1.88% at a 7-year term.

- The subsidiary ENSA contracted two short-term credits with Banco Nacional de Panama with a rate of Libor + 1.15, disbursed on March 16, 2016, and March 30, 2016, for \$60,342 and 76,642, respectively.
- Tecnología Intercontinental S. A. P. I. de C. V. (TICSA) obtained a treasury credit for \$37,372.
- EPM the parent obtained a treasury credit with Banco de Bogotá for \$150,000 with a rate of DTF + 3.70 at a 6-month term.

On December 29, 2015, EPM signed a credit for USD 1,000 million with a group of seven banks, which will be intended to the financing of the budget and the investment plan of year 2016 of the Company. The loan was granted with a term of five years with single payment of principal at maturity, without the requirement of collateral, payable in advance, with a rate Libor + 1.40%, and will be disbursed over a period of 12 months. The participant banks in this operation were Bank of America, HSBC, Bank of Tokyo, Sumitomo, Citigroup, JP Morgan y Mizuho. Derived from the signature of the contract transaction costs for \$14,181 were paid corresponding to the contract signature commission, administrative agent commission and national and international lawyers. As of March 31, 2016, the company has disbursed a total of COP 653,674, equivalent to USD 200 million, these resources entered to EPM on January 12, 2016

### **Debt Covenant / EBITDA**

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

As of March 31, 2016 the result of the indicator is of 4.29 times. Said result obeys to the appearance of the current circumstances that affected the EBITDA of the Power Generation line of business during the last quarter of 2015, by the materialization of the weather phenomenon “El Niño” and macroeconomic aspects that affected the balance of the long-term debt denominated in U.S. dollars.

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

EPM should report the compliance every quarter to the Japan Bank for International Cooperation -JBIC, entity which was started the steps associated with obtaining the respective waiver associated with the covenant Debt / EBITDA. With the French Development Agency -AFD- should report this indicator on June 30, 2016, and for the Inter-American Development Bank-IDB must be returned the result on December 31, 2016.

It should be noted that the fact that EPM exceeds the Debt Covenant/EBITDA agreed does not generate a direct activation of the declaration of default on the part of banks or demand of advance payment, since this is an action contractually subject to the decision of the bank(s) of exercising or not that declaration and additionally to the fact of having repair periods agreed in the contracts to take care of an eventual default.

### **Currency conversion:**

Some of the IDB loans have the possibility of currency conversion, which allows conversion of Colombian peso to dollar balance, eliminating the currency risk from exposure balance. On March 22, 2016, EPM applied a currency conversion to credit IDB 1664 by USD153.8 million.

### **Defaults:**

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



## Note 11. Capital Management

The capital of the EPM Group includes indebtedness through the capital market, commercial bank, development banks, central bank and multilateral bank, at a national and international level.

EPM Group manages its capital in order to plan, manage and assess the obtaining of financial resources in the national and international financial markets, for strategic investments, investment projects, through the different options that optimize the cost, that guarantee the maintenance of adequate financial indicators and adequate credit rating and minimize the financial risk.

For the above purposes EPM Group has defined the following capital management policies and processes:

**Financial management:** Financial management corresponds to the performance of all long term credit operations, in order to guarantee the timely availability of the resources required for the normal operation of the company and to materialize the investment and growth decisions, optimizing the financing costs.

EPM Group has not made changes in its capital financing management objectives, policies and processes during the period ended on March 31, 2016, and December 31, 2015, and has not been subject to external capital requirements.

Following we present the values that the EPM Group manages as capital:

	2016	2015
Bonds and loans	15,058,274	14,638,872
<b>Total debt</b>	<b>15,058,274</b>	<b>14,638,872</b>
<b>Total capital</b>	<b>15,058,274</b>	<b>14,638,872</b>

*- Figures in millions of Colombian pesos -*

## Note 12. Provisions, contingent assets and liabilities

### 12.1. Provisions

As of March 31, 2016, the balance of the provisions of the Group does not recorded a significant variation. However, EPM the parent had a net increase of 6% which corresponds mainly to the increase of the provision for litigation and claims by updating the value of the claim in dollars of the dispute that the company have with the consortium Dragados Porce II, in the process No. CD002376, and the increase in the provision of technical reserve which introduced an addition to the estimated \$ 639 million and \$ 313 million drugs, due to the greater number of medical orders issued during the period.

### 12.2. Contingent liabilities and assets

As of March 31, 2016, the most significant change in contingent liabilities and assets of the Group are presented in liabilities, which decreased by 23%, mainly due to the change of the CPI calculation, which disputes are assessed, changing from a CPI average to a real CPI for the current year and projected for future years, taking into account the estimated life of the case.

The composition of contingent liabilities and assets is as follows:

	Contingent liabilities	Contingent assets	Net
<b>Claims and Lawsuits</b>			
Initial balance at January 01, 2016	1,728,626	2,461,610	1,182,984
Movements	(288,340)	(3,259)	(285,081)
Ending balance at March 31, 2016	<b>990,286</b>	<b>2,458,351</b>	<b>1,468,065</b>

## Note 13. Revenues

The detail of the revenues of the EPM Group as of the dates of the periods reported is as follows:

Income from ordinary activities	2016	2015
<b>Sale of goods</b>	<b>21,765</b>	<b>3,400</b>
<b>Rendering of services</b>		
Energy service	3,090,372	2,609,594
Fuel gas service	219,870	146,808
Sewage service	131,771	103,851
Sanitation service	193,761	90,566
Cleaning service	42,106	36,287
Construction service	31,529	19,840
Other services	27,710	20,779
Insurance and reinsurance service	2,224	1,257
Information technology services	95	(76)
Refunds	(12,173)	(11,311)
<b>Total rendering services</b>	<b>3,727,265</b>	<b>3,017,595</b>
Leases	15,085	13,642
<b>Other income</b>		
Recoveries	36,737	13,751
Other ordinary income	13,796	5,565
Commissions	10,161	8,646
Utilizations	2,266	1,410
Reversal loss for impairment accounts receivable	783	2,327
Indemnifications	594	1,222
Margin in commercialization of goods and service	591	610
Government subsidies	248	538
Sale of bid terms	226	265
Fees	146	328
Surpluses	(4)	3
<b>Total other income</b>	<b>65,544</b>	<b>34,665</b>
<b>Total income from ordinary activities</b>	<b>3,829,659</b>	<b>3,069,302</b>
Profit in sale of assets	2,926	1,329
<b>Total income</b>	<b>3,832,585</b>	<b>3,070,631</b>

## Note 14. Costs for rendering of services

The detail of the costs for rendering of services of the EPM Group as of the dates of the periods reported is as follows:

Costs for rendering services	2016	2015
Cost of goods and public utilities for sale (1)	2,054,510	1,395,460
Consumption of direct inputs (2)	333,435	8,095
Depreciations	172,361	159,364
Personal services	152,551	125,706
Orders and contracts for other services (3)	124,355	97,376
Orders and contracts of maintenance and repair	69,019	54,303
Materials and other operating costs	42,605	31,538
Licenses, contributions and royalties	38,796	37,375
General	19,719	15,993
Insurance	14,048	11,462
Taxes and rates	13,969	9,924
Fees	13,736	12,045
Amortization	9,144	8,537
Leases	7,777	7,001
Commercialized goods	5,064	4,391
Public utilities	4,646	4,129
Cost of losses in rendering sewerage service	647	376
Extinguishment	443	253
Reduction of inventory values	344	-102
Inpairment of intangible assets	17	-
Inpairment of properties, plant and equipment	-	169
<b>Total cost for rendering services</b>	<b>3,077,186</b>	<b>1,983,395</b>

- Figures in millions of Colombian pesos -

- 1) Includes the value of the purchases of energy in block and in the exchange, connection cost, use of lines, networks and ducts, cost of commercialization and distribution of natural gas, among other costs. The increase in those costs in respect to the previous period is due mainly to the increase in the prices of energy purchased in the exchange, STN, STR and SDL (National and Regional Transmission Systems and Local Distribution System) charges for higher sales to the NRM (non regulated market) and changes in the calculation according to the regulation; caused by the difficult climatic conditions (descent of water resources and low levels of reservoirs), especially during the last quarter of the year, in which El Niño effect intensified and the damage of hydroelectric Guatapé EPM since February 15, 2016.
- 2) Includes the cost of production of chemicals, fuel gas, energy, ACPM and fuel oil, which experienced increase basically by the higher consumption of gas and ACPM for the generation of power in the thermal plant La Sierra of EPM and by

restrictions and deviations due to the generation of energy with liquid fuels in the entire system, associated to the market conditions because of El Niño phenomenon and the damage of hydroelectric Guatapé EPM since February 15, 2016.

- 3) Includes the value of maintenance and repairs orders and contracts of buildings, machinery and equipment, land, network lines and ducts, plants and other services such as cleaning, surveillance, security, taking readings, and installations, among others.

## Note 15. Administration expenses

The detail of the administration expenses of services of the EPM Group as of the dates of the periods reported, is as follows:

Administration expenses	2016	2015
<b>Personal expenses</b>	-	-
Salaries and wages	76,282	63,444
Social security expenditure	20,853	27,535
Pension expenses	10,313	8,047
Other long-term benefits	9,876	9,741
Interest rates benefits to employees	1,300	1,086
Other plans post-employment benefits	719	545
Post-employment benefits	203	250
<b>Total personal expenses</b>	<b>119,546</b>	<b>110,648</b>
<b>General expenses</b>		
Taxes, contributions and levies	120,001	125,625
Provision for contingencies	24,551	14,391
Amortization of intangibles	21,580	3,472
Impairment of accounts receivable	18,274	5,602
Commissions, fees, and services	18,207	23,372
Depreciation of properties, plant and equipment	16,806	11,969
Maintenance	12,098	9,942
Social assets	10,397	5,304
Otros general expenses	4,778	3,887
Provision onerous contracts	4,412	22,632
Surveillance and security	3,609	2,839
Others provisions	3,060	5,984
Others	28,136	26,896
<b>Total general expenses</b>	<b>285,909</b>	<b>261,915</b>
<b>Total</b>	<b>405,455</b>	<b>372,563</b>

- Figures in millions of Colombian pesos -

## Note 16. Other expenses

The detail of other expenses of the EPM Group as of the dates of the periods reported, is as follows:

Other expenses	2016	2015
Loss in retirement of assets (1)	14,029	1,378
Contributions in non corporate entities	6,133	7,166
Loss in the sale of assets	3,712	563
Other ordinary expenses	1,170	1,015
Arbitration awards and out of court conciliations	555	520
Donatios	163	29
Other provisions for tax obligations	73	17
sentences	43	-
<b>Total</b>	<b>25,880</b>	<b>10,688</b>

- Figures in millions of Colombian pesos -

(1) As of March 31, 2016, it included in EPM low per claim of the assets of the Central Guatapé by \$ 7.682

## Note 17. Financial income and expenses

The detail of financial income and expenses of the EPM Group as of the dates of the periods reported, is as follows:

### 17.1. Financial income

Financial income	2016	2015
<b>Interest revenues</b>		
Interest from debros and default	45,267	31,689
Bank deposits	11,137	4,534
Revenues for interest of financial assets at amortized cost	4,041	515
Profit for valuation of financial instruments at amortized cost	14,954	10,503
Others	4,739	4,045
Profit for valuation of financial instruments at fair value	3,522	25,513
Profit in trust rights	3,520	6,564
Return for monetary adjustment	3	2
<b>Total</b>	<b>87,183</b>	<b>83,365</b>

- Figures in millins of Colombian pesos -

## 17.2 Financial expenses

Financial expenses	2016	2015
<b>Interest expense:</b>		
Interest for obligations under financial leasing	8,419	8,145
Other interest expense	26,125	5,294
<b>Total interest</b>	<b>34,544</b>	<b>13,439</b>
Total expense for interest of financial liabilities that are not measured at fair value with changes in profit and loss	143,562	135,876
Commissions	1,951	1,181
Other financial expenses	44,665	26,380
<b>Total</b>	<b>224,722</b>	<b>176,876</b>

- Figures in millions of Colombian pesos -

## Note 18. Exchange difference, net

The effect of transactions in foreign currency is the following:

Exchange difference, net	2016	2015
<b>Income for exchange difference</b>		
Foreign exchange position	175,062	202,429
Financial	222,912	8,121
<b>Total income for exchange difference</b>	<b>397,974</b>	<b>210,550</b>
<b>Expense for exchange difference</b>		
Foreign exchange position	-204,306	-22,648
Financial	811	-228,526
<b>Total expense for exchange difference</b>	<b>-203,495</b>	<b>-251,174</b>
<b>Exchange difference, net</b>	<b>194,479</b>	<b>-40,624</b>

- Figures in millions of Colombian pesos -

The rates used for the conversion of foreign currency in the consolidated financial statements are:

Currency	Currency Type	Direct conversion to USD of March 31		Closing exchange rate as of March 31		Average exchange rate	
		2016	2015	2016	2015	2016	2015
United States Dolar	USD	-	-	3,022.35	2,576.05	3,128.79	2,585.36
Quetzal	GTQ	7.71	7.64	391.93	336.97	405.35	339.00
Mexican Peso	MXP	17.14	15.23	176.36	169.10	177.53	169.63
Chilean Peso	CLP	668.86	623.40	4.52	4.13	4.60	4.11

### Note 19. Measurement of fair value on a recurring and non-recurring basis

The methodology established in IFRS 13 Fair value measurement specifies a hierarchy in the valuation techniques based on whether the variables used in the determination of the fair value are observable or not. The EPM Group determines the fair value on a recurring and non-recurring basis, as well as for disclosure purposes:

- Based on the prices quoted in active markets for assets or liabilities identical to those that the EPM Group can access on the measurement date (level 1).
- Based on valuation techniques commonly used by market participants that use different variables of the prices quotes that are observable for assets or liabilities, directly or indirectly (level 2).
- Based on internal valuation techniques of cash flows discount or other valuation models, using variables estimated by the EPM Group not observables for the asset or liability, in the absence of variables observed in the market (level 3).
- As of March 31, 2016, and during 2015 in the EPM Group no transfers have been made between the fair value hierarchy levels, either for the transfers into and out of the levels.

#### Valuation techniques and variables used by the EPM Group in the measurement of the fair value for recognition and disclosure:

- Cash and cash equivalents:* includes the cash on hand and in banks and the high liquidity investments, easily convertible into a determined amount of cash and subject to insignificant risk of changes in their value, with an expiration of three months or less from the date of their acquisition. The EPM Group uses as valuation technique for this entry the market approach; these entries are classified in level 1 of the fair value hierarchy.
- Investments at fair value through profit and loss and through equity:* includes the investments that are made to optimize the liquidity surpluses, that is, all those resources that are not immediately allocated to the performance of the activities that constitute the corporate object of the companies. The EPM Group uses as valuation technique the market approach; these entries are classified in level 1 of the fair value hierarchy.
- Derivative instruments – Swaps:* The EPM Group uses derivative financial instruments, such forwards, futures, swaps and options to cover financial risks, mainly the risks of interest rate, exchange rate and commodities prices. Such derivative financial instruments are recognized initially at their fair value as of the date when the derivate agreement is executed, and subsequently they are again measured at their fair value. The EPM Group uses as valuation technique for the swaps the discounted cash flow, in an income approach. The variables used are: Swap curve of interest rates for rates denominated in US dollars, to discount cash flow in US dollars; and Swap Curve of external interest rate for rates denominated in pesos, to discount cash flows in pesos. These entries are classified in level 2 of the fair value hierarchy.
- Investment properties:* these are properties (land or buildings, considered in their entirety or in part, or both) that are held (by the company in its own name or through a financial leasing) to earn income, for capital appreciation or both, instead of:

- Their use in the production or supply of goods or services, or for administrative purposes; or
- Their sale in the ordinary course of the operations.

The EPM Group uses two valuation techniques for these entries. Within the market approach, it uses the comparative or market method, which consists in deducting the price by comparison of transactions, supply and demand and appraisals of similar or comparable properties, prior adjustments of time, conformation and location. The entries that are valued with this technique are classified in level 2 of the fair value hierarchy. Within the cost approach, the residual method is used that is applied only to the buildings and is based on the determination of the updated construction cost, less the depreciation for age and conservation condition. These entries are classified in level 2 of the fair value hierarchy.

The following table shows for each of the fair value hierarchy levels, the assets and liabilities of the EPM Group, measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015, as well as the total value of the transfers between level 1 and level 2 occurred during the period:

Fair value measurement on a recurring basis as of March 31, 2016	Nivel 1	Nivel 2	Nivel 3	Total
<b>Assets</b>				
<b>Negotiable o designated</b>				
Cash and cash equivalents	1,238,091	-	-	1,238,091
Trust in administration	363,266	-	-	363,266
	<b>1,601,357</b>	-	-	<b>1,601,357</b>
<b>Other investment in debt securities</b>				
Fixed Income Securities	330,869	-	-	330,869
Variable Income Securities	21,409	-	-	21,409
	<b>352,278</b>	-	-	<b>352,278</b>
<b>Other equity investments</b>				
Fixed Income Securities	-	-	-	-
Variable Income Securities	2,413,215	-	-	2,413,215
	<b>2,413,215</b>	-	-	<b>2,413,215</b>
<b>Derivatives</b>				
Swaps	-	-	-	-
	-	-	-	-
<b>Investment properties</b>				
Urban land	-	141,400	-	141,400
Buildings and houses	-	23,772	-	23,772
	-	<b>165,172</b>	-	<b>165,172</b>
<b>Liabilities</b>				
<b>Loans</b>				
Commercial banks loans	-	-	4,220,323	4,220,323
Multilateral banks loans	-	-	1,546,325	1,546,325
Development banks loans	-	-	984,206	984,206
Bonds and securities issued	-	-	1,070,247	1,070,247
Other bonds and securities issued	-	-	6,005,889	6,005,889
<b>Total</b>	<b>4,366,850</b>	<b>165,172</b>	<b>13,826,989</b>	<b>18,359,011</b>
	24%	1%	75%	



Fair value measurement on a recurring basis as of December 31, 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Designated at fair value</b>				
Cash and cash equivalents	1,338,061	-	-	1,338,061
Investments at fair value through profit or loss	281,163	-	-	281,163
	<b>1,619,224</b>	-	-	<b>1,619,224</b>
<b>Other equity investments</b>				
Investments at fair value through equity level desintegration 2	2,056,204	-	-	2,056,204
	-	-	-	-
	<b>2,056,204</b>	-	-	<b>2,056,204</b>
<b>Derivatives</b>				-
Swaps	-	11,776	-	11,776
	-	<b>11,776</b>	-	<b>11,776</b>
<b>Liabilities</b>				
<b>Loans</b>				
Commercial banks loans	-	-	4,160,348	4,160,348
Multilateral banks loans	-	-	1,690,716	1,690,716
Development banks loans	-	-	1,082,094	1,082,094
Bonds and securities issued	-	-	1,018,171	1,018,171
Other bonds and securities issued	-	-	6,254,713	6,254,713
Loans to related parties	-	-	432,830	432,830
	-	-	<b>14,638,872</b>	<b>14,638,872</b>
<b>Total</b>	<b>3,675,428</b>	<b>11,776</b>	<b>14,638,872</b>	<b>18,326,076</b>
	20.06%	0.06%	79.88%	

- Figures in millions of Colombian pesos -

As of March 31, 2016, and December 31, 2015, no transfers between levels occurred.

The book value and the estimated fair value of assets and liabilities of the EPM Group that are not recognized at fair value in the consolidated statement of financial condition, but require their disclosure at fair value, as of March 31, 2016 and December 31, 2015 are:

2016	Nivel 3	Total
<b>Liabilities</b>		
Other bonds and securities issued	6,005,889	6,005,889
Commercial banks loans	4,220,323	4,220,323
Multilateral banks loans	1,546,325	1,546,325
Development banks loans	984,206	984,206
Bonds and securities issued	1,070,247	1,070,247
<b>Total</b>	<b>13,826,989</b>	<b>13,826,989</b>

- Figures in millions of Colombian pesos-

100%

2015	Nivel 3	Total
<b>Liabilities</b>		
Other bonds and securities issued	6,254,713	6,254,713
Commercial banks loans	4,160,348	4,160,348
Multilateral banks loans	1,690,716	1,690,716
Development banks loans	1,082,094	1,082,094
Bonds and securities issued	1,018,171	1,018,171
<b>Total</b>	<b>14,206,042</b>	<b>14,206,042</b>
<b>Total</b>	<b>14,206,042</b>	<b>14,206,042</b>

- Figures in millions of Colombian pesos -

100%

At March 31, 2016, and December 31, 2015, liabilities have been not classified at level 1 and 2.

## Note 20. Operating Segments

### 9.1. Information by segments

For management purposes, the EPM Group is organized in segments on the basis of its products and services, and it has the following eight operating segments on which information is presented:

- **Electric Power Generation Segment**, which activity consists in the production of energy and commercialization of large blocks of electric power, based on the acquisition or the development of a portfolio of energy proposals for the market.
- **Electric Power Distribution Segment**, which activity consists in transporting electric power through a set of lines and substations, with their associated equipment, that operate at voltages of less than 220 KV, the commercialization of energy to the end user of the regulated market and the performance of related and/or complementary activities. It includes the Regional Transmission System (RTS), the Local Distribution System (LDS), the public lighting service and the rendering the associated services.
- **Electric Energy Transmission Segment**, which activity consists in the transportation of energy in the National Transmission System –NTS-, made up by the set of lines, with their corresponding connection equipment, that operate at voltages equal to or higher than 220 KV. The National Transmitter (NT) is the legal person who operates and transports electric energy in the NTS or has constructed a company which object is the performance of that activity.
- **Gas Segment**, which activity consists in the conduction of gas from the door of the city to the end user, through medium and low pressure pumps. It includes the sale of gas through different systems, among them the distribution by a network, natural vehicle gas, natural compressed gas and service stations.
- **Water Supply Segment**, which activity consists in conceptualizing, structuring, development and operating systems to supply water; it includes carrying out the commercial management of the service portfolio related to the supply of water for different uses, in addition to the use of the productive chain, specifically in the production of energy, and the supply of crude water.
- **Sanitation Segment**, which activity consists in conceptualizing, structuring, development and operating systems of wastewater and handling of solid waste; it includes carrying out the commercial management related to these services and the use of the biosolids and other byproducts from the treatment of wastewater and the handling of solid waste.
- **ICT Segment**, which activity consists in the rendering of services associated to information and communications technologies, information services and the complementary activities related and/or connected to such services.

- **Others Segment**, that corresponds to the remaining activities that are not included within the above mentioned segments; it includes: Entidad Adaptada de Salud – EAS and Unidad de Servicios Médico y Odontológico (medical and dental services), billing and collection services for third parties, income received from investment properties (rent), social financing, EATIC Laboratory tests, rendering of specialized transportation service.

The Company has not added operating segments to form this eight reportable segments; however, the Company carries out the activity of commercialization of energy, which consists in the purchase of electric power in the wholesale market and its sale to other market agents, or to the end users regulated or not regulated; therefore, the Company includes the information of this activity in the corresponding segments that contain this activity.

Management supervises the operating results of the operating segments separately in order to make decisions on the assignment of resources and assess their return. The return of the segments is assessed on the basis of profit or loss for operations before tax and of discontinued operations and is measured uniformly with the loss or profit for operations of the consolidated financial statements.

Transfer pricing between the operating sectors are agreed as between independent parties (arm's length principle) in a similar way that they are agreed with third parties.

## Information on operating segments

2016	Generati on of Electric Power	Distributi on of Electric Power	Transmis sion of Electric Power	Gas	Provisio n of Water	Sanitatio n	ICT	Others Segment	Total Segment s	Transactio ns intersegmen ts	Reconcilin g entries	Consolida ted
Income external customers	775,322	2,366,616	40,056	222,456	198,607	205,200	-	20,623	3,828,880	(491,886)	5,658	3,342,652
Income inter-segments	217,445	214,805	16,079	19,296	3,812	10,471	-	8,025	489,933	-	-	489,933
<b>Total net income</b>	<b>992,767</b>	<b>2,581,421</b>	<b>56,135</b>	<b>241,752</b>	<b>202,419</b>	<b>215,671</b>	<b>-</b>	<b>28,648</b>	<b>4,318,813</b>	<b>(491,886)</b>	<b>5,658</b>	<b>3,832,585</b>
Costs and expenses without depreciations, amortizations, provisions and impairments	(1,122,560)	(2,162,894)	(24,171)	(199,177)	(125,979)	(130,258)	-	(24,502)	(3,789,541)	491,164	(143,357)	(3,441,934)
Depreciation, amortization and provisions	(95,215)	(110,933)	(6,986)	(5,426)	(33,033)	(15,089)	-	(3,630)	(270,312)	-	(582)	(270,894)
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Other income	19,304	40,428	1,557	460	11,609	12,711	-	1,471	87,540	-	87,523	175,063
Interest expense	(33,536)	(73,096)	(2,922)	(10,746)	(26,101)	(15,743)	-	(2,727)	(164,871)	70,672	(83,907)	(178,106)
Financial expenses (other than interest)	(7,442)	(9,126)	(37)	(303)	8	(26,508)	-	(340)	(43,748)	204	(2,261)	(45,805)
<b>Total financial expenses</b>	<b>(40,978)</b>	<b>(82,222)</b>	<b>(2,959)</b>	<b>(11,049)</b>	<b>(26,093)</b>	<b>(42,251)</b>	<b>-</b>	<b>(3,067)</b>	<b>(208,619)</b>	<b>70,876</b>	<b>(86,168)</b>	<b>(223,911)</b>
Interest revenues	32,080	31,632	183	13,410	5,488	15,094	-	4,042	101,929	(69,601)	28,117	60,446
Financial revenues	152,437	30,322	2,668	81	1,787	20,619	-	905	208,819	(554)	41,385	249,650
<b>Total financial revenues</b>	<b>184,517</b>	<b>61,954</b>	<b>2,851</b>	<b>13,491</b>	<b>7,275</b>	<b>35,713</b>	<b>-</b>	<b>4,947</b>	<b>310,748</b>	<b>(70,155)</b>	<b>69,502</b>	<b>310,095</b>
Participation in results of associates and joint ventures	-	-	-	-	-	-	(53,963)	-	(53,963)	-	-	(53,963)
Purchases and sales to non-controlling interests	666	1,335	664	-	-	-	-	-	2,665	-	32,431	35,096
<b>Profit or loss before taxes and of discontinued operations of the segment</b>	<b>(61,499)</b>	<b>329,089</b>	<b>27,091</b>	<b>40,051</b>	<b>36,198</b>	<b>76,497</b>	<b>(53,963)</b>	<b>3,867</b>	<b>397,331</b>	<b>(1)</b>	<b>(35,193)</b>	<b>362,137</b>
Total assets without investments in associates and joint ventures	16,532,534	12,053,820	1,153,262	919,380	4,784,820	4,574,088	-	698,150	40,716,054	(5,867,468)	5,903,185	40,751,771
Investments in associates and joint ventures accounted for according to the equity method	-	-	-	-	-	-	1,839,564	-	1,839,564	-	17,380	1,856,944
<b>Total assets</b>	<b>16,532,534</b>	<b>12,053,820</b>	<b>1,153,262</b>	<b>919,380</b>	<b>4,784,820</b>	<b>4,574,088</b>	<b>1,839,564</b>	<b>698,150</b>	<b>42,555,618</b>	<b>(5,867,468)</b>	<b>5,920,565</b>	<b>42,608,715</b>
Total assets and debit balances of deferred regulatory accounts	16,532,534	12,070,596	1,153,262	919,380	4,784,820	4,574,088	1,839,564	698,150	42,572,394	(17,094,183)	17,147,280	42,625,491
<b>Total liabilities</b>	<b>9,746,269</b>	<b>7,413,657</b>	<b>524,386</b>	<b>529,117</b>	<b>2,526,515</b>	<b>1,852,291</b>	<b>-</b>	<b>325,983</b>	<b>22,918,218</b>	<b>(5,867,468)</b>	<b>6,667,885</b>	<b>23,718,635</b>
Total liabilities and credit balances of deferred regulatory accounts	9,746,269	7,469,578	524,386	529,117	2,526,515	1,852,291	-	325,983	22,974,139	(5,867,468)	6,667,885	23,774,556

2015	Generation of Electric Power	Distribution of Electric Power	Transmission of Electric Power	Gas	Provision of Water	Sanitation	ICT	Others Segment	Total Segments	Transactions Intersegments	Reconciling entries	Consolidated
Income external customers	587,422	2,040,935	29,867	147,219	91,702	56,770	-	16,511	3,070,426	(375,871)	952	2,695,507
Income inter-segments	130,524	215,861	11,449	761	4,279	6,201	-	5,049	375,124	-	-	375,124
<b>Total net income</b>	<b>717,946</b>	<b>2,257,796</b>	<b>41,316</b>	<b>147,980</b>	<b>95,981</b>	<b>162,971</b>	<b>-</b>	<b>21,560</b>	<b>3,445,550</b>	<b>(375,871)</b>	<b>952</b>	<b>3,070,631</b>
Costs and expenses without depreciations, amortizations, provisions and impairments	(337,620)	(1,787,519)	(16,876)	(135,871)	(67,032)	(107,355)	-	(22,378)	(2,474,651)	375,968	(57,591)	(2,156,274)
Depreciation, amortization and provisions	(88,713)	(92,485)	(6,328)	(4,898)	(10,794)	(21,993)	-	(4,089)	(229,300)	-	(3,719)	(233,019)
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Other income	47,121	21,526	1,840	8,246	3,468	14,462	-	511	97,174	-	105,254	202,428
Interest expense	(45,345)	(53,992)	(885)	(6,213)	(6,497)	(8,836)	-	954	(120,814)	37,318	(65,819)	(149,315)
Financial expenses (other than interest)	(177,916)	(40,697)	(100)	(396)	(4,150)	(22,532)	-	(1,534)	(247,325)	107	(8,868)	(256,086)
<b>Total financial expenses</b>	<b>(223,261)</b>	<b>(94,689)</b>	<b>(985)</b>	<b>(6,609)</b>	<b>(10,647)</b>	<b>(31,368)</b>	<b>-</b>	<b>(580)</b>	<b>(368,139)</b>	<b>37,425</b>	<b>(74,687)</b>	<b>(405,401)</b>
Interest revenues	3,501	27,505	91	7,139	4,140	13,817	-	1,177	57,370	(36,971)	16,341	36,740
Financial revenues	5,067	9,209	171	176	2,950	24,873	-	961	53,407	(554)	1,893	54,746
<b>Total financial revenues</b>	<b>18,568</b>	<b>36,714</b>	<b>262</b>	<b>7,315</b>	<b>7,090</b>	<b>38,690</b>	<b>-</b>	<b>2,138</b>	<b>110,777</b>	<b>(37,525)</b>	<b>18,234</b>	<b>91,486</b>
Participation in results of associates and joint ventures	-	-	-	-	-	-	(39,066)	-	(39,066)	-	(1)	(39,067)
Purchases and sales to non-controlling interests	-	-	-	-	-	-	-	-	-	-	93,449	93,449
<b>Profit or loss before taxes and of discontinued operations of the segment</b>	<b>134,042</b>	<b>341,343</b>	<b>19,228</b>	<b>16,164</b>	<b>18,065</b>	<b>55,405</b>	<b>(39,066)</b>	<b>(2,839)</b>	<b>542,341</b>	<b>(1)</b>	<b>81,892</b>	<b>624,232</b>
Total assets without investments in associates and joint ventures	16,201,926	12,362,311	1,162,767	879,564	4,787,193	4,495,918	-	698,494	40,588,173	(6,205,823)	5,671,306	40,053,656
Investments in associates and joint ventures accounted for according to the equity method	-	-	-	-	-	-	1,893,516	-	1,893,516	-	14,902	1,908,418
<b>Total assets</b>	<b>16,201,926</b>	<b>12,362,311</b>	<b>1,162,767</b>	<b>879,564</b>	<b>4,787,193</b>	<b>4,495,918</b>	<b>1,893,516</b>	<b>698,494</b>	<b>42,481,689</b>	<b>(6,205,823)</b>	<b>5,686,208</b>	<b>41,962,074</b>
Total assets and debit balances of deferred regulatory accounts	16,201,926	12,380,278	1,162,767	879,564	4,787,193	4,495,918	1,893,516	698,494	42,499,656	(17,512,116)	16,992,501	41,980,041
<b>Total liabilities</b>	<b>9,310,036</b>	<b>7,566,980</b>	<b>517,977</b>	<b>503,837</b>	<b>2,568,531</b>	<b>1,761,479</b>	<b>-</b>	<b>308,095</b>	<b>22,536,935</b>	<b>(6,205,823)</b>	<b>6,774,963</b>	<b>23,106,075</b>
Total liabilities and credit balances of deferred regulatory accounts	9,310,036	7,626,870	517,977	503,837	2,568,531	1,761,479	-	308,095	22,596,825	(6,205,823)	6,774,963	23,165,965

## 9.2. Information by geographic area

### Revenues from external customers

Country	2016	2015
Colombia (Country of domicile of EPM)	2,506,306	1,968,306
Guatemala	514,596	478,032
Panamá	446,029	383,888
El Salvador	195,533	194,033
Chile	116,430	13,297
México	46,962	22,870
Ecuador	4,505	8,942
Bermuda	2,224	1,263
Total foreign countries	1,326,279	1,102,325
<b>Total consolidated revenues</b>	<b>3,832,585</b>	<b>3,070,631</b>

- Figures in millions of Colombian pesos -

The information on revenues is based on the location of the customer.

In the EPM Group no customer generates more than 10% of the revenues.

**Non-current assets**

Country	2016	2015
Colombia (Country of domicile of EPM)	23,347,700	22,848,463
Chile	3,797,782	3,746,815
Panamá	1,899,125	1,955,793
Guatemala	1,660,595	1,728,725
El Salvador	294,043	307,086
México	260,939	244,952
Total foreign countries	7,912,484	7,983,371
<b>Non-current assets</b>	<b>31,260,184</b>	<b>30,831,834</b>

- Figures in millions of Colombian pesos -

For these purposes, the non-current assets include properties, plant and equipment, intangible assets and investment properties including the assets for acquisition of subsidiaries and goodwill.

**Note 18. Facts occurred after the period being reported****International rating for corporate debt and international issues Baa3 with positive outlook for EPM:**

On April 18, 2016, Moody's Investors Service risk rating agency ratified EPM's Baa3 international rating as well as its positive outlook. The Company retains its investment risk rating.

Ratification by Moody's comes after detailed review conducted by the agency of recent results, the company's current situation and its short-and-medium-term outlook.

Moody's has been rating EPM since July 2009 when the Company issued its first international bonds. The rating is conducted internationally both at the corporate level and for outstanding international bond issues.

**Advancement of restoration of EPM's Guatapé Hydroelectric Generation Plant**

On April 23, 2016, EPM put into operation the first two generating units of the Guatapé Hydroelectric Generation Plant, with 70 megawatts each, that will provide 3 GWh/day (gigawatts-hour day) to the national interconnected system. Last February 15, 2016 a fire caused by a technical problem had left unavailable the cables that take the energy out of the power plant to the National Transmission System's substation.

The Plant has a capacity of 560 megawatts that are delivered through eight turbine sets of 70 megawatts each. Work to reestablish the remaining six generating units is advancing at fast pace. Currently, equipment, materials and personnel have been 100% delivered. As a whole, repairs are at 47%, and service with the two operational units is at 25% of capacity. Additionally, EPM has a loss of revenue insure policy that will permit mitigating the effects of this event on its financial statements.