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

Interim Condensed Consolidated Financial Statements and Notes

Under International Financial
Reporting Standards
(Unaudited)

September 30, 2015 and December 31, 2014

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2015 and December 31, 2014

Amounts stated in millions of Colombian pesos

	Notes	September 2015	December 2014
ASSETS			
Non-current assets			
Property, plant and equiptment, net	10	24,891,334	22,259,651
Investment property		145,295	143,751
Goodwill	6	3,761,737	1,292,022
Other intangible assets		890,385	382,629
Investments in subsidiaries	7	-	-
Investments in associates		2,128,541	2,288,552
Investments in a joint venture		-	-
Deferred tax assets		210,577	85,927
Trade and other receivables		779,479	724,363
Finance lease receivables		1,573	1,577
Advance payments		36,502	38,709
Income tax asset		-	-
Other financial assets		2,339,934	2,500,145
Other assets		55,748	50,465
Cash and cash equivalent		-	2,048
Total non-current assets		**35,241,105**	**29,769,839**
Current assets			
Inventories		333,424	283,518
Trade and other receivables		2,720,044	2,510,061
Finance lease receivables		167	532
Amounts due from customers under construction contracts		18	2,617
Advance payments		66,197	38,942
Income tax asset		107,972	77,697
Other financial assets		588,641	2,001,120
Other assets		228,417	207,729
Cash and cash equivalent		1,370,623	1,021,686
Total current assets		**5,415,503**	**6,143,902**
Total assets		**40,656,608**	**35,913,741**
Debt balance of deferred regulatory accounts		(57,458)	60,603
Deferred tax assets of deferred regulatory accounts		17,237	-
Total assets and debt balance of deferred regulatory accounts		**40,616,387**	**35,974,344**

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2015 and December 31, 2014

Amounts stated in millions of Colombian pesos

Liabilities and equity	Notes	September 2015	December 2014
Equity			
Capital		67	67
Share premium		(3,593)	(3,053)
Reserves		3,620,867	3,139,572
Comprehensive income for the year		2,532,738	2,256,423
Retained earnings		10,771,070	8,837,609
Profit for the year		821,656	2,453,693
Equity attributable to owners of the company		**17,742,805**	**16,684,311**
Minority interest		855,290	736,369
Total equity		**18,598,095**	**17,420,680**
Non-current liabilities			
Accounts payable		413,265	319,273
Amount due to customers under construction contracts		15,932	14,490
Borrowings	12	12,006,340	9,286,768
Other financial liabilities		-	12,032
Lease payable		197,490	198,404
Government grants		22,367	18,293
Retirement benefit obligation		1,111,776	1,022,069
Deferred tax liabilities		2,493,553	2,357,009
Provisions	13	525,724	458,575
Advance payments		15,618	16,281
Other liabilities		87,053	72,754
Non-current liabilities		**16,889,751**	**13,775,948**
Current liabilities			
Accounts payable		2,261,945	2,598,149
Amount due to customers under construction contracts		18,218	14,161
Borrowings	12	1,941,521	1,140,684
Other financial liabilities		-	8,913
Lease payable		1,236	1,379
Government grants		424	293
Retirement benefit obligation		429,617	424,996
Income tax		58,324	198,619
Taxes payable		188,613	135,990
Advance payments		47,694	46,745
Provisions	13	83,757	91,761
Other liabilities		97,192	97,845
Total current liabilites		**5,128,541**	**4,759,535**
Total liabilities		**22,018,292**	**18,535,483**
Deferred tax liabilities of deferred regulatory accounts		-	18,181
Total liabilities and credit balance of deferred regulatory accounts		**22,018,292**	**18,553,664**
Total liabilities and equity		**40,616,387**	**35,974,344**

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the periods from January 1 and September 30, 2015 and 2014

Amounts stated in millions of Colombian pesos

	Notes	September 30 de 2015	September 30 de 2014	For the three months ended September 30, 2015	For the three months ended September 30, 2014
Continuing operations					
Sale of goods		12,129	11,477	4,746	(13,493)
Rendering of services		9,649,143	8,450,904	3,474,096	1,550,991
Lease		42,263	40,913	15,004	12,034
Net revenues	14	**9,703,535**	**8,503,294**	**3,493,846**	**1,549,532**
Costs for rendering of services	15	(6,450,104)	(5,797,949)	(2,412,665)	(756,540)
Other revenues	17	1,582,062	338,156	1,203,781	144,095
Administrative expenses	16	(989,551)	(753,425)	(332,924)	(133,255)
Other expenses	17	(678,405)	(181,008)	(592,872)	(60,799)
Financial:					
Financial income		254,060	276,220	107,367	11,663
Financial expenses		(1,960,212)	(649,295)	(1,227,534)	(198,280)
Participation in the profit (loss) of the period of the associates and joint business		(162,772)	-	(130,781)	-
Other gains and losses		93,248	1,041,233	-	971,810
Surplus of the period before taxes		**1,391,861**	**2,777,226**	**108,218**	**1,528,226**
Income tax		(414,329)	(529,165)	(43,276)	(198,359)
Surplus before the net movement in the balances of deferred regulatory accounts		**977,532**	**2,248,061**	**64,942**	**1,329,867**
Net movement in the balances of regulatory accounts related to profit or loss		(74,769)	4,544	(2,013)	(2,443)
Net movement in deferred tax related to deferred regulatory accounts of profit or loss		23,806	(4,647)	9,860	1,038
Net surplus of the period and net movement in balances of deferred regulatory accounts		**926,569**	**2,247,958**	**72,789**	**1,328,462**
				-	-
Other comprehensive income					
				-	-
Entries that will not be subsequently reclassified to profit and loss:				-	-
New measurements of defined benefit plans		(6,304)	558	(7,569)	(1,366)
Equity investments measured at fair value through equity		(207,050)	(162,125)	21,200	(115,196)
Income tax related to components that will not be reclassified		(1,337)	(14,838)	(1,427)	122
		(214,691)	(176,405)	12,204	(116,440)
Entries that may be reclassified subsequently to profit or loss:				-	-
Cash flow hedging		-	(935)	23,080	(3,698)
Profit (loss) recognized for the of the period - CF		-	1,482	(23,323)	33,866
Reclassification adjustment - CF		-	(2,417)	46,403	(37,564)
Exchange differences for conversion of business abroad		496,551	67,288	392,519	87,930
Profit (loss) recognized for the period - ED		496,551	67,288	392,519	87,930
Income tax related with the components that may be reclassified		2,821	8,203	26,335	-
		499,372	74,556	441,934	84,232
Other comprehensive income, net of income tax		**284,681**	**(101,849)**	**454,138**	**(32,208)**
				-	-
Total comprehensive income for the period		**1,211,250**	**2,146,109**	**526,927**	**1,296,254**
Profit for the period attributable to:					
Controlling interests		821,656	2,167,275	363,142	455,821
Non-controlling interests		104,913	80,683	101,187	85,492
		926,569	2,247,958	464,329	541,313
Total comprehensive income for the period attributable to:					
Controlling interests		1,108,111	2,065,430	491,754	1,271,137
Non-controlling interests		103,139	80,679	35,173	25,117
		1,211,250	2,146,109	526,927	1,296,254

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN THE EQUITY

For the periods between January 1 and September 30, 2015 and 2014

Amounts stated in millions of Colombian pesos

	Capital issued	Premium on placement of shares	Treasury shares	Reserves	Retained earnings	Equity investments	Defined benefits plan	Cash flow coverage	Appreciation of property, plant & equipment	Exchange differences for conversion	Non-controlling	Total
Balance as of January 1, 2015	**67**	**(3,053)**	**-**	**3,139,572**	**11,291,298**	**1,841,717**	**51,047**	**(10,996)**	**6,117**	**368,541**	**736,370**	**17,420,680**
Profit for the period attributable to controlling interests	-	-	-	-	821,656	-	-	-	-	-	104,913	926,569
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(204,939)	(7,721)	2,821	-	496,294	159	286,614
Other comprehensive income for the period	-	-	-	-	821,656	(204,939)	(7,721)	2,821	-	496,294	105,072	1,213,183
Surpluses and dividends decreed	-	-	-	-	(56,139)	-	-	-	-	-	(70,775)	(126,914)
Appropriation of reserves	-	-	-	808,990	(808,990)	-	-	-	-	-	-	-
Release of reserves	-	-	-	(327,695)	327,695	-	-	-	-	-	-	-
Acquisition of non-controlled interest	-	4	-	-	-	-	-	-	-	-	(4)	-
Another movement for the period	-	35	-	-	17,206	8,376	(11,317)	-	(6,109)	(1,094)	84,627	91,725
Consolidation adjustments	-	(579)	-	-	-	-	-	-	-	-	-	(579)
												-
Balance as of September 30, 2015	**67**	**(3,593)**	**-**	**3,620,867**	**11,592,726**	**1,645,154**	**32,010**	**(8,174)**	**8**	**863,741**	**855,290**	**18,598,095**
Balance as of January 1, 2014	**67**	**(845)**	**(6)**	**4,638,851**	**10,321,549**	**2,008,262**	**69,683**	**-**	**8**	**89,235**	**753,657**	**17,880,460**
Profit for the period attributable to controlling interests	-	-	-	-	2,167,275	-	-	-	-	-	80,683	2,247,958
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(162,123)	(14,257)	7,268	-	67,267	(4)	(101,849)
Other comprehensive income for the period	-	-	-	-	2,167,275	(162,123)	(14,257)	7,268	-	67,267	80,679	2,146,109
Surpluses and dividends decreed	-	-	-	-	(2,013,177)	-	-	-	-	-	(11,105)	(2,024,281)
Appropriation of reserves	-	-	-	(752,155)	752,155	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non controlling interest	-	(1,645)	-	-	-	-	-	-	-	-	1,645	-
Another movement of the period	-	-	6	-	(65,180)	11,506	(17,519)	-	-	(913)	(181,437)	(253,538)
												-
Balance as of September 30, 2014	**67**	**(2,490)**	**-**	**3,128,565**	**11,920,754**	**1,857,644**	**37,907**	**7,268**	**8**	**155,588**	**643,438**	**17,748,750**

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Periods ended as of September 30, 2015 and 2014

Amounts stated in millions of Colombian pesos

	2015	2014
Cash flows for operating activities:		
Total results of the period attributable to controlling interests	**821,656**	**2,167,275**
Adjustments to reconcile the profit (loss) before taxes and after discontinued operations to the net cash flows used in the operating activities:		
Depreciation and amortization of properties, plant and equipment and intangible assets	555,119	496,737
Impairment of property, pland and equipment and intangibles	17,357	34,185
Impairment of financial instruments	21,824	27,089
Profit (loss) for exchange difference	274,993	(31,221)
Provisions, defined post-employment and long term benefit plans	86,637	91,732
Government grants applied	(916)	788
Deferred income tax	62,287	118,201
Current income tax	352,043	410,965
Interest income	(112,827)	(116,323)
Interest expense	104,413	83,636
Profit (loss) for disposal of properties, plant and equipment, intangibles and investment properties	(7,085)	-
Dividends from investments	(93,249)	(1,141,261)
Other non-cash income and expenses	1,011,461	(273,162)
	3,093,713	**1,868,641**
Net changes in operating assets and liabilities		
(Increase)/decrease in inventories	(45,814)	(25,181)
(Increase)/decrease in debtors and other accounts receivable	16,474	99,011
(Increase)/decrease in other assets	33,326	(1,269)
Increase/(decrease) in creditors and other accounts payable	297,681	54,552
Increase/(decrease) in labor obligations	(29,716)	(48,164)
Increase/(decrease) in other liabilities	(34,231)	18,149
Interest paid	(649,431)	(414,463)
Income tax paid and equity tax	(277,698)	(219,352)
Net cash flows originated in operating activities	**2,404,304**	**1,331,924**
Cash flows for investment activities:		
Acquisition of subsidiaries, plant and equipment	(2,610,575)	-
Disposal of subsidiaries, associates and joint ventures	(4,946)	2,239,631
Acquisition of properties, plant and equipment	(2,018,099)	(1,343,501)
Disposal of properties, plant and equipment	32,157	12,321
Acquisition of intangible assets	(33,438)	(32,266)
Acquisition of associates and joint ventures	-	(2,365,005)
Acquisition of investments in financial instruments	(45,211)	(767,557)
Disposal of investments in financial instruments	1,396,597	-
Interest received	112,826	116,323
Dividends received from subsidiaries, associates and joint ventures	78,161	1,141,261
Other cash flow from investment activities	(38,113)	56,420
Net cash flows originated in investment activities	**(3,130,641)**	**(942,373)**
Obtaining of public credit and treasury	3,577,305	2,888,493
Payments of public credit and treasury	(1,803,452)	(1,353,201)
Dividends or surpluses paid	(765,880)	(1,998,855)
Net cash flows originated in financing activities	**1,007,973**	**(463,563)**
Increase/(Decrease) net of cash and cash equivalent	**281,636**	**(74,012)**
Effects of variations in exchange rates in cash and cash equivalents	65,253	23,460
Cash and cash equivalents at the beginning of the period	1,023,734	1,571,036
Cash and cash equivalents at the end of the period	**1,370,623**	**1,520,484**
Restricted resources	153,295	136,037

Index to notes to the interim condensed consolidated financial statements

Notes to the condensed consolidated financial statements of Empresas Públicas de Medellín E.S.P. and Subsidiaries for the periods ended as of September 30, 2015, and December 31, 2014

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

Note 1. Reporting Entity

Empresas Públicas de Medellin E.S.P. and subsidiaries (hereinafter, "EPM Group") is a multi-Latin enterprise group formed by 53 companies, that have presence in the provision of public utilities in Colombia, Chile, El Salvador, Guatemala, Mexico and Panama.

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

EPM provides domiciliary public services 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.

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

The consolidated financial statements of *EPM Group* corresponding to the year ended as of December 31, 2014 were authorized by the Board of Directors to be published on April 28, 2015.

The main activities of *EPM Group* are described in Note 9 – 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

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.

1.1.2.1. Regulatory framework

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 Nº 4 DFL N° 4 of 2007. It approves modifications to the Decree Law Nº 1 of 1982, Electric Services General Act, on electric power matters.
- Decree Law Nº 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 Nº 19.940 of 2004 (Short Act I ("*Ley Corta I*")), that reformed the regulatory framework of the Transmission, and Law Nº 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.

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 sand 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 ids analog to the CDEC-SIC.

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 Mexico (Sanitation)

1.1.5.1 Regulatory framework

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 ("*Secretaria de Desarrollo Social - SEDESOL*"): Defines the commitments of the administration to advance in the achievement of an effective social development. Formulates and coordinates the solidary and subsidiary social policy of the federal government, targeted to the common good, and executes it in a co-responsible fashion with the society.

1.1.6 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 accounting policies used in preparing these financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2014 period.

The interim financial statements as of September 30, 2015 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, 2014.

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 far 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, except for the market representative exchange rate that is stated in Colombian pesos, US Dollars, Euros, Sterling Pounds, Chilean pesos, Quetzals, Balboas and Yens, and the figures presented in currencies other than the Colombian peso, which are presented with no rounding off.

2.2. Consolidation principles

The consolidated financial statements include the financial statements of EPM and of its subsidiaries as of September 30, 2015 and December 31, 2014. Using the global integration method, EPM consolidates the financial results of the companies on which control is exercised, and which are detailed in Note 8.

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

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

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

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

All the companies of *EPM Group* prepare and present their financial statements under IFRS according to the Group's accounting policies, except for the international companies that, due to their own country's regulation cannot apply IFRS, in which case they homologue 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* losses 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* losses 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* losses 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. Joint control is the contractually decided distribution of control of an agreement that only exists when the decisions on relevant activities require the unanimous consent of the parties that share such control.

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.

Any excess in the distribution of EPM Group of the net fair value of the identifiable assets and liabilities over the investment cost, after its revaluation, is immediately recognized in results for the period where the investment was acquired.

The results, assets and liabilities of the associate or joint venture are incorporated in the consolidated financial statements through the equity method; under this method, the investment is initially recorded at cost and is subsequently adjusted to recognize the Group's interest in gains or losses and in other comprehensive income of the associate or joint venture less any losses for investment value impairment. The losses of the associate or joint venture that exceed *EPM Group*'s share in the investment are not recognized provided that it has not contracted any legal or implicit obligation or it has not made payments in the name of the associate or joint venture.

In the application of the equity method, when applicable, the necessary adjustments are made to homologue the accounting policies of the associate or joint venture with those of *EPM Group*; the portion corresponding to *EPM Group* is incorporated in the gains or losses obtained from the measurement of the net assets at fair value on the acquisition date and they eliminate the non-realized gains and losses originated in the transactions between *EPM Group* and the associate or joint venture, up to the interest of *EPM Group* in the associate or joint venture. The equity method is applied from the acquisition date and until the significant influence or joint control on the entity is lost.

The share of the profit or loss of an associate or joint venture is presented in the statement of comprehensive income in the section "result for the period" net of taxes and non-controlling interests in the subsidiaries of the associate or joint venture, the share in the changes directly recognized in equity and in the other comprehensive income of the associate or joint venture is presented in the consolidated statement of changes in stockholders' equity and in the consolidated other comprehensive income.

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

EPM Group analyzes on a periodical basis the existence of value impairment indicators and, if necessary, recognizes impairment losses in the investment in the associate or joint venture. Impairment losses are recognized in the result for the period and are calculated as the difference between the recoverable value of the associate or joint venture - which is the value at use or its fair value less the costs necessary for its sale, whichever is greater – and its carrying value including goodwill. Any recognized impairment loss is part of the carrying value of the investment. Any reversal of such impairment value is recognized in conformity with IAS 36 until the recoverable amount of the investment increases, subsequently.

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.

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.

EPM Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture, and investment in a joint venture becomes an investment in an associate. There is no re-measurement at fair value upon those changes in the ownership share.

When *EPM Group* reduces its ownership share in an associate or in a joint venture, but continues to use the equity method, the Group reclassifies into gains or losses the proportion of the gain or loss that has been previously recognized in other comprehensive income with respect to that reduction in the ownership share, if that gain or loss were reclassified into gains or losses in the sale of the corresponding assets or liabilities.

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 it 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 revenues

The ordinary revenues basically correspond to the development of the main activity of *EPM Group,* which is the provision of power (energy), gas, telecommunications, water supply and sanitation services, they are recognized when the service is rendered or upon delivery of the goods, to the extent that it is probable that the economic benefits enter into *EPM Group* and that revenues can be reliably measured. Revenues are measured at the fair value of the consideration received or to be received, excluding taxes and other obligations. Any discounts granted are recorded as a lower value of the revenues.

The companies of the Group assesses its revenue agreements based upon specific criteria to determine when it is acting on a principal capacity or on a commission-agent capacity. *EPM Group* acts on a commission-agent capacity 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.

Any payments received from the client before the respective work has been performed, are recognized as liability in the statement of financial position as "advanced payments 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 "gross value owed on account of the accounts receivable owed by the clients in construction contracts", or as liability denominated "gross value owed to the accounts payable to the clients in construction contracts".

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, the Value Added Tax – VAT -, and the national consumption 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 o 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%.

National Excise (Consumption) Tax

The National Excise (Consumption) Tax was created through Law 1607 of 2012 in Colombia. It is applied on the sale of some goods (assets) and the provision of services, among which there are: Automotive vehicles the FOB value of which is lower than US$ 30,000, the mobile telephony service, the bars and restaurants service. Rates are 4% and 8%. The *EPM Group* companies that provide mobile telephony services are responsible for this tax.

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.

When *EPM Group* is committed with a sales plan that involves the loss of control in a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale whenever the criteria described above are complied with, regardless of whether *EPM Group* will retain a non-controlling interest in its former 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.

The revenues, costs and expenses that come from a discontinued operation are presented separately from those that come from continuing activities, in only one item after the income tax, in the consolidated statement of comprehensive income of the current period and of the comparative period of the prior year, even when *EPM Group* retains a non-controlling interest in the company that, in due time was subsidiary after the sale.

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:

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

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 toe 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 it 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 initially measured at their cost. The cost of intangible assets acquired in business combinations is their fair value at the acquisition date. After the initial recognition, intangible assets are recorded at cost less any accrued amortization and any accrued value impairment loss. The intangible assets internally generated, excluding the capitalized development costs, are not capitalized and the disbursement is reflected in the statement of comprehensive income in the section “result for the period” in the period when 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;
- 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.

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[1] 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 asmeasured 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

[1] The effective interest rate is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

The effective interest rate is the discount rate that makes exactly equal the future cash flows of a financial asset (including all the fees, commissions, and points paid or received that are an integral part of the effective interest rate, transaction costs, and other bonuses and discounts) through the expected life of the instrument, or if it were appropriate, a shorter period, at their carrying value in the initial recognition.

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, expire or *EPM Group* losses 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 write-off of accounts of a financial assets, the difference between the carrying amount of the asset and the amount of consideration received and to be received as well as the accrued result that had been recognized in other comprehensive income and accrued in equity is recognized in results for the period. In case of the partial write-off in accounts of a financial asset (i.e., when the Entity retains an option to reacquire part of a transferred asset), the Entity distributes the prior carrying value of the financial asset between the party that continues recognizing under a continuous participation, and the part that will no longer recognize on the basis of the relative fair value of those parts as of the transfer date. The difference between the carrying value assigned to the party that will not continue to be recognized and the amount of the consideration received by the party that will no longer be recognized and any accrued gain or loss assigned that would have been recognized in other comprehensive income is recognized in results for the period. The accrued gain or loss that would have been recognized in other comprehensive income is distributed between the party that continues to be recognized and the party that will no longer be recognized based upon the relative fair values of both parties.

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 recognized 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 barters ("*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.

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 of 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.

The value impairment losses of continuing operations are recognized in the statement of comprehensive income in the “statement of income” section in those categories of expenses that correspond to the function of the impaired asset. Impairment losses attributable to a cash-generating unit are initially assigned to goodwill and once it is exhausted, on a proportional basis, based upon the carrying value of each asset, to the other non-current assets of the cash-generating unit.

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 Pensions and other post-employment benefits

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.

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.

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.

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.

2.24 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.

2.25 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.

2.26 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 11 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.

2.27 Changes in estimates, accounting policies and errors

2.27.1 Changes in accounting estimates: There are no significant changes in accounting estimates.

2.27.2. Changes in accounting policies: There are no changes in the accounting policies.

2.27.3 Application of new and revised standards: Norms and interpretations published up to the date of formulation of *EPM Group*'s consolidated financial statements but which were not in force and effect yet, are detailed. *EPM Group* has the intention of adopting the following norms, if applicable, as soon as they enter into force and effect:

- IFRS 15 Revenues from contracts with customers
- Amendment IAS 1 Disclosure initiative – Modifications to IAS 1
- Amendments IAS 16 and IAS 38 Clarification of the acceptable depreciation and amortization methods – Modifications to IAS 16 and IAS 38
- Amendments to IFRS 10 and to IAS 28 Sale or Contribution of Goods between an investor and its associate or joint venture – Modifications to IFRS 10 and to IAS 28
- Amendments to IFRS 11 Recording of the acquisitions of shares in joint ventures – Modifications to IFRS 11
- Amendments to IAS 27 Participation method in the separate financial statements – Modifications to IAS 27

IFRS 15 Revenues from contracts with customer

Effective for the annual period starting as from January 1, 2017.

IFRS 15 substitutes all revenue requirements existing in IFRS (IAS 11 Construction contracts; IAS 18 Revenues; IFRIC 13 Client loyalty Programmes; IFRIC 15 Agreements for the Construction of real state; IFRIC 18 Transfers of assets from customer; and SIC

31 Ordinary revenues – Barters transaction involving Advertising Services) and is applied to all revenues derived from contracts with clients. Also provides a model for recognition and valuation of the elimination of certain non-financial assets, including goods, equipment and intangible assets.

The standard describes the principles that an entity must apply to measure and recognize revenues. The basic principle is that an entity shall recognize the revenues for an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to a client.

The principles of IFRS 15 shall be applied through a five-step model:

1. Identify the contract(s) with a client
2. Identify the performance obligations in the contract
3. Determine the price of the transaction
4. Distribute the transaction price to the contract obligations
5. Recognize the revenues when (or as) the entity satisfies an obligation of execution

The standard requires the entity to exercise a judgment, taking into consideration all the relevant facts and circumstances when applying each step of the contract model with its clients.

The standard also specifies how to record the increase in costs to obtain a contract and the costs directly related to the compliance with a contract.

The application guide is provided in IFRS 15 to help the entities apply their requirements to certain common agreements, including licenses, collaterals, returns, principal-agent considerations, the options for the additional goods and services, and collaterals.

The entities may opt for applying the standards using a thorough retrospective approach with certain relief provided and limited, or a modified retrospective approach. Its anticipated application is allowed and must be disclosed.

Impact: IFRS 15 is more prescriptive than the current IFRS and offers more application guides. Information requirements are also more extensive. Adoption shall be a significant issue with possible changes in the accounting, the systems and the processes.

Amendment to IAS 1 Disclosure Initiative – Modifications to IAS 1

Effective for the annual periods starting as from January 1, 2016.

The modifications to IAS 1 Presentation of Financial Statements, clarify the following:

- The materiality requirements of IAS 1
- That specific lines in the Statement of Financial Position, the Other comprehensive income, and the Statement of Income can be broken-down
- That the entities have flexibility regarding the order in which the notes to the financial statements are presented
- That the participation of the Other comprehensive income of associates and joint ventures valued through the equity method must be presented in the aggregate as one sole line, and classified in the items that shall or shall not be subsequently reclassified to profits and losses. On the other hand, the amendments clarify that the requirements that apply when additional subtotals are presented in the statement of financial position, the statement of profit and loss, and other comprehensive income.

The anticipated application is allowed and the entities do not need to disclose this fact because the Board considers that these amendments are clarifications that do not affect the entity's accounting policies or accounting estimates.

Impact: The purpose of this modification is to help in the application of judgments, when they comply with the requirements of presentation and disclosure of the IFRS and shall not affect the recognition and measurement.

Amendment to IAS 16 and IAS 38 Clarification of acceptable Depreciation and Amortization methods – Modifications to IAS 16 and IAS 38

Effective for the annual periods that start as from January 1, 2016.

The amendments clarify the principle of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, that revenues reflect a pattern of the economic benefits that are generated from the operation of a business (of which the asset is a part), more than the economic benefits that are consumed through the use of the asset. As a result, the proportion of revenues generated over total revenues expected to be generated may not be used for amortizing the intangible assets and only may be used under very limited circumstances for the amortization of intangible assets.

The modifications are effective prospectively. Early application is allowed and must be disclosed.

Impact: The entities that currently use amortization methods based upon revenues for property, plant and equipment shall have to change their current amortization approach into an acceptable method, such as the declining balance method that would recognize the increase of amortization in the first part of the asset's useful life. Revenue generation may be used for the amortization of an intangible asset only under very limited circumstances. For EPM there is no impact because the depreciation method used by the Company is the straight-line method.

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Goods between an investor and their associate or joint venture – Modifications to IFRS 10 and IAS 28

Effective for the annual period starting as from January 1, 2016.

The amendments approach the conflict between IFRS 10 and IAS 28 about the treatment of the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that the gain or loss resulting from the sale or contribution of the assets that constitute a business - as defined in IFRS 3 Business Combinations – between an investor and this associate or joint venture, is recognized entirely. Any resulting gain or loss from the transfer or contribution of assets that do not constitute a business is only recognized to the extent of the participations of the non-related investors in the associate or joint venture.

The modifications must be applied on a prospective fashion. Early application is allowed and must be disclosed.

Impact: The amendments shall effectively eliminate the diversity in practice and presents the Group homogeneous principles for each transaction. However, the application of the definition of a business is a matter of judgment and Group affiliates must consider very carefully the definition for each type of transaction.

Amendments to IFRS 11 Recording of the acquisitions of participations in joint operations – Modifications to IFRS 11

Effective for the annual period starting as from January 1, 2016.

The modifications require that an entity acquiring an interest in a joint operation where the activity of the joint operation should constitute a business, apply in the corresponding measure, all the principles of IFRS 3, and other IFRS, that have no conflict with the requirements of IFRS 11. Further, it is required that the entities disclose the information required in the IFRS related to business combinations.

Modifications also apply to an entity in the process of forming a joint operation if, and only if, an existing business was contributed by the entity to the joint operation being formed.

On the other hand, the modifications clarify that for the acquisition of an additional share in a joint operation in which the joint operation's activity constitutes a business, and with pre-existing participation in the joint operation, should not be measured again if the joint operator maintains the joint control.

Modifications are applied prospectively. Early application is allowed and must be disclosed.

Impact: The modifications of IFRS 11 increase the scope of the transactions that would have to be evaluated to determine whether that represents the acquisition of a business or an asset, which would be a high-judgment issue. The Company has to take into account very carefully the definition and select the adequate accounting method as a function of the specific facts and the circumstances of the transaction as it is proposed.

Amendment to the IAS 27 Equity Method in the separate financial statements

Effective for the annual period starting as from January 1, 2016.

The modification of IAS 27 Individual financial statements allow the entity to use the equity method as described in IAS 28 to record its investments in subsidiaries, associates and joint ventures in their separate financial statements. Therefore, an entity must record these investment, either:

- At cost
- According to IFRS 9 (or IAS 39)
- Using the equity method

The entity must apply the same accounting treatment to each category of the investments.

A consequence of the modification of IFRS 1 First Time Adoption of International Financial Reporting Standards. The modification of IFRS 1 allows a first-time adopter for investments in the individual financial statements to use the equity method, to apply the exemption IFRS 1 for past business combinations or investment acquisition.

The modifications must apply the retroactive formula. Early application is allowed and must be disclosed.

Impact: The amendments eliminate the difference of the Company's accounting principles for the countries where the regulations require the affiliates to present the Financial Statements separately, using the equity method to record the investments in subsidiaries, associates and joint ventures.

2.27.4 Anticipated application of new standards:

The company made an early adoption of the following standard:

IFRS 14 Regulatory Deferral Accounts

Effective for the annual period starting as from January 1, 2016.

IFRS 14 allows an entity, the activities of which are subject to regulated rates, to continue applying most part of the existing accounting policies of the deferred regulatory account balances in its first adoption of IFRS. The interpretation does not apply to those who have already adopted IFRS. Further, an entity whose policies do not allow the recognition of assets and liabilities at regulated rate, or that should have not adopted such policy according to its GAAP in force and effect, should not be recognized as its first application of IFRS.

The entities that adopted IFRS 14 must present the deferred regulatory accounts as separate items in the statement of financial position and the movements must be presented as separate items in the other comprehensive income.

The norm requires disclosures on the nature of risks, and this associated to the entity's rates regulation and the effects of such rate regulation on its financial statements.

Early application is allowed and must be disclosed.

Impact: IFRS 14 provides first-time adopters of IFRS a relief to write-off the assets and liabilities at a regulated rate as an integral project about the recording of those assets and liabilities and directly performed by the IASB. The regulated rate over the deferred regulated accounts is currently in IASB's active agenda.

2.27.5 Errors of prior periods: There are no errors to be reported.

2.28 Dividends in cash distributed to Group's stockholders

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

Nota 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 September 30, 2015. 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 and 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; sand 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 Croup 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.

Nota 5. Significant transactions and other relevant issues carried out during the period

Indebtedness

In accordance with its Financing Plan 2015, EPM allotted domestic debt bonds for $630,000 at 5, 8, 12 and 20-year terms. This placement corresponds to the second batch of the fifth tranche and the first batch of the seventh tranche of EPM bond program which has been rated AAA by Fitch Ratings Colombia; this rating is the highest credit rating in the agency's domestic rating scale with respect to other issuances in the country, and represents low, conservative risk for the investor holding such titles.

At the end of the period, EPM paid the loan obtained with the Interantional Financial Corporation (IFC) by $657,888.

New Projects

Transportista Eléctrica Centroamericana S.A. (TRELEC), a company of EPM Group in Guatemala, won international bidding to design and construct 160 kilometers of lines at 69 kV together with 12 substations at 230, 138 and 69 kV to supply high-quality electric power to the Guatemalan southeastern region.

Through agreement subscribed between PEMEX Refinería Madero and COMAPA (Organismo Operador de Aguas de Tampico), TICSA, a subsidiary of EPM Group in Mexico, will be in charge of carrying out and operating works to provide treated waste water to Mexican PEMEX Refinación in Ciudad Madero, in a project with investment worth USD 45 million.

Bonyic, EPM Group's first hydraulic generation station built abroad started commercial operations in the Panamanian power market. The hydraulic power plant has a capacity of 31.8 MW and uses the flow of the Bonyic stream which is stored and regulated in an 18 ha reservoir with an upper conduction tunnel 3,621 m long and a dam 44 m high.

Note 6. Business combinations

Aguas de Antofagasta S.A.

On April 23, 2015, EPM Group, through its Chilean affiliates Inversiones y Asesorías Hanover S.A. and Inversiones y Asesorías Pascua S.A. subscribed a contract to purchase 100% of voting rights of Aguas de Antofagasta S.A.; upon formalization of the transaction, control over the corporation was obtained on June 02, 2015.

Aguas de Antofagasta S.A. is a corporation established on November 28, 2003 with main offices in the city of Antofagasta, Chile, and filed with the Registry of Reporting Entities of the Superintendency of Securities and Insurance of Chile. Its corporate purpose is establishing, building and exploiting public services of production and distribution of potable water and collection and disposal of served water through exploitation of sanitary concessions belonging to Empresa Concesionaria de Servicios Sanitarios S.A. - Econssa S.A., as well as any other related activity, all under the terms and conditions established in Law Decrees 382 and 70 of 1998 of the Ministry of Public Works and any other relevant regulations.

Aguas de Antofagasta S.A. serves approximately 545,000 people plus over 40 industrial customers in 5 municipalities in the region (Antofagasta, Calama, Tocopilla, Taltal and Mejillones). The Chilean water market has the following characteristics:

- Most service providers have obtained positive operating returns and earnings on equity. In particular, in 2013, Aguas de Antofagasta was rated with the best industry ratios.
- Chile is the world's main copper producer (31.5%) with the largest proven reserves. In 2013 it carried out 124 investment initiatives worth USD 71,327 million.
- In answer to fresh water scarcity investments for USD 2,000 million are projected for this decade in desalination plants for mining, agriculture and drinking water, of which, USD 1,620 million correspond to the Antofagasta region.
- Water is an irreplaceable input for the industry and accounts for only 4% of production costs. It is estimated that production of 1 ton of copper demands 60 m3 of water.
- Aguas de Antofagasta has built and operates the largest desalination plant in Latin America with a capacity of 730 liters per second and projected expansion to 170 liters per second for 2016.
- The region's economic growth has resulted in rapid urban population growth in the area.
- The mining companies' total demand of water resources during 2011 was 12.6 m3/sec.

The knowledge about the market and new technologies obtained as a result of this venture into the Chilean water sector will open new opportunities for EPM Group in Chile's main mining region, as follows:

- Access to the desalination technology that will make the sector's development viable in the medium and long term.
- In a region with Chile's highest per capita income and the highest development of last years.
- With growing water demand for the mining activity and the residential sector.

- It makes possible new businesses associated to water supply and treatment for the mining sector or the operation of its own plants.

As on the date of presentation of the consolidated financial statements at September 30, 2015, reporting of goodwill resulting from the acquisition of Aguas de Antofagasta S.A. was determined in a provisional way based on the best estimate according to available information since the appraisal of the company had not yet been concluded. EPM Group will disclose the amounts and explanations of adjustments to the amounts recognized once the procedure is concluded.

Below is the detail of provisional values as on June 02, 2015 of net assets acquired and goodwill:

	Chilean pesos (CLP)	*Colombian million pesos (COP)*
Property, plant and equipment	27,563,783,414	112,429
Intangibles	107,878,714,265	440,023
Inventories	989,250,653	4,035
Accounts receivable	14,585,217,101	59,491
Cash and cash equivalents	12,716,007,620	51,867
Other current assets	22,062,901	90
Identifiable assets	**163,755,035,954**	**667,935**
Accounts payable	(6,987,630,891)	(28,502)
Other non-current liabilities	(48,179,802,369)	(196,519)
Other current liabilities	(7,130,780,113)	(29,085)
Deferred taxes	(13,040,278,062)	(53,190)
Contingent liabilities	(1,211,098,897)	(4,940)
Assumed liabilities	**(76,549,590,332)**	**(312,236)**
Total net identifiable assets	**87,205,445,622**	**355,699**
Fair value of the consideration transferred:		
Cash and cash equivalents	(596,359,012,876)	(2,432,467)
Total fair value of the consideration transferred	**(596,359,012,876)**	**(2,432,467)**
Goodwill generated in the acquisition [1]	**(509,153,567,254)**	**(2,076,768)**

[1] Goodwill includes the value of synergies expected from the acquisition of this company whose corporate purpose is in line with the execution of EPM Group's strategy of developing investment alternatives that will leverage the goal of having future expansion options and increasing participation in the Chilean market.

The goodwill was allotted to the water provision and sanitation segments.

Revenues from regular activities and earnings of Aguas de Antofagasta S.A. included in the consolidated financial statements:

	Colombian million pesos (COP)
From the acquisition date to the reporting period	
Revenues from ordinary activities	118,506
Profit	69,383

The net cash flow analysis as of date of acquisition is:

	Colombian million pesos (COP)
Consideration transferred	(2,432,467)
Transaction costs of the acquisition (included in the statement of comprehensive income)	(7,201)
Net cash acquired from the subsidiary (included in the cash flow from investing activities)	51,867
Net cash flow as of the acquisition date	**(2,387,801)**

Nota 7. Surpluses

EPM Group paid surpluses during the period by $540,621 and extraordinary by $225,258 (as of September, 2014 ordinary surpluses $496,237, extraordinary $427,819, and $1,074,798 related to dividends declared by UNE EPM Telecomunicaciones S.A. for EPM and delivered under the usufruct contract of shares signed between EPM and the Municipality of Medellín).

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 2015	% ownership and voting rights 2014	% participation of non-controlling interest 2015	% participation of non-controlling interest 2014	Date of creation
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. (1)	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.	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 de Urabá S.A. E.S.P.	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.	75.45%	75.45%	24.55%	24.55%	18/01/2006
Empresas Públicas del Oriente S.A. E.S.P.	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%	57.31%	42.69%	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.	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%	62.11%	37.89%	37.89%	26/12/2006
Aguas de Malambo S.A. E.S.P.	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.	88.73%	88.73%	11.27%	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, Acapantzigo, 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. (2)	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
Aguas de Antofagasta S.A. (3)	Chile	Establishment, construction and exploitation of the public utilities of production and distribution of potable water and collection and disposal of served waters through exploitation of sanitary concessions of Empresa de Servicios Sanitarios de Antofagasta S.A., and execution of all other services related to such activities.	100.00%	-	-	-	28/11/2003
Empresas Varias de Medellín S.A. E.S.P.	Colombia	Subsidiary engaged in the rendering of the public utility of waste collection within the framework of the integral management of solid waste.	99.90%	99.90%	0.10%	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.	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. (4)	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. (antes AEI El Salvador Holding S.A.) (5)	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 (6)	Cayman Islands	Subsidiary engaged in making capital investments in corporations.	-	100.00%	-	-	09/04/1999
EPM Capital México S.A. de C.V.	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.	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

Inversiones y Asesorías Corvina S.A.	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
Inversiones y Asesorías Pascua S.A.	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
Inversiones y Asesorías Hanover S.A.	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
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

(1) *In December 2014 took place a merger where Parque Eólico Los Cururos Ltda. incorporated in its financial statements all rights and obligations of Parque Eólico La Cebada S.A. This last one, in accordance with Law 18,046, was dissolved on December 23, 2014.*

(2) *Subsidiary sold in may, 2015.*

(3) *Subsidiary acquired on June 2, 2015 (See note 6).*

(4) *Subsidiary incorporated on September 8, 2015 in the Republic of Panama, according to the writing No. 32.306 of the fifth Public Notary of Panama.*

(5) *The subsidiary changed its business name from AEI El Salvador Holding S.A. to EPM Latam S.A., according to the writing No. 24.029, July 07, 2015 of the fifth Public Notary of Panama.*

(6) *Subsidiary liquidated by decision of the shareholders, registered the event on September 30, 2015 in the Register of Companies of the Cayman Islands.*

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:

						Results of the period			
2015	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Revenues	Continued operations	Discontinued operations	Other comprehensive income	Total comprehensive income
Empresa de Energía del Quindío S.A. E.S.P.	49,136	178,337	44,222	30,032	133,891	18,114	-	(3)	18,111
Central Hidroeléctrica de Caldas S.A. E.S.P.	149,492	786,727	167,810	312,190	427,390	52,013	-	(1,303)	50,710
Electrificadora de Santander S.A. E.S.P.	186,261	972,759	175,228	426,809	672,953	79,008	-	-	79,008
Centrales Eléctricas del Norte de Santander S.A. E.S.P.	142,837	602,046	113,468	378,152	401,068	31,966	-	-	31,966
Elektra Noreste S.A.	569,039	1,356,816	717,806	687,511	1,193,329	113,245	-	116,326	177,652
Hidroecológica del Teribe S.A.	45,564	540,676	44,910	383,721	31,847	2,911	-	38,028	40,939
Empresa Eléctrica de Guatemala S.A.	429,363	1,330,858	234,407	752,126	1,123,165	121,816	-	175,809	297,624
Comercializadora Eléctrica de Guatemala S.A.	97,887	982	34,836	57	273,892	13,298	-	13,885	27,183
Transportista Eléctrica Centroamericana S.A.	50,093	348,461	75,310	790	51,242	30,135	-	70,459	100,593
Enérgica S.A.	10,578	9,428	3,324	-	22,130	3,189	-	3,723	6,913
Crediegsa S.A.	211,066	(206)	199,746	5,485	35,587	2,358	-	1,303	3,661
Distribuidora de Electricidad del Sur S.A. de C.V.	194,624	301,390	199,569	172,918	592,009	31,130	-	25,905	57,991
Innova Tecnología y Negocios S.A. de C.V.	5,143	1,280	1,718	2,638	4,729	68	-	498	566
Aguas Nacionales EPM S.A. E.S.P.	281,120	788,657	53,697	6,271	1,456	(4,898)	-	-	(4,898)
Aguas de Urabá S.A. E.S.P.	32,956	61,828	11,374	20,846	20,180	(113)	-	-	(113)
Empresas Publicas del Oriente S.A. E.S.P.	5,989	87	146	-	1,081	337	-	-	337
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	1,241	2,605	136	107	1,140	260	-	(20)	240
Regional de Occidente S.A. E.S.P.	2,949	22,074	2,241	8,311	5,947	957	-	-	957
Aguas de Malambo S.A. E.S.P.	5,807	4,238	1,195	220	6,094	(9,466)	-	-	(9,466)
Aquasol Pachuca S.A. de C.V.	71	129	568	-	-	(82)	-	(39)	(121)
Ecosistemas de Colima S.A. de C.V.	11,029	66,749	10,840	43,974	7,886	98	-	2,728	2,825

2015	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Revenues	Results of the period		Other comprehensive income	Total comprehensive income
						Continued operations	Discontinued operations		
Ecosistemas de Tuxtla S.A. de C.V.	19,703	128,604	12,303	126,385	3,527	2,029	-	1,287	3,316
Ecosistemas de Uruapan S.A. de C.V.	1,462	32,010	26,686	9,139	-	(124)	-	(279)	(404)
Ecosistema de Ciudad Lerdo S.A. de C.V.	2,847	61,068	16,980	87,514	4,290	(5,172)	-	(4,615)	(9,788)
Aquasol Morelia S.A. de C.V.	44,613	41,642	7,248	40,602	11,031	6,526	-	4,325	10,851
Ecosistemas de Celaya S.A. de C.V.	18,809	18,574	3,839	31,175	4,692	1,485	-	273	1,758
Ecosistema de Morelos S.A. de C.V.	24,278	14,662	25,406	5,175	3,538	(1,319)	-	908	(411)
Desarrollos Hidraulicos de TAM S.A. de C.V.	84,407	191,220	40,255	187,680	11,552	2,856	-	5,711	8,568
Ecoagua de Torreon S.A. de C.V.	51,300	20,176	10,433	22,188	5,064	(6,570)	-	4,917	(1,653)
Sistema de Aguas de Tecoman S.A. de C.V.	-	-	-	-	26	53	-	(124)	(71)
Proyectos de Ingeniería Corporativa S.A. de C.V.	2,717	902	3,178	769	8,967	138	-	(49)	89
Corporación de Personal Administrativo S.A. de C.V.	850	591	1,547	1,203	8,259	310	-	(156)	154
Empresas Varias de Medellin S.A. E.S.P.	100,524	129,539	91,215	164,916	114,842	8,550	-	(56)	8,494
EPM Inversiones S.A.	112,495	1,572,533	1,702	20,372	7,098	98,487	-	37,878	136,364
Inmobiliaria y Desarrolladora Empresarial de América S.A.	10,047	12,922	1,312	2	7,377	6,617	-	4,729	11,346
Tecnología Intercontinental S.A. de C.V.	192,301	186,277	161,974	29,375	103,344	12,637	-	11,547	24,184
Financiación Social (Entidad estructurada)	122,150	-	6,570	-	773	865	-	-	865

2014	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Revenues	Results of the period		Other comprehensive income	Total comprehensive income
						Continued operations	Discontinued operations		
Empresa de Energía del Quindío S.A. E.S.P.	40,410	178,948	34,147	32,509	173,711	17,324	-	101	17,425
Central Hidroeléctrica de Caldas S.A. E.S.P.	156,157	793,162	225,199	304,349	511,011	79,700	-	(1,016)	78,684
Electrificadora de Santander S.A. E.S.P.	219,671	947,561	189,164	439,288	851,224	73,654	-	(2,707)	70,947
Centrales Eléctricas del Norte de Santander S.A. E.S.P.	157,836	606,501	125,603	379,549	545,866	26,489	-	(7,537)	18,951
Elektra Noreste S.A.	569,625	951,092	529,240	565,706	1,346,217	65,222	-	79,816	156,511
Hidroecológica del Teribe S.A.	43,277	409,808	10,924	315,964	(467)	(23,809)	-	20,164	(3,645)
Empresa Eléctrica de Guatemala S.A.	361,493	1,017,165	170,011	581,546	1,444,548	107,964	-	129,489	237,453
Comercializadora Eléctrica de Guatemala S.A.	88,601	567	39,804	44	317,863	15,528	-	9,907	25,435
Transportista Eléctrica Centroamericana S.A.	19,102	252,513	43,535	612	49,712	30,815	-	48,648	79,463
Enérgica S.A.	10,440	7,506	4,376	-	24,733	4,449	-	2,686	7,135
Crediegsa S.A.	163,772	683	156,104	4,247	97,749	650	-	969	1,619
Distribuidora de Electricidad del Sur S.A. de C.V.	132,172	254,790	151,386	143,759	684,074	29,714	-	17,505	43,098
Innova Tecnología y Negocios S.A. de C.V.	3,565	1,755	1,824	2,013	5,270	404	-	329	733
Aguas Nacionales EPM S.A. E.S.P.	485,376	574,994	39,635	2,327	117	14,467	-	-	14,467

2014	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Revenues	Results of the period: Continued operations	Results of the period: Discontinued operations	Other comprehensive income	Total comprehensive income
Aguas de Urabá S.A. E.S.P.	39,208	56,325	10,336	22,521	27,078	970	-	-	970
Empresas Publicas del Oriente S.A. E.S.P.	5,633	92	133	-	689	164	-	-	164
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	1,003	2,746	246	141	1,704	330	-	39	369
Regional de Occidente S.A. E.S.P.	3,680	21,446	3,104	8,508	7,247	1,253	-	-	1,253
Aguas de Malambo S.A. E.S.P.	9,706	11,553	2,985	178	6,867	(4,241)	-	-	(4,241)
Aquasol Pachuca S.A. de C.V.	60	114	420	-	-	(125)	-	(25)	(149)
Ecosistemas de Colima S.A. de C.V.	9,473	57,845	8,953	38,225	3,217	2,642	-	1,855	4,496
Ecosistemas de Tuxtla S.A. de C.V.	12,990	78,136	5,325	79,498	-	3,039	-	156	3,195
Ecosistemas de Uruapan S.A. de C.V.	1,276	28,098	23,271	8,053	(3)	(228)	-	(189)	(417)
Ecosistema de Ciudad Lerdo S.A. de C.V.	373	56,385	12,301	75,248	2,172	(5,406)	-	(2,721)	(8,127)
Aquasol Morelia S.A. de C.V.	36,294	37,637	9,579	36,798	6,805	4,795	-	2,733	7,529
Ecosistemas de Celaya S.A. de C.V.	14,453	16,915	2,727	28,029	3,947	3,422	-	26	3,448
Ecosistema de Morelos S.A. de C.V.	9,229	12,967	18,537	2,482	2,977	1,716	-	5	1,720
Desarrollos Hidráulicos de TAM S.A. de C.V.	68,894	159,691	18,390	171,070	10,281	4,345	-	3,567	7,913
Ecoagua de Torreon S.A. de C.V.	22,677	22,008	7,646	12,958	2,306	3,796	-	2,179	5,975
Sistema de Aguas de Tecoman S.A. de C.V.	9,981	(1,598)	4,737	9,422	2,105	(7,749)	-	198	(7,550)
Proyectos de Ingeniería Corporativa S.A. de C.V.	2,469	763	2,868	776	10,034	(31)	-	(261)	(292)
Corporación de Personal Administrativo S.A. de C.V.	747	162	1,203	1,169	8,694	(184)	-	(267)	(452)
Empresas Varias de Medellin S.A. E.S.P.	89,234	114,892	86,901	151,787	154,278	11,436	-	(2,459)	8,977
EPM Inversiones S.A.	109,786	1,520,051	2,363	3,843	27,884	120,020	-	(377)	119,643
Inmobiliaria y Desarrolladora Empresarial de América S.A.	8,851	9,427	1,291	2	6,795	6,057	-	3,574	9,631
Tecnología Intercontinental S.A. de C.V.	131,917	169,038	106,090	36,668	66,811	6,036	-	12,199	18,235
Financiación Social (Entidad estructurada)	120,732	-	11,131	-	484	2,558	-	-	2,558

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:

	2015				2014			
Non-controlling participations	Equity	Result of the period	Other comprehensive income	Dividends	Equity	Result of the period	Other comprehensive income	Dividends
Empresa de Energía del Quindío S.A. E.S.P.	10,948	1,294	-	1,257	10,911	1,238	7	905
Central Hidroeléctrica de Caldas S.A. E.S.P.	90,784	10,350	(259)	2,839	83,531	15,860	(202)	15,146
Electrificadora de Santander S.A. E.S.P.	144,554	20,505	-	15,781	139,830	19,115	(702)	12,619
Centrales Eléctricas del Norte de Santander S.A. E.S.P.	21,479	2,711	-	3,213	21,981	2,246	(639)	595
Elektra Noreste S.A.	254,211	29,949	-	-	207,931	37,455	(107)	-
Hidroecológica del Teribe S.A.	1,283	24	310	-	1,027	(194)	164	-
Empresa Eléctrica de Guatemala S.A.	147,758	23,264	339	-	119,763	20,619	(878)	13,752
Comercializadora Eléctrica de Guatemala S.A.	12,218	2,540	-	2,752	9,419	2,966	-	2,042
Transportista Eléctrica Centroamericana S.A.	61,582	5,755	-	1,091	43,442	5,885	-	1,001
Enérgica S.A.	3,186	609	-	1,539	2,592	850	-	-
Crediegsa S.A.	1,075	451	-	416	784	124	-	-
Distribuidora de Electricidad del Sur S.A. de C.V.	16,918	4,370	-	-	12,565	3,534	-	4,585
guas de Urabá S.A. E.S.P.	15,359	(28)	-	-	15,386	238	-	-
Empresas Publicas del Oriente S.A. E.S.P.	2,471	140	-	-	2,330	68	-	-
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	1,584	114	(9)	-	1,479	145	17	-
Regional de Occidente S.A. E.S.P.	5,483	363	-	-	5,120	475	-	-
Aguas de Malambo S.A. E.S.P.	973	(1,067)	-	-	2,039	(478)	-	-
Inmobiliaria y Desarrolladora Empresarial de América S.A.	4,136	1,264	-	1,299	3,244	1,157	-	-
Tecnología Intercontinental S.A. de C.V.	46,038	1,572	(2,154)	-	40,406	3,371	(65)	-
Financiación Social (Entidad estructurada)	15,311	721	-	-	14,571	1,016	-	-
Otras participaciones no controladas(1)	(127)	2	-	-	(1,981)	(3,239)	(2)	-

(1) *Corresponds to investments in subsidiaries where the non-controlling participation is not significant and corresponds the following companies: Aguas Nacionales S.A. E.S.P., Aquasol Pachuca S.A. de C.V., Ecosistemas de Colima S.A. de C.V., Sistema de Aguas de Tecomán S.A. de C.V., Empresas Varias de Medellín S.A. E.S.P.*

8.2. Significant restrictions

As of September 30, 2015, and December 31, 2014, 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 September 30, 2015, and December 31, 2014, the EPM Group owns as consolidated structured entity, Patrimonio Autónomo Financiación Social, entity to which there is to obligation to provide financial support.

8.4. Loss of control of a subsidiary

In August 2014 there was a change in the classification of the investment in UNE EPM Telecomunicaciones S.A., which performs activities of rendering telecommunications, information and communication technologies services, information services and complementary activities. As of this date it is recognized in the consolidated financial statements under the equity method, as consequence of the loss of control and the recognition of the significant influence. Said operation has in turn effect on the change of participation and consolidation with the affiliates of UNE: Emtelco S.A., Edatel S.A. E.S.P., Empresa de Telecomunicaciones de Pereira S.A. – ETP, Cinco Telecom Corporation – CTC, Orbitel Comunicaciones Latinoamericanas SAU – OCL, Orbitel Servicios Internacionales S.A. – OSI.

The loss for disposal impacted the remaining participation in the subsidiary and it was recognized in the results of the period in the consolidated comprehensive income statement, as indicated below:

- Amounts stated in millions of Colombian pesos -

	2014
Interchange value	2,365,005
Value of the net assets of the subsidiary	(2,465,033)
Profit or loss for valuation of previously maintained participations	-
Loss for disposal of subsidiaries	**(100,028)**

As of the date of presentation of these financial statements, the recording in the accounting of the loss of control in UNE EPM Telecomunicaciones S.A. was determined provisionally based on the best estimate according to the information available, since the valuation has not been concluded. The EPM Group will disclose the amounts and explanations of the adjustments to the provisional values recognized, once said procedure has been concluded.

Note 9. 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

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	1,870,859	6,279,313	92,911	487,521	392,917	545,970	-	33,346	9,702,837	(1,156,543)	3,449	8,549,743
Income inter-segments	388,925	641,200	38,085	32,474	12,072	28,730	-	12,306	1,153,792			1,153,792
Total net income	**2,259,784**	**6,920,513**	**130,996**	**519,995**	**404,989**	**574,700**	**-**	**45,652**	**10,856,629**	**(1,156,543)**	**3,449**	**9,703,535**
Costs and expenses without depreciations, amortizations, provisions and impairments	(1,202,891)	(5,567,493)	(51,250)	(472,412)	(266,054)	(341,087)	-	(73,487)	(7,974,674)	1,163,148	(649,801)	(7,461,327)
Depreciation, amortization and provisions	(202,896)	(299,409)	(18,807)	(15,910)	(53,587)	(46,538)	-	(12,016)	(649,163)	-	(7,554)	(656,717)
Impairment of goodwill	-	-	-	-	(18)	-	-	-	(18)	-	-	(18)
Other income	109,845	443,943	4,568	12,995	108,907	95,980	-	30,425	806,663	(5,354)	780,753	1,582,062
Interest expense	(152,681)	(158,030)	(3,337)	(20,694)	(23,964)	(28,910)	-	(2,341)	(389,957)	144,488	(245,438)	(490,907)
Financial expenses (other than interest)	(698,486)	(187,332)	(369)	(1,735)	(16,917)	(57,888)	-	(4,839)	(967,566)	396	(502,135)	(1,469,305)
Total financial expenses	**(851,167)**	**(345,362)**	**(3,706)**	**(22,429)**	**(40,881)**	**(86,798)**	**-**	**(7,180)**	**(1,357,523)**	**144,884**	**(747,573)**	**(1,960,212)**
Interest revenues	23,417	87,310	759	26,809	17,222	23,622	-	9,477	188,616	(145,220)	73,256	116,652
Financial revenues	12,997	44,276	256	251	17,491	53,191	-	3,091	131,553	(916)	6,771	137,408
Total financial revenues	**36,414**	**131,586**	**1,015**	**27,060**	**34,713**	**76,813**	**-**	**12,568**	**320,169**	**(146,136)**	**80,027**	**254,060**
Participation in results of associates and joint ventures	-	-	-	-	-	-	(162,772)	-	(162,772)	-	-	(162,772)
Other profit and losses	62	127	62	-	-	-	-	-	251	-	92,997	93,248
Profit or loss before taxes and of discontinued operations of the segment	**149,151**	**1,283,905**	**62,878**	**49,299**	**188,069**	**273,070**	**(162,772)**	**(4,038)**	**1,839,562**	**(1)**	**(447,700)**	**1,391,861**
Total assets without investments in associates and joint ventures	**15,723,114**	**12,308,731**	**1,001,549**	**824,738**	**2,367,599**	**3,837,157**	**-**	**708,126**	**36,771,014**	**(6,907,763)**	**8,664,817**	**38,528,068**
Investments in associates and joint ventures accounted for according to the equity method	-	-	-	-	-	-	2,115,752	-	2,115,752	-	12,789	2,128,541
Total assets	**15,723,114**	**12,308,731**	**1,001,549**	**824,738**	**2,367,599**	**3,837,157**	**2,115,752**	**708,126**	**38,886,766**	**(6,907,763)**	**8,677,606**	**40,656,609**
Total assets and debit balances of deferred regulatory accounts	15,723,114	12,268,510	1,001,549	824,738	2,367,599	3,837,157	2,115,752	708,126	38,846,545	(20,533,741)	22,303,584	40,616,388
Total liabilities	**8,991,182**	**7,403,043**	**391,369**	**459,709**	**1,043,005**	**1,649,528**	**-**	**353,022**	**20,290,858**	**(6,907,763)**	**8,635,197**	**22,018,292**
Total liabilities and credit balances of deferred regulatory accounts	8,991,182	7,403,043	391,369	459,709	1,043,005	1,649,528	-	353,022	20,290,858	(6,907,763)	8,635,197	22,018,292

2014	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	1,499,305	5,788,039	85,327	365,847	274,483	464,181	-	25,620	8,502,802	(1,224,201)	2,993	7,281,594
Income inter-segments	570,468	552,255	27,413	32,540	10,504	17,094	-	11,427	1,221,701			1,221,700
Total net income	**2,069,773**	**6,340,294**	**112,740**	**398,387**	**284,987**	**481,275**	**-**	**37,047**	**9,724,503**	**(1,224,201)**	**2,993**	**8,503,294**

Costs and expenses without depreciations, amortizations, provisions and impairments	(1,071,410)	(5,301,569)	(41,876)	(353,055)	(205,384)	(263,874)	-	(56,269)	(7,293,437)	1,231,888	(66,960)	(6,128,509)
Depreciation, amortization and provisions	(210,392)	(273,977)	(15,808)	(13,783)	(34,509)	(43,228)	-	(10,618)	(602,315)	-	(1,557)	(603,872)
Impairment of goodwill	-	-	-	-	(1)	-	-	-	(1)	-	-	(1)
Other income	91,697	101,395	3,166	10,832	8,306	20,585	-	30,974	266,955	(8,041)	79,242	338,156
Interest expense	(112,293)	(154,988)	(4,447)	(18,471)	(13,979)	(25,380)	-	(3,319)	(332,877)	86,193	(146,615)	(393,299)
Financial expenses (other than interest)	(170,822)	(62,695)	(294)	(790)	(5,872)	(36,144)	-	(1,385)	(278,002)	338	21,668	(255,996)
Total financial expenses	**(283,115)**	**(217,683)**	**(4,741)**	**(19,261)**	**(19,851)**	**(61,524)**	**-**	**(4,704)**	**(610,879)**	**86,531**	**(124,947)**	**(649,295)**
Interest revenues	13,647	89,305	223	27,076	12,586	37,288	-	9,231	189,356	(85,953)	18,470	121,873
Financial revenues	51,078	25,314	305	356	5,764	64,138	-	1,704	148,659	(224)	5,910	154,345
Total financial revenues	**64,725**	**114,620**	**528**	**27,432**	**18,350**	**101,427**	**-**	**10,935**	**338,017**	**(86,177)**	**24,380**	**276,220**
Participation in results of associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Other profit and losses	536	1,746	534	-	-	5	-	-	2,821	-	1,038,412	1,041,233
Profit or loss before taxes and of discontinued operations of the segment	**661,814**	**764,825**	**54,543**	**50,552**	**51,899**	**234,665**	**-**	**7,365**	**1,825,663**	**-**	**951,563**	**2,777,226**
Total assets without investments in associates and joint ventures	**13,521,684**	**10,096,263**	**758,376**	**704,280**	**1,302,977**	**3,145,913**	**-**	**591,330**	**30,120,823**	**(3,060,898)**	**5,320,498**	**32,380,423**
Investments in associates and joint ventures accounted for according to the equity method	-	-	-	-	-	-	-	-	-	-	2,356,351	2,356,351
Total assets	**13,521,684**	**10,096,263**	**758,376**	**704,280**	**1,302,977**	**3,145,913**	**-**	**591,330**	**30,120,823**	**(3,060,898)**	**7,676,850**	**34,736,775**
Total assets and debit balances of deferred regulatory accounts	13,521,684	10,168,739	758,376	704,280	1,302,977	3,145,913	-	591,330	30,193,299	(9,917,987)	14,533,939	34,809,251
Total liabilities	**7,362,041**	**6,370,155**	**300,965**	**359,337**	**505,841**	**1,261,811**	**-**	**283,023**	**16,443,173**	**(3,060,897)**	**3,658,023**	**17,040,299**
Total liabilities and credit balances of deferred regulatory accounts	7,362,041	6,390,358	300,965	359,337	505,841	1,261,811	-	283,023	16,463,376	(3,060,897)	3,658,023	17,060,502

Income between segments is eliminated in the consolidation and is reflected in the column "Intersegment transactions". The column of reconciling entries corresponds to those entries that are not assigned to the segments.

All other operations that generate incidental income, that are within other operations reflected in the "Others segment" do not constitute an individual segment of operation.

The information by segments is made and presented according to IAS 34.

9.2. Information by geographic area

Revenues from external customers

	September 2015	September 2014
Colombia (Country of domicile of EPM)	6,194,093	5,573,796
Guatemala	1,388,891	1,293,944
Panama	1,219,126	1,031,383
El Salvador	591,242	501,443
Mexico	126,624	65,394
Chile	156,727	12,771
Ecuador	22,221	20,894
Bermuda	4,611	3,669
Total foreign countries	3,509,442	2,929,498
Total consolidated revenues	**9,703,535**	**8,503,294**

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.

Note 10. Property, plant and equipment

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

	September 2015	December 2014
Cost	30,002,069	26,452,103
Accumulated depreciation and impairment	(5,110,735)	(4,192,452)
Total	**24,891,334**	**22,259,651**

During 2015, EPM Group has invested $2,018,100 in infrastructure.

The major assets under construction correspond to the following:

Project	September 2015	December 2014
Ituango	3,521,821	2,620,934
Nueva Esperanza	197,491	136,234
Others	524,952	383,390
Total	**4,244,264**	**3,140,558**

Note 11. 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).
- 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:

i. *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.

ii. *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.

iii. *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.

iv. *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 September 30, 2015 and December 31, 2014, 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 September 30, 2015	Level 1		Level 2		Level 3	Total
	Transfers at level 2	Level 1	*Transfers at level 1*	Level 2		
Assets						
Negotiable o designated						
Cash and cash equivalents	-	1,370,623	-	-	-	1,370,623
Trust in administration		342,654				342,654
	-	**1,713,277**	**-**	**-**	**-**	**1,713,277**
Other investment in debt securities						
Fixed Income Securities	-	249,759	-	-	-	249,759
Variable Income Securities	-	18,096	-	-	-	18,096
	-	**267,855**	**-**	**-**	**-**	**267,855**
Other equity investments						
Fixed Income Securities	-	-	-	-	-	-
Variable Income Securities	-	1,890,500	-	-	-	1,890,500
	-	**1,890,500**	**-**	**-**	**-**	**1,890,500**
Derivatives						
Swaps	-	-	-	266,089	-	266,089
	-	**-**	**-**	**266,089**	**-**	**266,089**
Investment properties						
Urban land	-	-	-	123,664	-	123,664
Buildings and houses	-	-	-	21,632	-	21,632
	-	**-**	**-**	**145,295**	**-**	**145,295**
Liabilities						
Designated at fair value						
	-	**-**	**-**	-	-	**-**
Hedges						
Swaps	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Total	**-**	**3,871,632**	**-**	**411,385**	**-**	**4,283,017**

- Amounts stated in millions of Colombian pesos-

Fair value measurement on a recurring basis as of December 31, 2014	Level 1		Level 2		Level 3	Total
	Transfers at level 2	Level 1	Transfers at level 1	Level 2		
Assets						
Designated at fair value						
Cash and cash equivalents	-	1,023,734	-	-	-	1,023,734
Trust in administration	-	437,357	-	-	-	437,357
	-	1,461,091	-	-	-	1,461,091
Other investment in debt securities						
Fixed Income Securities	-	1,975,755	-	-	-	1,975,755
Variable Income Securities	-	331,420	-	-	-	331,420
	-	2,307,175	-	-	-	2,307,175
Other equity investments						
Fixed Income Securities	-	-	-	-	-	-
Variable Income Securities	-	2,077,688	-	-	-	2,077,688
	-	2,077,688	-	-	-	2,077,688
Derivatives						
Swaps	-	-	-	112,055	-	112,055
	-	-	-	112,055	-	112,055
Investment properties						
Urban land	-	-	-	123,664	-	123,664
Buildings and houses	-	-	-	20,086	-	20,086
	-	-	-	143,750	-	143,750
Liabilities						
Derivatives						
Swaps	-	-	-	20,945	-	20,945
	-	-	-	20,945	-	20,945
Total	-	5,845,954	-	276,750	-	6,122,704

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 September 30, 2015 and December 31, 2014 are:

- Amounts stated in millions of Colombian pesos-

	September 2015					December 2014			
		Estimated fair value				Estimated fair value			
	Book value	*Level 1*	*Level 2*	*Level 3*	Total	*Level 1*	*Level 2*	*Level 3*	Total
Assets									
Accounts receivable measured at amortized cost									
Public utilities	2,201,778	-	2,203,084	-	2,203,084	-	1,774,902	-	1,774,902
Employees	92,233	-	94,579	-	94,579	-	77,161	-	77,161
Other loans granted	86,445	-	86,472	-	86,472	-	87,879	-	87,879
Other accounts receivables	845,202	-	845,468	-	845,468	-	557,123	-	557,123
	3,225,658	-	**3,229,603**	-	**3,229,603**	-	**2,497,065**	-	**2,497,065**

Liabilities

	September 2015					December 2014			
		Estimated fair value				Estimated fair value			
	Book value	*Level 1*	*Level 2*	*Level 3*	Total	*Level 1*	*Level 2*	*Level 3*	Total
Other bonds and securities issued	6,277,625	-	-	6,277,625	6,277,625	-	-	5,419,716	5,419,716
Commercial bank loans	3,129,216	-	-	3,129,216	3,129,216	-	-	2,426,563	2,426,563
Multilateral bank loans	1,578,352	-	-	1,578,352	1,578,352	-	-	1,226,164	1,226,164
Bonds and securities issued	609,704	-	-	609,704	609,704	-	-	714,797	714,797
Development bank loans	1,060,778	-	-	1,060,778	1,060,778	-	-	640,212	640,212
	12,655,675	-	-	12,655,675	12,655,675	-	-	10,427,452	10,427,452
Total	15,881,333	-	3,229,603	12,655,675	15,885,278	-	2,497,065	10,427,452	12,924,517

Nota 12. Debt and equity instruments

EPM's capital includes indebtedness with national and international capital markets, commercial banks, development banks, central banks and multilateral banks.

EPM plans, manages and evaluates acquisition of financial resources in national and international financial markets for strategic investments and investment projects through different options that optimize cost and guarantee adequate financial ratios and risk ratings while minimizing financial risks.

EPM has issued public debt bonds for $2,997,280 at September 30, 2015 ($2,367,280 at December 31, 2014). Placement of bonds during the period totaled $630,000. No equity instruments have been issued during the reporting periods.

Note 13. Provisions, contingent assets and liabilities

13.1. Provisions

At September 30, 2015 provisions have increased by 6% corresponding mainly to: increase for adjustment in exchange rate of contingent consideration recognized by EPM parent company upon business combination with Espíritu Santo Energy S. de R.L., provision for dismantling originated in commissioning of Altair vase sanitary fill of subsidiary Empresas Varias de Medellín S.A. E.S.P. and other provisions.

13.2. Contingent liabilities and assets:

At September 30, 2015, EPM Group records 21% net decrease in contingent liabilities explained mainly by two fiscal claims between EPM parent company and the municipality of Bello that have been classified with favorable outlook, and in other Group's companies, due to claims whose probability has changed.

Contingent assets underwent 54% net decline due to the effect, primarily in EPM parent company, of the two fiscal claims mentioned above and to the abandonment of a lawsuit with the Ministry of Defense, and in other Group's companies that recorded changes in the probability of their lawsuits.

	Contingent liabilities	Contingent assets
Claims and Lawsuits		
Initial balance at January 01, 2015	1,299,588	535,822
Movements	(275,278)	(288,613)
Ending balance at September 30, 2015	**1,024,310**	**247,209**

Note 14. Revenues

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

- Amounts stated in millions of Colombian pesos-

	As of September 30, 2015	As of September 30, 2014	For the three months ended as of September 30, 2015	For the three months ended as of September 30, 2014
Sale of goods	**12,129**	**11,477**	**4,746**	**3,716**
Provision of services				
Energy service	8,157,716	7,264,782	2,875,996	2,464,560
Fuel gas service	487,267	365,731	172,806	122,553
Sewage service	363,323	307,439	132,785	103,237
Water	386,549	277,159	178,015	94,222
Waste collection service	108,855	111,876	36,844	35,660
Social security in health system	11,130	10,288	3,612	4,020
Other services	134,303	113,629	74,038	60,260
Effect by loss of control of subsidiary UNE and affiliates (note 8.3)	-	-	-	(1,354,873)
Leasing	**42,263**	**40,913**	**15,004**	**16,177**
Total net income	**9,703,535**	**8,503,294**	**3,493,846**	**1,549,532**

Note 15. 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:

- Amounts stated in millions of Colombian pesos-

	As of September 30, 2015	As of September 30, 2014	For the three months ended September 30, 2015	For the three months ended September 30, 2014
Personal services	392.508	337.179	135.362	109,990
Goods and public utilities for sale (1)	4.444.373	3.983.053	1.642.688	1.300.754
Sale of goods	13.590	8.442	5.795	2.535
Consumption of direct inputs	91.899	52.194	60.938	9.068
Orders and contracts (2)	202.127	180.687	80.076	67.968
Fees	44.071	35.168	16.685	13.901
Public utilities	13.601	13.433	4.816	6.441
Taxes and rates	41.651	34.688	12.147	8.121
General costs	53.088	68.032	21.235	24.285

Depreciation	479.921	436.289	167.372	152.459
Amortization	26.261	27.518	8.843	9.406
Extinguishment	1.061	1.391	404	464
Impairment of PPE	8.526	34.089	8.189	2.062
Impairment of intangibles	8.831	1	6.739	1
Impairment of inventories	(59)	180	111	97
Leases	23.968	15.684	8.698	7.693
Licenses, contributions, royalties	83.518	83.467	22.463	26.457
Materials and other operating costs	138.325	138.547	60.590	55.392
Insurance	35.769	40.113	12.552	11.310
Other	347.075	307.794	136.962	120.822
Effect by loss of control of subsidiary UNE and affiliates (note 8.3)	-	-	-	(1.172.686)
	6.450.104	5.797.949	2.412.665	756.540

(1) *Includes the value of purchases of energy in block and in pool, cost for connection, use of network lines and ducts, cost of commercialization and distribution of natural gas, among other costs.*

(2) *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 16. 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:

- Amounts stated in millions of Colombian pesos-

	As of September 30, 2015	As of September 30, 2014	For the three months ended September 30, 2015	For the three months ended September 30, 2014
Salaries and wages	234.473	223.734	81.107	70,530
Attributed contributions	38.922	28.589	11.564	12.758
Effective contributions	29.672	27.915	10.637	7.749
Contributions on payroll	2.717	2.381	972	404
Post-employment benefits – defined benefit plans	31.673	34.686	11.238	11.729
General	320.604	236.802	132.834	104.914
Taxes, contributions and levies	199.296	94.914	31.881	34.339
Impairment of accounts receivable	21.824	27.089	8.291	8.700
Depreciation of properties, plant and equipment	38.626	25.598	14.512	8.434
Amortization of intangibles	10.311	7.331	3.764	2.311
Provision for contingencies	27.481	35.419	6.318	14.487
Loss for construction contracts	641	243	-	243
Provision for dismantling, removal or rehabilitation	113	64	(28)	(187)
Provision onerous contracts	15.622	-	15.588	-
Other miscellaneous provisions	17.576	8.660	4.246	2.993
Effect by loss of control of subsidiary UNE and affiliates (note 8.3)	-	-	-	(146.149)
Total administration expenses	**989.551**	**753.425**	**332.924**	**133.255**

Note 17. Other income and other expenses

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

17.1. Other income

- Amounts stated in millions of Colombian pesos-

	As of September 30, 2015	As of September 30, 2014	For the three months ended September 30, 2015	For the three months ended September 30, 2014
Adjustment for exchange difference	1.423.631	183.641	1.149.015	154.139
Recoveries	53.330	82.209	18.268	16.084
Other revenues	25.022	22.570	6.419	8.523
Commissions	27.672	28.101	9.316	10.078
Exploitation	6.455	7.508	2.221	5.441
Indemnifications	1.869	4.596	551	1.878
Margin in the commercialization of goods and services	1.787	1.997	585	648
Fees	2.105	2.215	1.284	1.000
Profit in sale of assets	28.426	2.484	8.062	41
Reversal lost for impairment of accounts receivable	8.484	1.795	5.911	(11)
Sale of terms of reference	534	568	141	183
Subventions	2.736	386	2.016	126
Contracts for public utilities management	-	45	-	-
Other surpluses	11	41	(8)	19
Effect by loss of control of subsidiary UNE and affiliates (note 8.3)	-	-	-	(54.054)
	1.582.062	**338.156**	**1.203.781**	**144.095**

17.2 Other expenses

- Amounts stated in millions of Colombian pesos-

	As of September 30, 2015	As of September 30, 2014	For the three months ended September 30, 2015	For the three months ended September 30, 2014
Other provisions for tax obligations	(20)	26	(41)	26
Adjustment for exchange difference - cash	635.473	136.531	576.342	73.173
Loss in sale of assets	2.160	1.983	1.005	1.706
Loss in retirement of assets	7.390	10.945	2.533	4.151
Assumes taxes	-	8	-	-
Assets and rights transferred by companies to other public entities	703	-	-	-
Contributions in non-corporate entities	23.791	18.593	8.375	13.593
Donations	323	662	119	409

Arbitration awards and out of court settlements	1.286	1.875	488	525
Other ordinary expenses	7.299	10.385	4.051	2.179
Effect by loss of control of subsidiary UNE and affiliates (note 8.3)	-	-	-	(34.963)
	678.405	181.008	592.872	60.799

Note 18. Facts occurred after the period being reported

EPM's participation in the corporation in charge of construction, operation, administration and maintenance of the Parques del Río Medellín project.

In meeting held on October 06, 2015, EPM's Board of Directors, duly empowered by law and the bylaws, particularly Article 17 d) of said bylaws, authorized EPM's participation, with 33% of capital stock, in the corporation to be in charge of construction, operation, administration and maintenance of the Parques del Río Medellín project. EPM's initial contribution for incorporation of the corporation will be COP 100,000,000.

Merger of subsidiaries Aguas de Urabá S.A. E.S.P and Regional de Occidente S.A. E.S.P.

In special meeting held on October 23, 2015, the shareholders' meeting of Aguas de Urabá S.A. E.S.P and Regional de Occidente S.A. E.S.P. approved merger commitment of the two subsidiaries. The goal of this transaction is to generate new administrative and operating synergies, accelerating investment plans that will inure in improving quality, coverage and continuity of the public utilities offered by EPM Group in Antioquia's Western and Urabá subregions. According to the merger commitment, Aguas de Urabá S.A. E.S.P. will be the beneficiary entity and Regional de Occidente S.A. E.S.P. the absorbed one.