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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P., which comprise the statements of financial position as of December 31 2015, and 2014, and the related the statements of income and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and keeping an internal control system that is adequate for the preparation and presentation of financial statements, free from significant misstatement, whether due to fraud or error; selecting and applying the appropriate accounting policies, as well as making the accounting estimates that are deemed to be reasonable under the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audits. We obtained the necessary information to fulfill our functions and carry out our work in accordance with generally accepted auditing standards in Colombia. These standards require planning and performing the audit in order to attain reasonable assurance of whether or not the financial statements are free of significant errors. An audit of the financial statements involves examining, on a selective test basis, the evidence that supports the figures and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of significant error in the financial statements. In the evaluation of risk, the auditor considers the Company´s internal control that are relevant for the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting polices used and the significant accounting estimates made by Management, as well as the evaluation of the overall presentation of the financial statements.

We consider that our audit provides us a reasonable basis to issue our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P., as of December 31, 2015, and 2014 the results of its operations, and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

As it is described in note 19 of the accompanying financial statements, during 2016, EPM obtained waivers from the financial institutions related to the fulfillment of the covenant, in accordance with the provisions in the agreements with multilateral banks, measured in the ratio long-term debt to EBITDA at December 31, 2015. EPM carried out as of 31 December 2015 the reclassifications of the financial debt from long-term to short-term in accordance to the provisions of the International Financial Reporting standards.

Deloitte & Touche Ltda.

DELOITTE & TOUCHE LTDA.

Medellin, Colombia
March 31, 2016.

Empresas Públicas de Medellín E.S.P.

Separate Financial Statements and Notes

December 31, 2015 and 2014

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.

SEPARATE STATEMENT OF FINANCIAL POSITION

Periods ended as of December 31, 2015 and 2014

Figures expressed in millions of Colombian pesos

	Notes	2015	2014
Assets			
Non-current assets			
Properties, plant and equipment, net	4	18,472,539	16,611,956
Investment properties	5	157,213	138,212
Goodwill	6	260,950	260,950
Other intangible assets	6	244,767	234,576
Investments in subsidiaries	8	5,937,844	4,786,511
Investments in associates	9	2,431,939	2,431,939
Investments in joint ventures	10	99	-
Trade debtors and other accounts receivables	11	2,123,296	1,105,973
Other financial assets	12	2,391,070	2,437,551
Other assets	14	82,020	77,059
Total non-current assets		32,101,737	28,084,727
Current assets			
Inventories	15	97,402	107,518
Trade debtors and other accounts receivable	11	1,667,161	1,105,098
Assets for current taxes	33	122,558	-
Other financial assets	12	55,599	1,793,824
Other assets	14	190,944	133,095
Cash and cash equivalents	16	487,182	284,923
Total Current assets		2,620,846	3,424,458
Total assets		34,722,583	31,509,185
Liabilities and Equity			
Equity			
Capital	17	67	67
Reserves	17	3,452,499	3,093,359
Other accumulated comprehensive income	18	1,787,083	1,854,759
Accumulated results	17	12,231,134	10,173,991
Net result of the period	17	1,484,584	2,472,421
Total equity		18,955,367	17,594,597

JR

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.

SEPARATE STATEMENT OF FINANCIAL POSITION

Periods ended as of December 31, 2015 and 2014

Figures expressed in millions of Colombian pesos

	Notes	2015	2014
Non-current liabilities			
Credits and loans	19	7,012,001	7,711,595
Trade and other payables	20	31,574	15,102
Other financial liabilities	20	499,690	447,238
Employee benefits	22	203,880	193,206
Deferred tax liabilities	33	2,065,045	1,951,336
Provisions	24	375,265	372,724
Other liabilities	25	33,314	22,538
Non-current liabilities		**10,220,769**	**10,713,739**
Current liabilities			
Credits and loans	19	3,940,357	976,854
Trade and other payables	20	1,018,265	1,545,280
Other financial liabilities	20	181,661	235,788
Employee benefits	22	101,179	89,637
Income tax payable	33	-	154,359
Taxes contributions and rates payable	23	88,044	83,444
Provisions	24	50,613	37,011
Other liabilities	25	166,328	78,476
Total current liabilities		**5,546,447**	**3,200,849**
Total liabilities		**15,767,216**	**13,914,588**
Total liabilities and equity		**34,722,583**	**31,509,185**

The accompanying notes are an integral part of the financial statements

Jorge Londoño De la Cuesta
General Manager

Jorge Andrés Tabares Ángel
Executive Vice President, Corporate Finance, Risk and Investments

Carlos Mario Tobón Osorio
Accounting Manager
T.P. 62449-T

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the period from January 1 to December 31, 2015 and 2014

Figures expressed in millions of Colombian pesos

	Notes	2015	2014
Continued operations			
Rendering of services		6,649,461	5,783,493
Leases		32,435	32,006
Other income		146,533	177,282
Income from ordinary activities		6,828,429	5,992,781
Profit in sale of assets		17,902	149
Total income	26	6,846,331	5,992,930
Costs for rendering services	27	(4,223,433)	(3,130,477)
Administration expenses	28	(863,326)	(706,356)
Other expenses	29	(43,695)	(43,091)
Financial income	30	248,630	202,739
Financial expenses	30	(588,958)	(561,893)
Net exchange difference	31	(295,775)	(34,493)
Equity method in associates and joint business	32	626,300	1,346,108
Result for the period before tax		1,706,074	3,065,467
Income tax	33	(221,490)	(593,046)
Result of the period after taxes of continued operations		1,484,584	2,472,421
Net result of period		1,484,584	2,472,421
Other comprehensive income, net of taxes			
Items that will not be reclassified subsequently to the result of the period			
New measurements of defined benefit plans	18 y 33	247	(2,239)
Equity investments measured at fair value through equity	18 y 33	15,058	(154,863)
Income tax related to components that will not be reclassified	18 y 33	(97,706)	415
Reclassification of properties, plant and equipment to investment properties	18 y 33	3,731	-
		(78,670)	(156,687)
Items that may be reclassified subsequently to the result of the period :			
Cash flow hedging	18 y 33	(7,790)	7,790
Result recognized of the period		31,434	99,329
Reclassification adjustment		(39,224)	(91,539)
Income tax related to the components that can be reclassified	18 y 33	18,785	(18,785)
		10,995	(10,995)
Other comprehensive income, net of taxes		(67,675)	(167,682)
Total comprehensive income for the period		1,416,909	2,304,739

The accompanying notes are an integral part of the financial statements

Jorge Londoño De la Cuesta
General Manager

Jorge Andrés Tabares Ángel
Executive Vice President, Corporate Finance, Risk and Investments

Carlos Mario Tobón Osorio
Accounting Manager
T.P. 62449-T

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.

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SEPARATE STATEMENTS OF CHANGES IN THE EQUITY

Periods ended on December 31, 2015 and 2014
Figures expressed in millions of Colombian pesos

	Capital issued (Note 17)	Reserves (Note 17)	Accumulated results (Note 17)	Other comprehensive income: Equity Investment (Note 18)	Other comprehensive income: Defined benefit plans (Note 18)	Other comprehensive income: Cash flow hedging (Note 18)	Other comprehensive income: Properties, plant and equipment revaluation reserve (Note 18)	Total
Balance as of January 1, 2014	67	3,146,192	13,040,726	1,995,518	26,918	-	5	18,209,426
Income for the period			2,472,421					2,472,421
Other comprehensive income of the period net of income tax	-	-	-	(154,856)	(1,831)	(10,995)	-	(167,682)
Comprehensive income for the period	-	-	2,472,421	(154,856)	(1,831)	(10,995)	-	2,304,739
Surplusses and dividends declared	-	-	(2,919,567)	-	-	-	-	(2,919,567)
Appropriation of reserves	-	(52,833)	52,833	-	-	-	-	-
Balance as of December 31, 2014	67	3,093,359	12,646,413	1,840,662	25,087	(10,995)	5	17,594,597
Balance as of January 1, 2015	67	3,093,359	12,646,413	1,840,662	25,087	(10,995)	5	17,594,597
Income for the period			1,484,584					1,484,584
Other comprehensive income of the period net of income tax	-	-	-	(78,146)	(3,854)	10,995	3,330	(67,675)
Comprehensive income for the period	-	-	1,484,584	(78,146)	(3,854)	10,995	3,330	1,416,909
Surplusses and dividends declared	-	-	(56,139)	-	-	-	-	(56,139)
Appropriation of reserves	-	359,140	(359,140)	-	-	-	-	-
Balance as of December 31, 2015	67	3,452,499	13,715,718	1,762,516	21,233	-	3,335	18,955,367

The accompanying notes are an integral part of the financial statements

Jorge Londoño De la Cuesta
General Manager

Jorge T

Jorge Andrés Tabares Ángel
Executive Vice President, Corporate Finance, Risk and Investments

Carlos Mario Tobón Osorio
Accounting Manager
T.P. 62449-T

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.

SEPARATE STATEMENTS OF CASH FLOWS

For the period from January 1 to December 31, 2015 and 2014

Figures expressed in millions of Colombian pesos

	Notes	2015	2014
Cash flows for operating activities:			
Results of the period		1,484,584	2,472,421
Adjustments to reconcile the net result of the period to the net cash flows used in operating activities:		1,281,561	530,534
Depreciation and amortization of properties, plant and equipment and intangible assets		448,845	430,752
Impairment of financial instruments		7,009	7,792
Impairment of investments in subsidiaries, associates and joint ventures	7	15,223	8,626
Reversal of loss for impairment of financial instruments		(17,642)	(1,649)
(Profit) loss for exchange difference		673,510	(319,257)
(Profit) loss for valuation of investment properties		(8,652)	(11,491)
(Profit) loss for valuation of financial instruments and hedge accounting		350,365	68,678
Provisions, post-employment and long term defined benefit plans		55,728	23,081
Deferred income tax		34,788	113,586
Current income tax	33	186,702	479,453
Interest income		-	(130,723)
Interest expense		137,080	1,096,551
(Profit) loss for disposal of properties, plant and equipment, intangibles and investment properties		-	8,080
(Profit) loss for disposal of investment in subsidiaries		-	100,028
Dividends from investments	32	(641,523)	(1,454,762)
Other income and expenses not effective		40,128	111,789
		2,766,145	3,002,955
Movements in working capital:			
(Increase)/decrease in inventories		9,087	(3,201)
(Increase)/decrease in debtors and other accounts receivable		420,794	133,721
(Increase)/decrease in other assets		(199,818)	112,203
Increase/(decrease) in trade and other payables		378,590	(44,332)
Increase/(decrease) in labor obligations		2,910	(84,340)
Increase/(decrease) en provisiones		(32,554)	-
Increase/(decrease) in other liabilities		106,522	(14,026)
		685,531	100,025
Interest paid		(647,855)	(411,849)
Income taxes paid		(341,061)	(475,026)
Net cash flows originated by operating activities		2,462,760	2,216,105
Cash flows for investment activities:			
Acquisition of subsidiaries or business, net of cash acquired	8	(1,159,056)	(2,516,730)
Disposal of subsidiaries or business		-	2,358,711
Acquisition of property, plant and equipment		(2,165,887)	(1,692,400)
Disposal of property, plant and equipment		-	13,821
Acquisition of intangible assets	6	(26,906)	(14,753)
Acquisition of investments in financial instruments		(18,308)	(1,116,483)
Disposal of investments in financial instruments		1,791,909	-
Interest received		-	122,098
Dividends received from subsidiaries, associates and joint ventures		351,778	1,572,358
Other dividends received		93,457	-
Loans to related parties		(1,464,761)	(257,801)
Other cash flows from investment activities		10,448	146,064
Net cash flows originated by investment activities		(2,587,326)	(1,385,115)
Cash flows for financing activities:			
Obtaining of public credit and treasury		2,111,637	1,834,631
Payments of public credit and treasury		(860,599)	(676,279)
Payments of liabilities for finance lease		(762)	(32,489)
Dividends paid		(991,139)	(2,085,631)
Net cash flows originated by financial activities		259,137	(959,768)
Net cash and cash equivalent increase/(decrease)		134,571	(128,778)
Effects of exchange rate changes on the balance of cash held in foreign currencies		67,688	62,678
Cash and cash equivalent at the beginning of period	16	284,923	351,023
Cash and cash equivalent at the end of the period		487,182	284,923
Restricted resources	16	145,324	108,808

The accompanying notes are an integral part of the financial statements

Jorge Londoño De la Cuesta
General Manager

Jorge Andrés Tabares Ángel
Executive Vice President, Corporate Finance, Risk and Investments

Carlos Mario Tobón Osorio
Accounting Manager
T.P. 62449-T

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Note 1. Reporting Entity

Empresas Públicas de Medellin E.S.P. (hereinafter, "EPM") is the holding company of a multi-Latin enterprise group formed by 50 companies, that have presence in the provision of public utilities in Colombia, Chile, El Salvador, Guatemala, Mexico and Panama. EPM is a municipal decentralized entity created in Colombia through Decision 58 dated August 6, 1955 issued by the Administrative Council of Medellín, as an autonomous public institution. It was transformed into an industrial and commercial government company through Decision 069 of December 10, 1997 of the Medellín Council. Due to its juridical nature, EPM has administrative, and financial autonomy and its own equity according to Article 85 of Law 489 of 1998. The capital stock with which the company was constituted and operates with, as well as its equity, is of a public nature, and it's only owner is the Municipality of Medellín. Its main corporate domicile is located at Carrera 58 No. 42-125 in Medellín, Colombia. It has not established a term of duration.

EPM provides domiciliary public services 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 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.
- 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 corresponding to the year ended as of December 31, 2015 and 2014, were authorized by the Board of Directors to be published on march 29, 2016.

1.1 1.1 Legal and regulatory framework

The activity that EPM 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.

1.2 Regulation commissions

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

These entities are:

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

1.2.1 Regulation by sector

1.2.1.1 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.

1.2.1.2 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 carry out the commercialization activity. For transmission, it defined that companies that carry out this activity must have it as their exclusive object. However, the companies that as of the passing of Law 143 of 1994 were vertically integrated could continue doing it, provided that they have separate accountings for the different activities.

1.2.1.3 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.

1.3 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 separate financial statements of EPM 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).

EPM prepared and presented its separate financial statement up to December 31, 2014 in compliance with the Public Accounting Regime (RCP), considering that it is the public accounting standardization and regulation system established by the General Controller's Office of the Nation (CGN) in Colombia. The financial statements as of December 31, 2014 were the first financial statements prepared in conformity with the IFRS in which the major impacts originated by the change from Colombian accounting regulations to IFRS were detailed.

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

EPM and each subsidiary present independent financial statements for compliance before the controlling entities and for internal administrative follow-up purposes and provide information to the investors. Likewise, EPM as main parent company, presents consolidated financial statements under IFRS.

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

2. 2 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 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 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. 3 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 represent a cash and cash equivalents component in the statement of cash flows.

2. 4 Investments in subsidiaries, associates and joint ventures

A subsidiary is an entity controlled by EPM. The control is achieved when EPM controls the relevant activities of the subsidiary, which are generally the operating and financial activities, is exposed to or has a right to the variable returns of the subsidiary and has capacity to influence in those returns.

An associate is an entity on which EPM 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 controls jointly with other participants, where the latter keep a contractual agreement that establishes the joint control and are entitled to the net assets of the agreement.

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

Investments in subsidiaries, associates and joint ventures are carried at cost in the separate financial statements.

The dividends received from the subsidiary, associate or joint ventures are recognized directly in the profit and loss of the period when the right by EPM to receive the payment is established.

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

When the control of the subsidiary is lost, or the significant influence on the associate or the joint control on the joint ventures is lost, EPM measures and recognizes any residual investment that it maintains in it at its fair value. The difference between the carrying value of the subsidiary, associated or joint ventures and the fair value of the residual investment retained, with the applicable sale value, is recognized in profit and loss for the period.

2. 5 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, 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 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. 6 Functional Currency and Foreign Currency

The functional currency of EPM, 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.

2. 7 Ordinary Income

Ordinary income corresponds basically to the performance of the company's main activity that is the rendering of domiciliary public utilities of waterworks, sewerage, electric power and distribution of fuel gas; these are recognized when the service is provided or at the time of the delivery of the goods, to the extent that it is probable that the economic benefits enter the company and that the income may be reliably measured. The income is measured at the fair value of the consideration received or to be received, excluding taxes or other obligations. Discounts granted are recorded as lower value of the income.

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

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

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

Dividend revenues are recognized when the right of EPM 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. 8 Contracts Construction

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

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

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

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

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

2. 9 Government grants

Government’s subsidies are recognized at fair value when there is reasonable assurance that the subsidies will be received and that all conditions connected to them will 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. 10 Taxes

In the country’s fiscal structure, the regulatory framework and the plurality of operaitons make the company to be taxpayer of taxes, rates and contributions of the national and territorial levels. Obligations that are originated in the Nation, the departments, the municipal entities and other tax collector entities, once the conditions provided in the corresponding regulations issued are fulfilled.

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

Income tax

- **Current**

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

Current assets and liabilities for income tax are also offset if they relate to the same tax authority and the intention is to assess them for the net or realization value of the asset and to assess the liability simultaneously.

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.

Value Added Tax – VAT

The company belongs to the common regime because it sells goods and renders services that are taxed and obtains exempt income for exports. Currently in Colombia the power, waterworks, sewerage and domiciliary gas are excluded from this tax.

In Colombia the general rate of this tax is 16% and there are special rates in accordance with the corresponding good or service, which range from 1.6% to 10%. For sumptuary consumptions, differential rates range from 20 to 35 percent.

In Colombia, in the generation of income excluded in the particular case of domiciliary public utilities, the VAT paid in the purchases forms part of a higher value of the cost. In addition, when taxed income is generated, that is when goods or services taxed are sold, the VAT paid in the purchase of acquisition of inputs for these sales will be discountable from the value payable of the tax. When the company generates income that are excluded from the VAT, but at the same time generates income that are exempt and/or taxed, it is necessary to make a porrating of the VAT paid in order to determine what is the percentage of VAT to be discounted.

Wealth tax

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

2. 11 Non-current assets held for sale and discontinued operations

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

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

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

2. 12 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; the costs corresponding to loans of the construction projects that take a substantial period to be completed, if the requirements of recognition are complied with; and the present value of the expected cost for the dismantlement of the asset after its use, if the criteria for recognition for a provision are met.

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

In EPM, 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.

Inventories of parts for specific projects, which it is expected that will not have rotation in one year and that meet the criteria to be capitalized, known as replacement assets, are presented in properties, plant and equipment.

The depreciation initiates when the asset is available to be used and is calculated linearly through the estimated useful life of the asset as follows:

Plants, ducts y tunnels	
Civil work	50 a 100 years
Equipment	10 a 100 years
Networks, lines and cables	
Electrical transmission network	30 a 40 years
Electrical distribution network	30 a 40 years
Aqueduct network	40 a 80 years
Residual waters network	30 a 80 years
Gas network	60 a 80 years
Buildings	50 a 100 years
Communications and computing equipment	5 a 40 years
Machinery and equipment	7 a 40 years
Furniture, fixtures and office equipment	10 a 15 years
Lands	not depreciate

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

EPM 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. 13 Leases

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

Leases are classified 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 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. These assets are not legally owned by the company, and for this reason, until it exercises the purchase option, it cannot freely dispose of them. They are presented in each kind of assets to which they belong.

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 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 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. 14 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. 15 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. 16 Intangible assets

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

The useful lives of intangible assets are determined as finite or undefined.

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

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

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

- ***Research and Development Costs***

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

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

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

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

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

- **Other intangible assets**

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

2. 17 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 classifies its financial assets for subsequent measurement at amortized cost or fair value depending upon the business model of EPM to manage financial assets and the characteristics of the contractual cash flows of the instrument.

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

- **Impairment of financial assets**

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

EPM 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 uses the expected loss method denominated cascade to collectively determine the impairment losses.

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

a) Significant financial difficulties of the issuer or the counterparty;

b) Infractions of contractual clauses, such as breaches or delinquency in the payment of interest or principal;

c) The lender grants concessions or advantages that would have not granted under other circumstances;

d) It is probable that the borrower enters in bankruptcy or in other financial reorganization way;

e) The disappearance of an active market for the financial asset evaluated.

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

All other financial assets different from those at amortized cost are subsequently measured at fair value with changes recognized in the results for the period. However, for the investments made on capital instruments that are not maintained for negotiation purposes, EPM 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 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.

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.

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 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 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 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 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 Company substantially retains all risks and advantages inherent to the ownership of a financial asset transferred, the entity shall continue to recognize the financial asset and also shall recognize a loan guaranteed in a collateral fashion for the revenues received.

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

A financial liability or part of it is written-off from the statement of financial position when the contractual obligation has been settled or has expired. If the entity does not transfer or substantially retains all risks and advantages inherent to the ownership and continues to retain the control of the asset transferred, the entity shall recognize its participation in the asset and the associated obligation for the amounts that it would have to pay. If EPM 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 offset in such a way as to report the net value in the separate 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 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, 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 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 shall evaluate the effectiveness of the changes in fair value of the hedging instrument when offsetting the exposure before changes in the fair value of the hedged item or in the cash flows, attributable to the risk hedged. That hedging is expected to be highly efficient in achieving the offsetting of changes in the fair value or in the cash flows, and they are permanently evaluated to determine whether that was actually so throughout the information periods for which they were designated.

EPM counts on the following hedging (for greater details, see Note 21 Derivatives and Hedging):

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

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

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

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

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

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

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

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

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

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

– Hedging of a net investment abroad, when they hedge the exposure to the variations in the translation of foreign businesses into the presentation currency of EPM, 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.

2. 18 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. 19 Impairment value of non-financial assets

As of every presentation date, EPM evaluates whether they have any indication that a tangible or intangible asset may be impaired. EPM 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), 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, when a reasonable and consistent distribution base is identified, the common/corporate assets are also assigned to the individual cash generating units, or distributed to the smallest group of cash generating units for which it is possible to identify a reasonable and consistent distribution base. When the carrying value of an asset or of a cash-generating unit exceeds its recoverable value, the asset is considered impaired and the value is reduced to its recoverable amount.

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

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

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

For assets in general, excluding the goodwill, on each presentation date an evaluation is conducted about whether there is any indication that the impairment losses previously recognized no longer exist or have decreased. If such indication exists, EPM 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

2. 20 Provisions

Provisions are recorded when EPM has a present, legal or implicit obligation, as a result of a past event; it is probable that EPM 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 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 reported net of every reimbursement in the comprehensive income statement in the section other expenses. The increase in the provisions due to the passing of time is recognized as a financial expense.

- **Dismantlement reserve**

To the extent that there is a legal or implicit obligation of dismantling or restoring, EPM recognizes as part of the cost of a fixed asset in particular, the estimation of the future costs EPM 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**

The company recognizes present obligations that derive from onerous contracts, as provisions and their offsetting entry is in the comprehensive income statement. 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 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. 21 Employee benefits

2.21.1. Post-employment benefits

2.21.2. Defined contribution plans

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

2.21.2.1. Defined benefit plans:

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

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

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

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

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

2.21.3. Short-term employee benefits

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

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

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

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

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

2.21.4. Long-term employee benefits

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

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

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

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

2.21.5. Benefits for termination

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

2. 22 Service concession agreements

EPM 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 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 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 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 separate statement of financial position as financial assets and are measured later 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 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. 23 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 non-observable for the asset or liability, in the absence of variables observed in the market (level 3).

Note 37 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. 24 Changes in estimates accounting policies and errors

2.24.1. Changes in accounting estimates:

There are no significant changes in accounting estimates.

2.24.2. Changes in accounting policies:

There are no changes in the accounting policies

2.24.3. Application of new and revised standards

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

Standard	Date of mandatory application	Type of change
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018	New
IFRS 16 - Leases	January 1, 2019	New
IFRS 9 - Financial Instruments	January 1, 2018	Modification
IAS 1 - Presentation of Financial Statements	January 1, 2016	Modification
IAS 7 - Statement of Cash Flows	January 1, 2017	Modification
IAS 12 - Income Taxes	January 1, 2017	Modification
IAS 16 - Property, Plant and Equipment	January 1, 2016	Modification
IAS 19 - Employee Benefits	January 1, 2016	Modification
IAS 27 - Separate Financial Statements	January 1, 2016	Modification
IAS 28 -Investments in Associates and Joint Ventures	January 1, 2016	Modification
IAS 34 - Interim Financial Reporting	January 1, 2016	Modification
IAS 38 - Intangible Assets	January 1, 2016	Modification
IFRS 5 - Non-current Assets Held for Sale	January 1, 2016	Modification
IFRS 7 - Financial Instruments: Disclosures	January 1, 2016	Modification
IFRS 10 - Consolidated Financial Statements	Postponed	Modification
IFRS 11 - Joint Arrangements	January 1, 2016	Modification
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2016	Modification

IFRS 15 Revenue from contracts with customers

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

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

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

IFRS 16 Leases

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

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

IFRS 9 Financial Instruments

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

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

IAS 1 Presentation of financial statements

In December 2014 the IASB published the amendments to IAS 1 Disclosure of accounting policies. These modifications address some concerns expressed on the presentation and disclosure requirements, and make sure tha entities have the possibility of exercising judgment when applying IAS 1.

Some issues outstanding in the amendments are the following:

- The entity should not reduce the understand inability of its financial statements by concealing substantial information with irrelevant information orby adding material elements that have different nature or function.
- The entity does not need to disclose specific information required by an IFRS if the resulting information is not material.
- In the section of other comprehensive income of an income statement and other comprehensive income, the amendments require separate disclosures for the following items:
    - The proportion of other comprehensive income of associates and joint ventures that are accounted for usiing the equity method that will not be later reclassified to profit and loss.
    - The proportion of other comprehensive income of associates and joint ventures that are accounted for using the equity method that is later reclassified to the income statement.

The modifications will be mandatorily applied for the annual periods that start on or after January 1, 2016. Their early application is allowed.

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

IAS 7 Cash flows

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

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

IAS 12 Income taxes

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

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

IAS 16 Properties, plant and equipment, IAS 38 Intangible assets

IAS 16 and IAS 38 establish the principle of the basis for depreciation and amortization, it being the expected pattern of consumption of future economic benefits of an asset. In its amendments published in May 2014, the IASB clarified that the use of methods based on the income to calculate the depreciation of an asset is not adequate because the income generated by an activity that includes the use of an asset generally reflect factors different from consumption of the economic benefits embodied in the intangible asset. However, this assumption may be rejected under certain circumstances limited for the intangibles. The modifications are applicable as of January 1, 2016. Their early application is permitted.

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

IAS 27 Separate financial statements

The modifications to IAS 27, issued in August 2014, reestablish the option to use the equity method to account for the investments in subsidiaries, joint ventures and associates in the separate financial statements. The modifications also clarify that when a holding entity ceases to be an investment entity, or becomes an investment entity, the change must be accounted for as of the date on which the change occurs. The modifications will be of mandatory application for the annual periods that start on or after January 1, 2016. Their early application is permitted.

IAS 28 Investments in associates and joint ventures, IFRS 10, Consolidated financial statements, and IFRS 12 Disclosures of interests in other entities

The modifications to these standards seek to clarify the requirements to account for investment entities. They confirm that the exemption of preparing consolidated financial statements continues for the parent company that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value according to IFRS 10; it is also confirmed that the exemption to apply the equity method is also applicable to the investor of an associate or joint venture if that investor is a subsidiary of an investment entity, even if the parent of the investment entity measures all its subsidiaries at fair value. Likewise, it is made clear that the investment entity that measures all its subsidiaries at fair value must provide the disclosures of IFRS 12 related to the investment entities. With these modifications the purpose is to reduce the cost of applying these standards.

The modifications address situations in which there is a sale or contribution of assets between an investor and its associate or joint venture.

IAS 28 has been modified to reflect the following:

1. Profits and losses resulting from transactions related to the assets that do not constitute a business between an investor and its associate or joint venture are recognized to the extent of the interest of unrelated investors in the associate or joint venture.
2. Profits and losses for subsequent operations related to the assets that constitute a business between an investor and its associate or joint venture must be recognized in their entirety in the financial statements of the investor.

IFRS 10 has been modified to reflect the following:

The profits or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method, are recognized in the profit and loss of the controlling entity to the extent of the interest held by unrelated investors in that associate or joint venture. Similarly, the profits and losses resulting from the appreciation of accumulated investment in a previous subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) at fair value, are recognized in the profit and loss of the previous controlling entity only to the extent of the participation of the unrelated investors in the new associate or joint venture.

Modifications are applied prospectively to the transactions that take place in the annual periods that start as of January 1, 2016 with early application permitted. In the meeting of June 2015 the IASB decided tentatively to postpone the mandatory effective date of these amendments. No draft has been issued at the time of preparation of this document.

The modifications will be mandatorily applied for the annual periods starting as of January 1, 2016. Their early application is permitted.

These modifications do not have any impact on the financial statements.

IFRS 11 Joint arrangements:

The modifications to IFRS 11, issued in May 2014, are applied to the acquisition of an interest in a joint operation that constitutes a business. Amendments clarify that acquirers of these parts must apply all accounting principles for business combinations of IFRS 3 Business combinations and other standards that are not in conflict with the guidelines of IFRS 11 Joint Arrangements. The modifications will be of mandatory application for annual periods that start on or after January 1, 2016. Their early application is permitted.

This modification does not have any material impact on the financial statements.

Annual improvements - Cycle 2012 – 2014

Following are the IFRS that were discussed by the IASB and that were subsequently included as modifications in the annual improvements cycle 2012-2014:

IAS 19 Employee benefits

This modification, issued in September 2014, clarifies that the depth of the high credit quality corporate bond market is evaluated based on the currency in which the obligation is denominated, instead of the country where the obligation is located. When there is not a deep market for these bonds in that currency, bonds issued by the government in the same currency and terms will be used. The modifications will be mandatorily applied for the annual periods starting on or after January 2016. Early application is permitted.

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

IAS 34 Interim financial reporting

This modifications, issued in September 2014, clarifies that the disclosures requires must be in the interim financial statements or must be indicated with cross-references between the interim financial statements and any other report that contains them. The modifications will be mandatorily applied for annual periods that start on or after January 1, 2016. Early application is permitted.

These modifications do not have a materia impact on the financial statements.

IFRS 5 Non-current assets held for sale and discontinued operations

This modification, issued in September 2014, clarifies that if the entity reclassified an asset (or group of assets for their disposal), from held for sale directly to held for distribution to the owners, or from held to be distirbuted to the owners directly to held for sale, then the change in the classification is considered a continuation of the original sale plan. The IASB clarifies that in these cases the accounting requirements for the changes in a sale plan will not be applied. The modifications will be mandatorily appliled for annual periods that start on after January 1, 2016. Early application is permitted

This modification does not have a materia impact on the financial statements.

IFRS 7 Financial instruments: Disclosures

This modification, issued in September 2014, clarifies that the service agreements may constitute continued application in an asset transferred for the purposes of the disclosures of transfers of financial assets. Generally this will be the case when the administrator has an interest in the future return of the financial assets transferred as consequence of said agreement. The modifications will be mandatorily applied for anual periods that start on or after January 1, 2016. Early application is permitted.

This modification does not have a materia impact on the financial statements.

2.24.4. *Changes in presentation*

At the closing of the 2015 period changes were made in the presentation of some items of the Statement of financial position and statement of comprehensive income of the 2014 period, taking into account the materiality of the figures and the nature of the items. The purpose of the reclassifications is to facilitate the reading of the financial statements by their users. The items classified were the following:

Item	Previous presentation	Current presentation	2015	2014
Separate statement of financial potion				
Current assets				
Accounts receivable construction contracts	Accounts receivable due by customers in construction contracts	Trade debtors and other accounts receivable	-	2,549
Trade debtors and other accounts receivable	Trade debtors and other accounts receivable	Trade debtors and other accounts receivable	1,667,161	1,102,549
Trade debtors and other accounts receivable			**1,667,161**	**1,105,098**
Payments made in advance	Payments made in advance	Other assets	-	24,436
Other assets	Other assets	Other assets	190,944	108,659
Other assets			**190,944**	**133,095**
Non current liabilities				
Creditors and other accounts payable	Other liabilities	Creditors and other accounts payable	-	5,074
Accounts payable construction contracts	Other liabilities	Creditors and other accounts payable	-	10,028
Creditors and other accounts payable	Other liabilities	Creditors and other accounts payable	31,574	-
Creditors and other accounts payable			**31,574**	**15,102**
Other financial liabilities	Other financial liabilities	Other financial liabilities	-	12,032
Accounts payable financial leasing	Other liabilities	Other financial liabilities	197,213	198,045
Pension bonds	Liability for employee benefits	Other financial liabilities	302,477	237,161
Other financial liabilities			**499,690**	**447,238**
Pension bonds	Liability for employee benefits	Other financial liabilities	-	(237,161)
Employee benefits	Liability for employee benefits	Employee benefits	499,690	430,367
Employee benefits			**499,690**	**193,206**
Creditors and other accounts payable	Other liabilities	Creditors and other accounts payable	-	(5,074)
Accounts payable construction contracts	Other liabilities	Creditors and other accounts payable	-	(10,028)
Accounts payable financial leasing	Other liabilities	Other financial liabilities	-	(198,045)
Income received in advance	Income received in advance	Other liabilities	-	874
Other liabilities	Other liabilities	Other liabilities	33,314	234,811
Other liabilities			**33,314**	**22,538**

- Figures in millions of Colombian pesos -

Item	Previous presentation	Current presentation	2015	2014
Current liabilities				
Accounts payable construction contracts	Other liabilities	Creditors and other accounts payable	-	13,834
Creditors and other accounts payable	Creditors and other accounts payable	Creditors and other accounts payable	1,018,265	1,531,446
Creditors and other accounts payable			**1,018,265**	**1,545,280**
Accounts payable financial leasing	Other liabilities	Other financial liabilities	832	762
Pension bonds	Liability for employee benefits	Other financial liabilities	180,829	226,113
Other financial liabilities	Other financial liabilities	Other financial liabilities	-	8,913
Other financial liabilities			**181,661**	**235,788**
Pension bonds	Liability for employee benefits	Other financial liabilities	-	(226,113)
Employee benefits	Other liabilities	Employee benefits	101,179	315,750
Employee benefits			**101,179**	**89,637**
Taxes, contributions and rates payable	Other liabilities	Taxes, contributions and rates payable	88,044	83,444
Taxes, contributions and rates payable			**88,044**	**83,444**
Accounts payable financial leasing	Other liabilities	Other financial liabilities	-	(762)
Employee benefits	Other liabilities	Employee benefits	-	(315,750)
Taxes, contributions and rates payable	Other liabilities	Taxes, contributions and rates payable	-	(83,444)
Income received in advance	Income received in advance	Other liabilities	99,346	27,711
Other liabilities	Other liabilities	Other liabilities	66,982	450,721
Other liabilities			**166,328**	**78,476**

- Figures in millions of Colombian pesos -

Item	Previous presentation	Current presentation	2015	2014
Separate comprehensive income statement				
Rendering of AGC (Auto. Generation Control) Service	Costs for rendering of service	Rendering of service	-	53,708
Rendering of services	Costs for rendering of service	Rendering of service	6,649,461	5,729,785
Rendering of services			**6,649,461**	**5,783,493**
Other income	Other income	Net exchange difference	-	(248,761)
Other income	Other income	Other income	146,533	426,192
Profit from sale of assets	Other income	Profit from sale of assets	-	(149)
Other income			**146,533**	**177,282**
Income	Net income	Income from ordinary activities	6,828,429	5,761,791
Rendering of AGC service	Cost for rendering of services	Rendering of services	-	53,708
Other income	Other income	Other income	-	177,282
Income from ordinary activities			**6,828,429**	**5,992,781**
Profit from sale of assets	Other income	Profit from sale of assets	17,902	149
Total income			**6,846,331**	**5,992,930**
Costs for rendering of AGC service	Rendering of service	Costs for rendering of service	-	(53,709)
Costs for rendering of service	Costs for rendering of service	Costs for rendering of service	(4,223,433)	(3,076,768)
Costs for rendering of service			**(4,223,433)**	**(3,130,477)**

- Figures in millions of Colombian pesos -

Item	Previous presentation	Current presentation	2015	2014
Other expenses	Other expenses	Net exchange difference	-	39,979
Other expenses	Other expenses	Other expenses	(43,695)	(83,070)
Other expenses			**(43,695)**	**(43,091)**
Financial income	Financial income	Net exchange difference	-	(145,440)
Financial income	Financial income	Financial income	248,630	348,179
Financial income			**248,630**	**202,739**
Financial expenses	Financial expenses	Net exchange difference	-	693,616
Financial expenses	Financial expenses	Financial expenses	(588,958)	(1,255,509)
Financial expenses			**(588,958)**	**(561,893)**
Effect by participation in equity investments	Effect by participation in equity investments	Net exchange difference	-	(304,901)
Effect by participation in equity investments	Effect by participation in equity investments	Effect by participation in equity investments	626,300	1,651,009
Effect by participation in equity investments			**626,300**	**1,346,108**
Exchange difference	Other income	Net exchange difference	-	248,761
Exchange difference	Other expenses	Net exchange difference	-	(39,979)
Exchange difference	Financial income	Net exchange difference	-	145,440
Exchange difference	Financial expenses	Net exchange difference	-	(693,616)
Exchange difference	Effect by participation in equity investment	Net exchange difference	-	304,901
Exchange difference	**Not applicable**	**Net exchange difference**	**(295,775)**	**(34,493)**

- Figures in millions of Colombian pesos -

Item	Previous presentation	Current presentation	2015	2014
Statement of cash flow				
(Increase)/decrease in debtors and other accounts receivable	Net cash flows originated by operating activities	Net cash flows originated by investment activities	-	257,801
(Increase)/decrease in debtors and other accounts receivable	Net cash flows originated by operating activities	Net cash flows originated by investment activities	429,170	(124,080)
(Increase)/decrease in debtors and other accounts receivable			**429,170**	**133,721**
Loans to related parties	Net cash flows originated by operating activities	Net cash flows originated by investment activities	-	(257,801)
Loans to related parties	Net cash flows originated by operating activities	Net cash flows originated by investment activities	(1,464,761)	-
Loans to related parties			**(1,464,761)**	**(257,801)**

- Figures in millions of Colombian pesos -

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

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

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

The significant estimates and judgments made by EPM 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.

- **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 EPM 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 EPM 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 company deferred tax asset is recovered in the net income taxed on the current income tax generated.

  Notwithstanding the above, in the company the net result of this tax is deferred tax liability.

Note 4. Property, plant and equipment, net

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

Concept	2015	2014
Cost	21,275,133	19,014,577
Accumulated depreciation and impairment	(2,802,594)	(2,402,621)
Total	**18,472,539**	**16,611,956**

- Figures in millions of Colombian pesos -

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

2015	Network, lines and cables	Plants, ducts and tunnels	Constructions in progress1	Land and Buildings	Machinery & Equipment	Communication and Computer Equipment	Furniture & Fixtures & Office Equipment	Other property, plant and equipment2	Total
Cost as of January	3,661,625	6,757,321	3,140,557	4,923,084	140,807	156,365	42,424	192,394	19,014,577
Joint ventures 3	-	-	-	-	-	-	-	-	-
Additions 4	29,027	21,448	2,089,230	24,279	5,192	27,747	4,781	95,957	2,297,661
Advances delivered (amortized) to third parties	6	-	16,732	-	-	-	-	(137)	16,601
Transfers (-/+)	215,755	78,706	(304,107)	21,458	2,927	760	489	(18,074)	(2,086)
Disposals (-)	(140)	(10,678)	-	(3,206)	(922)	(14,451)	(82)	(1,934)	(31,413)
Other changes	13,333	13,056	(38,220)	(6,144)	(8,812)	2	88	6,490	(20,207)
Cost in books as of December 31	**3,919,606**	**6,859,853**	**4,904,192**	**4,959,471**	**139,192**	**170,423**	**47,700**	**274,696**	**21,275,133**
Accumulated depreciation and impairment									
Accumulated depreciation and impairment as of January 1	(634,709)	(930,804)	-	(647,538)	(63,545)	(75,283)	(16,490)	(34,252)	(2,402,621)
Depreciation of the period6	(119,642)	(190,310)	-	(54,841)	(10,102)	(29,193)	(3,324)	(10,353)	(417,765)
Disposals (-)5	16	5,232	-	353	452	12,944	61	1,310	20,368
Transfers (-/+)	-	-	-	-	-	-	-	-	-
Other changes	(90)	(1,765)	-	(2,947)	2,260	(150)	(159)	275	(2,576)
Accumulated depreciation and impairment as of December 31	**(754,425)**	**(1,117,647)**	**-**	**(704,973)**	**(70,935)**	**(91,682)**	**(19,912)**	**(43,020)**	**(2,802,594)**
Property, plant & equipment as of December 31	**3,165,181**	**5,742,206**	**4,904,192**	**4,254,498**	**68,257**	**78,741**	**27,788**	**231,676**	**18,472,539**
Advances delivered to third parties									
Balance as of January 1, 2015	-	-	31,361	-	-	-	-	137	31,498
Movement (+)	7	-	40,446	-	-	-	-	-	40,453
Movement (-)	(1)	-	(23,714)	-	-	-	-	(137)	(23,852)
Balance December 31, 2015	**6**	**-**	**48,093**	**-**	**-**	**-**	**-**	**-**	**48,099**

2014	Network, lines and cables	Plants, ducts and tunnels	Constructions in progress1	Land and Buildings	Machinery & Equipment	Communication and Computer Equipment	Furniture & Fixtures & Office Equipment	Other property, plant and equipment2	Total
Cost as of January	3,395,032	6,655,499	2,006,986	4,882,427	128,440	128,309	41,542	111,192	17,349,427
Joint ventures 3	865	771	-	140	-	-	-	-	1,776
Additions 4	41,798	3,817	1,458,457	35,479	2,929	33,756	943	139,676	1,716,855
Advances delivered (amortized) to third parties	-	(226)	(23,655)	-	-	-	-	(574)	(24,455)
Transfers (-/+)	232,288	103,160	(346,227)	5,008	9,312	433	-	(7,310)	(3,336)
Disposals (-)	(375)	(5,094)	-	(575)	(547)	(6,957)	(10)	(263)	(13,821)
Other changes	(7,983)	(606)	44,996	605	673	824	(51)	(50,327)	(11,869)
Cost in books as of December 31	**3,661,625**	**6,757,321**	**3,140,557**	**4,923,084**	**140,807**	**156,365**	**42,424**	**192,394**	**19,014,577**
Accumulated depreciation and impairment									
Accumulated depreciation and impairment as of January 1	(526,127)	(733,913)	-	(595,097)	(53,910)	(61,727)	(13,320)	(25,107)	(2,009,201)
Depreciation of the period6	(109,122)	(199,331)	-	(53,374)	(9,787)	(19,072)	(3,040)	(10,046)	(403,773)
Disposals (-)5	306	2,948	-	38	519	5,751	6	169	9,737
Transfers (-/+)	-	-	-	1,813	-	-	-	-	1,813
Other changes	234	(508)	-	(918)	(367)	(235)	(136)	732	(1,197)
Accumulated depreciation and impairment as of December 31	**(634,709)**	**(930,804)**	**-**	**(647,538)**	**(63,545)**	**(75,283)**	**(16,490)**	**(34,252)**	**(2,402,621)**
Property, plant & equipment as of December 31	**3,026,916**	**5,826,517**	**3,140,557**	**4,275,546**	**77,262**	**81,082**	**25,934**	**158,142**	**16,611,956**

Advances delivered to third parties									
Balance as of January 1, 2014	-	226	55,016	-	-	-	-	712	55,954
Movement (+)	-	-	1,079	-	-	-	-	-	1,079
Movement (-)	-	(226)	(24,734)	-	-	-	-	(574)	(25,534)
Balance December 31, 2014	**-**	**-**	**31,361**	**-**	**-**	**-**	**-**	**137**	**31,499**

- Figures in millions of Colombian pesos -

At the closing of the periods a impairment test made to the assets connected to the CGUs, which in turn have intangibles of indefinite useful life which showed no impairment

[1]Includes capitalization of costs for loans for $148,375 (2014: $70,319), the average rate used to determine the amount of the costs for loans was of 8.15% (2014: 7.68%), which is the specific effective interest rate of this type of loan.

[2] Includes transportation, traction and lifting equipment, replacement assets, property, plant and equipment in transit, property, plant and equipment in set up and medical and scientific equipment.

[3]In 2014 it includes the assets acquired through the joint venture with Surtidora de Gas del Caribe S.A. E.S.P. – SURTIGAS from the municipality of Necocli for $1,776.

[4]Includes the purchases, capitalizable disbursements that meet the recognition criteria, the goods received from third parties and the costs for dismantling, removal and restoration of elements of property, plant and equipment. At the closing of periods 2015 and 2014 no aids were received from the government.

[5] See note 26. Total income and note 29. Other expenses.

[6] See note 27. Costs for rendering of services and note 28. Administration expenses.

The main projects under construction are the following:

Project	2015	2014
Ituango Hydroelectric Project	3,939,363	2,620,934
Nueva Esperanza	257,097	136,234
Conection Ecopetrol-Middle Magdaler	85,722	33,845
Conection San Nicolás d. Primaria	74,414	14,784
Cold District	33,686	570
Cuenca St. Helena 2	30,099	2,665
Other projects	483,810	331,526
Total	**4,904,191**	**3,140,558**

- Figures in millions of Colombian pesos-

As of December 31, 2015 the Ituango Hydroelectric Project shows the following progress:

Activity	Unit *	Total	Executed	% Execution
Excavations of spillway	m^3	13,480,000	8,938,000	66%
Excavations in the dam	m^3	1,094,000	557,000	51%
Fillings of the dam	m^3	19,484,575	4,772,463	25%
Access galleries to dam injection gallery	m	1,629	1,589	98%
Dam injection gallery	m	763	449	59%
Auxiliary deviation gallery (vault)	m	1,338	174	13%
Powerhouse excavations	m^3	243,816	200,000	82%
Excavation in transformer cavern	m^3	58,000	58,000	100%
Concrete in transformer cavern	m^3	2,703	1,252	46%
Excavations return ditch 1 and 2	m^3	163,094	142,340	87%
Plant's construction gallery	m	1,504	1,504	100%
Excavation floodgate sump pit yard	m^3	647,000	647,000	100%
Excavations intake yard	m^3	580,000	24,076	4%
Intermediate discharge tunnel	m	916	916	100%
Discharge tunnels N°1 to 4 (vault)	m	4,127	2,386	58%
Lower conduction tunnels N° 1 to 8	m	552	523	95%

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

As of December 31, 2015 and 2014 no restrictions were identified on the realizations of property, plant and equipment or affectations as guarantee of fulfillment of obligations.

The most significant commitments of acquisition of property, plant and equipment of the Company as of the cutoff date amount to $2,522,876 (2014: $2,668,851). The Company obtained income for compensations from third parties for loss of property, plant and equipment for $120 (2014. $5,038) presented in other income for indemnifications in note 26. Total income.

The following is the historic cost of properties, plant and equipment fully depreciated that continue in operation as of December 31, 2015 and 2014:

Group	2015	2014
Plants, ducts and tunnels	9,702	7,094
Communication and Computer equipment	3,957	1,000
Networks, lines and cables	2,025	10
Machinery and equipment	1,992	16
Buildings	48	-
Other property, plant and equipment	652	87
Total	**18,376**	**8,207**

- Figures in millions of Colombian pesos-

Note 5. Investment property

The fair value of investment properties is determined by the Real Estate Asset Negotiation and Administration Unit of EPM. For the determination of the fair value of the investment properties the comparative or market value is used, which consists in deducting the price by comparison of transactions, demand and supply and appraisal of similar or comparable real estate, prior adjustments of time, conformation and location; the comparative or market method, which consists in deducing the price by comparison of transactions, supply and demand and appraisals of similar or comparable properties, prior adjustments of time, conformation, and location; and the residual method that is applied only to the buildings and is based on the determination of the updated cost of the construction, less the depreciation for age and conservation condition.

Investment Properties	2015	2014
Book value as of January 1	138,212	126,721
Net profit or loss for adjustment of fair value1	12,383	11,491
Transfers2 (-/+)	6,618	-
Book value as of December 31	**157,213**	**138,212**

- Figures in millions of Colombian pesos -

[1] See note 18 Other accumulated comprehensive income, note 26 Total income and note 29 – Other expenses.

[2] Includes transfer of investment property to or from inventories, or either to or from property, plant and equipment.

The revenues for leasing of investment properties of the period amounted to $584 (2014: $1,972). There were no direct expenses related to investment properties.

As of December 31, 2015 and 2014 there are no contractual obligations to acquire, construct or develop investment properties, or for repairs, maintenance or improvements thereof.

As of December 31, 2015 there are contractual restrictions on the investment property for $16,970 (2014: $15,461), among which the lot of land of Niquia is outstanding, given that it is affected by an power conduction easement, which may restrict the commercial development of the lot; in addition, the land located next to EPM’s smart building where they are located (EPM, Plaza Mayor, Barefoot Park) that may present limitations in a future use of the land of the zone, which has repercussions on the commercial value of the square meter.

Note 6. Intangibles assets

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

Intangibles	2015	2014
Cost	**703,025**	**684,732**
Goodwill	260,950	260,950
Other intangibles	442,075	423,782
Accumulated depreciation and impairment	**(197,308)**	**(189,206)**
Other intangibles	(197,308)	(189,206)
Total intangibles	**505,717**	**495,526**

- Figures in millions of Colombian pesos -

The movement of cost, depreciation and impairment of intangible assets is detailed below:

2015	Goodwill	Concessions and similar rights	Disbursements for development capitalized	Software & information technology applications	Licenses	Rights	Other intangible assets1	Total
Cost as of January	260,950	243,203	20,600	77,980	30,013	40,062	11,924	684,732
Joint ventures 2	-	-	-	-	-	-	-	-
Additions 3	-	566	-	15,633	9,311	17	1,379	26,906
Transfers (-/+)	-	323	-	255	-	-	1,344	1,922
Disposals (-)	-	(9,317)	-	(18,193)	(205)	-	-	(27,715)
Other changes	-	3,123	-	(107)	-	14,164	-	17,180
Cost in books as of December 31	**260,950**	**237,898**	**20,600**	**75,568**	**39,119**	**54,243**	**14,647**	**703,025**
Accumulated amortization and impairment as of January 1	-	(114,893)	-	(54,075)	(17,877)	(188)	(2,173)	(189,206)
Amortization of period4	-	(18,635)	-	(7,722)	(3,663)	(308)	(753)	(31,081)
Disposals (-)	-	3,967	-	18,193	188	-	-	22,348
Transfers (-/+)	-	128	-	-	-	-	-	128
Other changes	-	17	-	(1)	(8)	-	495	503
Accumulated amortization and impairment as of December 31	**-**	**(129,416)**	**-**	**(43,605)**	**(21,360)**	**(496)**	**(2,431)**	**(197,308)**
Intangible assets as of December 31	**260,950**	**108,482**	**20,600**	**31,963**	**17,759**	**53,747**	**12,216**	**505,717**

- Figures in millions of Colombian pesos -

2014	Goodwill	Concessions and similar rights	Disbursements for development capitalized	Software & information technology applications	Licenses	Rights	Other intangible assets1	Total
Cost as of January	260,647	232,980	20,600	60,671	21,689	32,078	11,524	640,189
Joint ventures 2	303	-	-	-	-	-	-	303
Additions 3	-	7,646	-	3,038	1,243	2,810	16	14,753
Transfers (-/+)	-	1,438	-	-	-	-	81	1,519
Advances delivered to third parties	-	(565)	-	-	-	-	-	(565)
Disposals (-)	-	-	-	-	-	-	-	-
Other changes	-	1,704	-	14,271	7,081	5,174	303	28,533
Cost in books as of December 31	**260,950**	**243,203**	**20,600**	**77,980**	**30,013**	**40,062**	**11,924**	**684,732**
Accumulated amortization and impairment as of January 1	-	(96,699)	-	(48,682)	(15,359)	-	(1,946)	(162,686)
Amortization of period4	-	(18,162)	-	(5,393)	(2,518)	(188)	(719)	(26,980)
Disposals (-)	-	-	-	-	-	-	-	-
Transfers (-/+)	-	-	-	-	-	-	-	-
Other changes	-	(32)	-	-	-	-	492	460
Accumulated amortization and impairment as of December 31	**-**	**(114,893)**	**-**	**(54,075)**	**(17,877)**	**(188)**	**(2,173)**	**(189,206)**
Intangible assets as of December 31	**260,950**	**128,310**	**20,600**	**23,905**	**12,136**	**39,874**	**9,751**	**495,526**

Advances delivered to third parties								
Balance as of January 1, 2014	-	565	-	-	-	-	-	565
Movement (-)	-	(565)	-	-	-	-	-	(565)
Balance December 31, 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

- Figures in millions of Colombian pesos -

[1] Includes easeme nts and other intangibles corresponding to premiums in Gas Service Stations.

At the closing of the periods an impairment test was made to the assets that are connected to a CGU and that have recorded intangible assets with undefinite useful life, which did not evidence any impairment.

[2] Includes the goodwill generated in the business combination of Surtidora de Gas del Caribe S.A. E.S.P. – Surtigas in 2014.

[3] Includes the purchases, capitalizable disbursements that meet the recognition criteria and the concessions. At the closing of 2015 and 2014 no Government subsidies were received.

[4] See notes 27 –Costs for rendering of services and 28 – Administration expenses.

The useful lives of the intangible assets are:

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

The amortization of intangibles is recognized as costs and expenses in the income statement.

As of December 31, 2015 and 2014 no restrictions were identified on the realization of intangible assets and no contractual commitments for the acquisition of such assets were identified.

The book value as of the cutoff date and the remaining amortization period for significant assets are:

Significant intangible assets	Useful life	2015	2014
Goodwill Ituango Hydroelectric Project	Indefinite	177,667	177,667
Goodwill Espíritu Santo	Indefinite	82,980	82,980

- Figures in millions of Colombian pesos -

The following intangible assets have an indefinite useful life: goodwill and easements the latter are agreed perpetually. By definition an easement is the actual right, perpetual or temporary on someone else's real estate, by virtue of which the property can be used, or exercise certain disposal rights, or prevent the owner from exercising some of his property rights. In EPM the easements are not treated individually, since they are crated for public utility projects, where the general interest prevails over the private one, considering that the objective is to improve the quality of life of the community; the above-mentioned projects do not have a defined term and thus they are created perpetually supported in their use and in the civil code in its article 2970 and 3009. As of December 31, 2015 and 2014 they have a carrying value of $270,908 y $269,563 respectively.

Intangible assets with indefinite useful life	2015	2014
Goodwill		
Goodwill proyecto central de generación Ituango	177,667	177,667
Goodwill Espiritu Santo	82,980	82,980
Goodwill Surtigas Necoclí	303	303
Subtotal goodwill	**260,950**	**260,950**
Other intangible assets		
Easements	9,958	8,613
Subtotal other intangible assets	**9,958**	**8,613**
Total intangible assets with indefinite useful life	**270,908**	**269,563**

- Figures in millions of Colombian pesos-

Note 7. Impairment of assets

7.1 Impairment of investments in subsidiaries and associates

7.1.1 Hidroecológica del Teribe S.A.

The approach used to determine the recoverable value of Hidroecológica del Teribe S.A. – HET and each one of the key hypothesis is the following:

For income, the key factor is the estimate of the current and future energy prices in Panama; for this purpose, simulations are made of the Central American market coordinated with Colombia (including exchanges wiht Ecuador and Venezuela); additionally, aspects such as the Hydro Thermal Dispatch Model – MPODE (for its initials in Spanish) are considered, the projected demand with the expected growths of the GDP in a horizon from 2012 to 2014. For the base expansion the Panama Expansion Plan is considered with adjustments in the assumptions of entry of generation projects, considering as start up date of the international with Colombia January 2019 and the fuel price scenarios in accordance with the West Texas Intermediate – WTI projections. The final price was obtained from the prices granted in the free concurrence processes in which Hidroecológica del Teribe S.A. participated.

The costs and expenses were estimated in compliance with the regulation that is applied to the power generators in the Republic of Panama and taking into account the proposal presented by the Administration of EPM for the administration, operating and maintenance – AOM expenses of the plant; additionally, the expenses associated to the environmental and social management and to the fulfillment of the commitments derived from the compensation and benefit covenant and to those acquired with the National Environmental Authority – ANAM were considered.

In order to estimate the investment required the disbursements corresponding to the costs of development, land, easements and rights of way were considered. Within the investment in physical works was considered the cost of main civil works, transmission line, Changuinola substation and the equipment. Also, the disbursements associated to environmental and social management and engineering are considered, as well as the provision for physical contingencies.

The generation projects, such as investments in companies of this sector, have a fairly long useful life and thus, a 5-year period is not considered because in this period the investment recovery period would not be considered, which exceeds this narrow time horizon, and thus the evaluation consisted in a period of 50 years, longer, where it is possible to observe the actual income of the project and therefore the recovery of the investment.

Additionally, the Bonyic Hydroelectric project was conceived as the pilot project. This project has been evolving and in its course it has met various situations that it has had to confront and that have caused that its technical and well as financial conditions change; between the major event and their consequences we have:

- Rising of water / landslides that exceeded the forecasts established based on the probability levels established worldwide for this type of works. The probability of occurrence of those events exceeded 3 years, generating costs additionally to those provided initially.
- Change in the design of the powerhouse, from a surface structured to an underground one, to take care of eventual risks of floods and natural events.
- Redesign of the lining of the underground powerhouse and of the tunnels; the above because the quality of the rock found in the excavations had differences from those obtained in the samplings made in order to typify the rock. Because of the above, it was required to make over the lining and guarantee the stability of the works.
- Redesign of equipment following the changes generated by the new structure of the powerhouse.
- Increase in the length of the roads to take care of the changes in the designs of the main works.
- Difficulties to achieve agreements with the Nasoteribe community generating paralysis of the project.
- Delays in the issue of the permits and licenses generating delays in the execution of the works.

All of the above has generated postponement in the start up of the works that caused their recoverable value to be lower.

The period used by Hidroecológica del Teribe S.A. to carry out the projections of cash flows for the determination of the impairment test was of 20 years and the continuity flow was determined as of this period.

The rate for continuity is of zero and the rate that was used to discount the future cash flows was of 10.72%.

Additionally, within the projection exercised was used: the CPI of Panama, the external inflation CPI (USA), the external inflation PPI (USA), the LIBOR, an indexation factor for AOMs, an indexation factor for equipment, energy inflation and an indexation factor of the power rate, the indexation factor of the PPI (USA) and a factor for the update of investments.

7.1.2 Aguas de Malambo S.A. E.S.P

In respect to Aguas de Malambo S.A. E.S.P, Following we indicate the key hypothesis used in 2015 on which the cash flow projections were based and that entailed that their recoverable value will be lower than the accounting value of the CGU:

For the income, the estimated rate calculation in the initial business plan (2011) was due to the application of Resolution CRA 287 of 2004 (water rate methodology in effect) with three incremental changes estimated every five years as higher investments were made. The review made every five year of the rate formula is defined by Law 142 of 1994; however, the first change estimated in the initial plan has not been possible to be carried out yet due to inconveniences that have taken place in the estimate of all variables that make it up. The rate currently being applied corresponds to one denominated by the regulation as “reduced costs”, which is for companies that are in the process of updating the rate and that have not closed the process.

Not having rates that respond to the investments and actual costs of the company implies that there is no an economic balance and this causes the income to be lower than that expected and, therefore, there is a destruction of value that generates impairment.

Likewise, in commercial aspects there has been an increase in the accounts receivable caused by several aspects, among them the lack of payment culture in the region. At the time of the evaluation there are collection levels lower than those estimated and the retirement of customers who have over 7 bills past due is expected, which implies a decrease in the company's income.

For the costs and expenses, in respect to the purchase of water in block as of the date of the analysis, there are neighborhoods that are part of the area of coverage of the company's service but that physically are closer and even connected to the service of the company of the neighboring municipality. Initially it was estimated that those neighborhoods would be interconnected in order to cease the payment of the water in block that is purchased to cover their supply, but with the recent reviews to the investments it has been identified that said process could take more time than estimated. On the other hand, the initial contract with the company provider of the service of the neighboring municipality for that service was modified and the price increased over three times. The substantial change of the purchase price forced the company to hold a discussion with that company and the process was escalated to the Water Regulation Commission that on April 17, 2013 issued a resolution, notifying to the company in June 2013 that the obligation of the company to pay that value and a retroactive corresponding to this transaction was now firm, which generated additional costs in the affiliate with its consequent impact in the value of the company.

The master plan that is required for the performance of the main works of the waterworks and wastewater treatment plant in the municipality was taken into account to estimate the investment, which makes a diagnosis of the current infrastructure, identifies the needs and presents the solutions in time of a town both at the investment and the operation levels. The master plan contract started in May 2012 and a term of 7 months was estimated. Upon its initiation, during the first few weeks of execution of the contract, additions of time and money were made to include within the area of study the villages of Malambo and, also, carry out the designs of the pumping system to supply crude water to a great customer.

Upon arrival of the date of completion of the contract (March 22, 2013), the detailed designs of the potable and wastewater treatment plant, the pumping system for the great customer, the waterworks and sewerage networks of a sector and the first version of the primary distribution of the waterworks (including the associated studies of diagnosis and alternatives) had been delivered. During the performance of the sewerage system registry (main input for the preparation of diagnosis and designs), there were delays due to the existence of an important number of sealed and flooded inspection manholes. For this reason the contract had two time extensions up to July 2013. During this period, there were also made important modifications and refinements to the detailed designs of the primary water distribution. After overcoming the inconveniences with the sewerage system registry, a diagnosis of the system was made. The result showed problem of a hydraulic nature throughout the municipality, and thus the network length object of the design exceeded that established in the contract. In order to be able to complete these designs, an extension of two months was made once again. In September 2013 the consultant of the master plan delivered the pending products.

The fact of having a final master plan only at the end of 2013 implied delay in investments and therefore lower connection of users that generate the income projected in the business plan, in addition that only until this is received it is possible to take the amount of the investment to a higher level of certainty.

For the value in use an estimate was made of the future cash flows that the company expects to obtain on the asset, considering the expectations on possible variations in the value; in addition, it based on the most recent financial forecasts and the cash flow was calculated at 20 years, average time of stabilization of the assets to support the operation. The discount rate that was used for the valuation reflects the capital structure of the company, which considers the returns that the owner would required from this type of investments.

The net value of impairment losses recognized in the comprehensive income statement, related to the investments in subsidiaries and associates is as follows:

Investments	Carrying value		Impairment losses (reversal)	
	2015	2014	2015	2014
Subsidiary				
Hidroecológica del Teribe S.A. HET	226,904	226,904	-	8,626
Aguas de Malambo S.A. E.S.P.	19,887	4,663	15,224	-
Total subsidiaries	**246,791**	**231,567**	**15,224**	**8,626**

- Figures in millions of Colombian pesos -

The key assumptions used by the company in the determination of the value in use are the following:

Item	Key assumption
Business plan update	A general update of the business plan was made, which forms part of the strategy review process and of the company's management model, allowing to estimate new capital needs of the company.
Income	Rate aspects: the rate applied corresponds to one denominated by the regulation "reduced costs" that is not directly associated to the investments and actual costs of the company which generates an unbalance and causes income to be lower than expected.
	Commercial aspects: the improvement of the receivables has been difficult because of the poor payment culture in the region.
Costs and expenses	The purchase of water in block has become necessary from Sociedad de Acueducto, Alcantarillado y Aseo de Barranquilla S.A. E.S.P. - AA for longer time than estimated given that initially it was considered that the neighborhoods served through these means would be interconnected to the system. Likewise, by resolution from the Water Regulation Commission the price was increased by three times is initial value.
	The company paid obligations generated before the entry of EPM which by stockholders' agreement should cover the previous owner. The recovery of those costs and expenses is in process.
Investment	Master plan: for the performance of the major works of water words and waste water it is necessary to have a master plan, which makes a diagnosis of the current infrastructure, identifies the needs and sets out the solutions in time of a town both at the investment and operating levels. The contract for its preparation was added in time to include a greater scope of customers. Similarly, there were delays due to the existence of problems in the networks that did not permit to make the studies, and that the length thereof exceeded that estimated in the contract. The fact of not having had a final master plan but only in 2013 implied: delays in the investments plant, less new subscribers and the non improvement in the continuity of the service.

7.2 Impairment of Cash Generating Units

The carrying value of goodwill and intangible assets with indefinite useful lives associated with each CGU is below:

Cash Generating Unit	carrying value	
	2015	**2014**
Power Generation Segment		
Goodwill	260,647	260,647
Easements	444	444
UGE - Generation -	**261,091**	**261,091**
Power Transmission Segment		
Easements	241	239
UGE - Transmission	**241**	**239**
Power Distribution Segment		
Easements	3,320	1,976
UGE - Distribution -	**3,320**	**1,976**
Gas Segment		
Goodwill	303	303
Easements	3,481	3,481
UGE - Gas -	**3,784**	**3,784**
Water Provision Segment		
Easements	2,841	2,841
UGE - Water Provision -	**2,841**	**2,841**
Sanitation Segment		
Easements	1,350	1,350
UGE - Sanitation	**1,350**	**1,350**
Total	**272,627**	**271,281**

- Figures in millions of Colombian pesos-

The goodwill is assigned mainly to the Generation segment/CGU, which showed a balance as of December 31, 2015 for $260,647 generated as a result of the liquidation of EPM affiliate Ituango S.A. E.S.P. and Espiritu Santo, which assets were transferred to EPM; additionally in 2014 a goodwill was generated in the Gas CGU resulting from the business combination with Surtidora de Gas del Caribe S.A. E.S.P. in the municipality of Necocli for $303.

The easement intangible with indefinite useful life is assigned to the CGUs: Generation, Transmission, Distribution, Gas, Water Supply and Sanitation, which report a balance in 2015 for $11,677 and in 2014 for $10,331.

At 2015 and 2014 impairment tests were made to the CGUs that had associated intangible assets with indefinite useful life and that presented indication of impairment but this was not evidenced.

For the determination of the value in use a discount rate was used that represents the returns that the owners expect from an investment, taking into account: risk-free rate, the corresponding economic sector, the market, the country where the investment is located and the indebtedness.

The value in use and the book value of the CGU at the closing of 2015 that present indefinite useful life is detailed below:

UGE	Value in use	carrying value
Generation	21,946,484	12,325,243
Transmission	1,096,947	523,679
Distribution	7,016,660	3,349,732
Gas	1,110,936	541,271
Water Provision	1,194,969	1,164,294
Sanitation	1,068,457	1,000,037

- Figures in millions of Colombian pesos-

Note 8. Investment in subsidiaries

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

Name of subsidiary	Location (country)	Business	% ownership and voting rights		Date of creation
			2015	2014	
Empresa de energía del Quindío S.A. E.S.P. EDEQ	Colombia	Provides public utilities of electric power purchase and sale and distribution of electric power.	19.26%	19.26%	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.	24.44%	24.44%	9/09/1950
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.	0.28%	0.28%	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.	12.54%	12.54%	16/10/1952
Hidroecológica del Teribe S.A. HET	Panamá	Finances the construction of the Bonyic hydroelectric project required to meet the growing demand of energy of the Panama Isthmus.	99.19%	99.19%	11/11/1994
Gestión de Empresas Eléctricas S.A. GESA	Guatemala	Provides advisory and consultancy services to electric energy distribution, generation and transportation companies.	99.98%	99.98%	17/12/2004
Aguas Nacionales EPM S.A. E.S.P. [1]	Colombia	Provides public utilities of water, sewage and waste collection, treatment and utilization of waste, complementary activities and engineering services proper of these public utilities.	99.97%	99.96%	29/11/2002
Aguas de Urabá S.A. E.S.P. [2]	Colombia	Guarantee the rendering of domiciliary public utilities of water, sewage and waste collection and offset the infrastructure backlog of these utilities in the member municipalities.	72.66%	72.66%	18/01/2006
Empresas Públicas del Oriente S.A. E.S.P. En Liquidación [3]	Colombia	Provides water and sewage utilities to the rural and suburban zones of the municipalities of Envigado, Rionegro and El Retiro in the so-called San Nicolas Valley.	56.00%	56.00%	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.	56.00%	56.00%	22/11/1999
Regional de Occidente S.A. E.S.P. [2]	Colombia	Provides domiciliary public utilities of water, sewage and waste collection, as well as other complementary activities proper of each of these utilities and the treatment and utilization of waste.	59.98%	59.98%	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.	84.99%	84.99%	20/11/2010
Empresas Varias de Medellín S.A. E.S.P. [4]	Colombia	Subsidiary engaged in the rendering of the public utility of waste collection within the framework of the integral management of solid waste.	64.98%	99.90%	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%	25/08/2003
Maxseguros EPM Ltd [5]	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	Panamá	Capital investment in companies.	100.00%	100.00%	30/10/1998
Distribución Eléctrica Centroamericana DOS S.A. DECA II	Guatemala	It makes capital investments in companies engaged in the distribution and commercialization of electric power and to provide telecommunications services.	99.99%	99.99%	12/03/1999
EPM Capital México S.A. de CV	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.	42,50%	90.00%	4/05/2012
EPM Chile S.A. [6]	Chile	Develops energy projects , lighting , gas , telecommunications , sanitation, water treatment plants , sewage and wastewater treatment , as well as the provision of such services and participation in all kinds of tenders.	99.99%	99.98%	22/02/2013

1 In December 2015, EPM capitalized Aguas Nacionales EPM S.A. by $250,000.

2 On December 23, 2015, in accordance with public deed No. 4934 of Notary Third of Medellin, the approval of the merger for absorption was approved whereby Aguas de Urabá S.A. E.S.P. absorbs Regional de Occidente S.A. E.S.P., as evidenced in minutes 17 and 16 of the general stockholders' meetings of the companies, respectively, entered into on October 23, 2015. Based on the merger commitment, it was established that for accounting purposes, the final operation is formalized based on the figures resulting from accounting of the two companies, as of the last day of the month when the solemnization of the

respective deed takes place, that is as of December 31, 2015. Consequently, the operations of the Regional de Occidente S.A. E.S.P. (absorbed company) are made by Aguas de Urabá S.A. E.S.P. (absorbing company) as of January 1, 2016.

3 Subsidiary in state of liquidation by advance dissolution, as per approval from the General Stockholders' Meeting by means of minutes No. 011 of December 10, 2015, registered in the Chamber of Commerce of Medellin on December 18, 2015 under number 32680 of book IX.

4 In December 2015, EPM capitalized Empresas Varias de Medellin S.A. E.S.P. by $18.

5 In May 2015 EPM capitalized Maxseguros EPM Ltd. by $24,170.

6 In June and November 2015, EPM capitalized EPM Chile S.A. by $663,749 and $221,120, respectively.

The value of the investments in subsidiaries as of the cutoff date was:

subsidiary	2015				2014			
	Value of investment			Dividends	Value of investment			Dividends
	Cost	Impairment	Total		Cost	Impairment	Total	
Empresa de Energía del Quindío S.A. E.S.P. EDEQ	28,878	-	28,878	3,388	28,878	-	28,878	2,440
Central Hidroeléctrica de Caldas S.A. E.S.P. CHEC	140,663	-	140,663	3,485	140,663	-	140,663	18,255
Electrificadora de Santander S.A. E.S.P. ESSA	2,514	-	2,514	168	2,514	-	2,514	133
Centrales Eléctricas del Norte de Santander S.A. E.S.P. CENS	57,052	-	57,052	4,750	57,052	-	57,052	879
Hidroecológica del Teribe S.A. HET	346,067	(226,904)	119,163	-	346,067	(226,904)	119,163	-
Gestión de Empresas Eléctricas S.A. GESA	25,782	-	25,782	9,656	25,782	-	25,782	4,383
Aguas Nacionales EPM S.A. E.S.P.	1,292,115	-	1,292,115	3,700	1,042,115	-	1,042,115	20,151
Aguas de Urabá S.A. E.S.P.	40,443	-	40,443	-	40,443	-	40,443	-
Empresas Públicas del Oriente S.A. E.S.P.	3,015	-	3,015	-	3,015	-	3,015	-
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	1,564	-	1,564	-	1,564	-	1,564	-
Regional de Occidente S.A. E.S.P.	6,785	-	6,785	-	6,785	-	6,785	-
Aguas de Malambo S.A. E.S.P.	24,218	(19,887)	4,331	-	24,218	(4,663)	19,555	-
Empresas Varias de Medellín S.A. E.S.P.	32,967	-	32,967	-	32,949	-	32,949	-
EPM Inversiones S.A.	1,726,331	-	1,726,331	97,041	1,726,331	-	1,726,331	144,959
Maxseguros EPM Ltd	63,784	-	63,784	-	39,614	-	39,614	-
Panamá Distribution Group S.A. PDG	238,117	-	238,117	42,397	238,117	-	238,117	-
Distribución Eléctrica Centroamericana DOS SA DECA II	1,009,257	-	1,009,257	149,612	1,009,257	-	1,009,257	69,240
EPM Capital México S.A. de CV	98,719	-	98,719	-	98,719	-	98,719	-
Patrimonio Autónomo Financiación Social	102,329	-	102,329	-	94,829	-	94,829	-
EPM Chile S.A.	944,035	-	944,035	-	59,166	-	59,166	-
Total	**6,184,635**	**(246,791)**	**5,937,844**	**314,197**	**5,018,078**	**(231,567)**	**4,786,511**	**260,440**

- Figures in millions of Colombian pesos-

8.1. Changes in the interest held in subsidiaries that did not give rise to a loss of control

During the period there were changes in the interest held in the following subsidiaries:

The interest percentage in Empresas Varias de Medellin S.A. E.S.P. decreased to 64.98%, by the effect of the capitalization of EPM Inversiones S.A. that acquired 34.95%.

The Interest percentage in EPM Capital Mexico SA de CV decreased to 42.50% by the effect of the capitalization of EPM Latam S.A. that acquired 34.49% and PDG – Panama Distribution Group S.A. that acquired 18.29%.

8.2. Loss of control of a subsidiary

On August 14, 2014 the public deed for the merger between UNE EPM Telecomunicaciones S.A. and Millicom Spain Cable S.L. was signed, whereby both closed the transaction that will permit to integrate their land line and mobile telecommunications businesses in Colombia, represented by UNE EPM Telecomunicaciones S.A. and its subsidiaries and Colombia Movil S.A. with its brand TIGO.

EPM kept the direct interest of 50% of UNE EPM Telecomunicaciones S.A. and the Instituto de Deportes y Recreación (INDER), one share, whereby the majority stockholder in public entities is maintained.

The loss in the disposal is included in the result of the period in the consolidated statement of comprehensive income and corresponded to:

	2015	2014
Interchange value	-	2.365.005
Value of the subsidiary's net assets	-	(2.465.033)
Loss for disposal of subsidiaries	**-**	**(100.028)**

- Figures in millions of Colombian pesos-

Note 9. Investments in associates

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

Name of Associate	Location (country)	Type of business	% participation 2015	% participation 2014	Creation date
Hidroeléctrica Ituango S.A. E.S.P.	Colombia	Promotion, design, construction, operation, maintenance and commercialization of energy nationally and internationally of the Central Hidroeléctrica Pescadero Ituango	46.33%	46.33%	29/12/1997
Hidroeléctrica del Río Aures S.A. E.S.P.	Colombia	Generation and commercialization of electric power through a hydroelectric plant, located in the jurisdiction of the municipalities of Abejorral and Sonsón of the Department of Antioquia	42.04%	42.04%	14/05/1997
UNE EPM Telecomunicaciones S.A.	Colombia	Provision of telecommunications, information and communications technology services, information services and complementary activities.	50.00%	50.00%	29/06/2006
Inversiones Telco S.A.S.	Colombia	Investing in companies which corporate objects are based on the rendering of business process outsourcing (BPO) for companies, especially but not limited to telecommunications services.	50.00%	50.00%	5/11/2013

The value of investments in associates as of the cutoff date was:

Name of Associate	2015				2014			
	Value of Investment			Dividends	Value of Investment			Dividends
	Cost	Impairment	Total		Cost	Impairment	Total	
Hidroeléctrica Ituango S.A. E.S.P.	34,227	-	34,227	-	34,227	-	34,227	-
Hidroeléctrica del Río Aures S.A. E.S.P.	-	-	-	-	-	-	-	-
UNE EPM Telecomunicaciones S.A.	2,342,488	-	2,342,488	233,870	2,342,488	-	2,342,488	1,141,653
Inversiones Telco S.A.S.	55,224	-	55,224	-	55,224	-	55,224	-
Total investments in associates	**2,431,939**	**-**	**2,431,939**	**233,870**	**2,431,939**	**-**	**2,431,939**	**1,141,653**

Note 10. Investments in joint ventures

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

Name of joint venture	Location (country)	Type of business	Percentage ownership 2015	Percentage ownership 2014
Parques del Río S.A.S. [1]	Medellín	Construction, operation and support of project Parques del Rio Medellin, as well as acting as urban manager of project.	33%	-

[1] Joint venture incorporated on November 26, 2015, with the participation of the municipality of Medellin, Interconexión Electrica S.A. E.S.P. (ISA), Empresa de Transporte Masivo del Valle de Aburra Ltda. (Metro) and EPM. The entity seeks to be the manager of the next urbanistic developments of the city, the department and the country, taking advantage of the synergies on the subject of infrastructure, mobility, environment and social, among others.

The value of joint ventures as of the date, was:

Name of joint venture	2015				2014			
	Value of Investment			Dividends	Value of Investment			Dividends
	Cost	Impariment	Total		Cost	Impariment	Total	
Parques del Río S.A.S.	99	-	99	-	-	-	-	-
Total investments in joint ventures	**99**	**-**	**99**	**-**	**-**	**-**	**-**	**-**

- Figures in millions of Colombian pesos-

Note 11. Trade and other receivables

The composition of trade receivables and other accounts receivable as of December 31, is the following:

Trade debtors and other accounts receivable	2015	2014
Non current		
Public utilities debtors$_1$	255,089	235,407
Related parties$_2$	1,598,769	809,898
Employee loans	48,332	36,633
Dividends and participations receivable$_3$	196,288	-
Other loans$_4$	24,818	24,035
Total non current	**2,123,296**	**1,105,973**
Current		
Public utilities debtors$_1$	1,196,921	919,620
Public utilities impairment	(124,552)	(135,917)
Related parties$_2$	316,265	147,661
Employee loans	17,729	16,307
Employee loans impairment	(1)	(2)
Construction contracts	274	2,549
Other loans	274,149	170,689
Impairment other loans	(13,624)	(15,809)
Total current	**1,667,161**	**1,105,098**
Total trade debtors and other accounts receivable	**3,790,457**	**2,211,071**

- Figures in millions of Colombian pesos-

[1]The increase in public utilities is explained mainly by the expansion plans of the gas service that has reached more municipalities by a figure of approximately 69.000 new customers; in addition the regularization of customers by the prepayment plans, water and power, since debts of doubtful accounts were transferred to current.

The water rates were indexed in January 2015 by 3.17% and then in August 2015 by 3.35%

Accounts receivable from debtors of public utilities debtors generate default interest after the first day of payment default of the first deadline, according to Law 142 (Decree 1122 of 1999), that every company that provides a domiciliary public utility must deliver the invoice to the subscribers or users at least five (5) days in advance to the date payment is due.

[2]The increase of the balance with related parties corresponds basically to the credit granted to Inversiones y Asesorías South Water Services SPA for the purchase of the Chilean company Aguas de Antofagasta (ADASA), for the acquisition of the concession for the commercial exploitation in May 2015.

[3]Includes dividends receivable from UNE for $196,288 (2014: $-).

[4]The non-current portion includes the agreement with the Employee Fund (FEPEP) $16,850.

As of December 31, 2015 and 2014, the age analysis of the financial assets at the end of the reporting period that are in default but not impaired is:

Trade debtors not impaired	Total	Not past due or impaired	Past due but not impaired						
			< 30 days	30-60 days	61-90 days	91-120 days	121-180 days	181-360 days	> 360 days
Debtors of public utilities									
2015	1,293,260	1,219,316	51,911	19,215	157	57	631	734	1,239
2014	958,034	799,670	142,673	10,222	1,101	539	347	412	3,070
Other debtors									
2015	2,481,775	2,468,267	6,989	829	206	1,602	152	473	3,257
2014	1,149,111	1,122,980	8,975	1,016	2,467	18	162	1,023	12,470
Total trade debtors not impaired									
2015	**3,775,035**	**3,687,583**	**58,900**	**20,044**	**363**	**1,659**	**783**	**1,207**	**4,496**
2014	**2,107,145**	**1,922,650**	**151,648**	**11,238**	**3,568**	**557**	**509**	**1,435**	**15,540**

- Figures in millions of Colombian pesos-

As of December 31 the age analysis of financial assets at the end of the reporting period that are in default and impaired is:

Trade debtors impaired	Total	Not past due and impaired	Past due and impaired						
			< 30 days	30-60 days	61-90 days	91-120 days	121-180 days	181-360 days	> 360 days
Debtors of public utilities									
2015	13,431	2,854	1,429	5,080	-	953	885	817	1,413
2014	61,078	31,305	23,876	1,799	1,923	1,020	961	194	-
Other debtors									
2015	1,991	4	638	305	162	161	204	410	107
2014	33,332	35,899	1,323	3,792	113	65	100	1,109	447
Total trade debtors impaired									
2015	**15,422**	**2,858**	**2,067**	**5,385**	**162**	**1,114**	**1,089**	**1,227**	**1,520**
2014	**103,926**	**67,204**	**25,199**	**5,591**	**2,036**	**1,085**	**1,061**	**1,303**	**447**

- Figures in millions of Colombian pesos-

The reconciliation of the provision to recognize impairment losses of receivables is:

Movement impairment	2015	2014
Book value as of January 1	(151,726)	(151,190)
Loss for impairment recognized during the period	(7,009)	(7,792)
Utilizations during the period	2,918	5,584
Reversal of loss for impairment during the period	17,641	1,649
Discount effect	-	-
Other change	-	23
Book value as of December 31	**(138,176)**	**(151,726)**

- Figures in millions of Colombian pesos-

During 2015 a receivables write-off was made as per minutes of October 2015 for $2,918.

For 2014 the receivables write-off by minutes was for $5,584 and there was an adjustment of the impairment for $23 that corresponds to the return of the provision of some contributions that were not impaired.

EPM writes down, against the impairment recognized in a corrective account, the values of the financial assets impaired in accordance with the following criteria:

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

Instances responsible for the write-off

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

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

Note 12. Other financial assets

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

Other financial assets	2015	2014
Non current		
Derivatives designed as hedge instruments under hedge accounting		
Swap contracts	-	85,918
Total derivatives designed as hedge instruments under hedge accounting	**-**	**85,918**
Financial assets measured at fair value with changes in profit and loss for the period		
Variable income securities	22,198	5,833
Trust rights	312,668	304,654
Total financial assets measured at fair value with changes in profit and loss for the period	**334,866**	**310,487**
Financial assets designated at fair value with changes through other comprehensive income		
Equity instruments	2,056,204	2,041,146
Total financial assets measured at fair value with changes through other comprehensive income	**2,056,204**	**2,041,146**
Other noncurrent financial assets	**2,391,070**	**2,437,551**
Current		
Derivatives designed as hedge instruments under hedge accounting		
Swap contracts	-	26,137
Total derivatives designed as hedge instruments under hedge accounting	**-**	**26,137**
Financial assets measured at fair value with changes in profit and loss for the period		
Derivatives that are not under hedge accounting	11,776	4,347
Fixed income securities	43,823	1,763,340
Total financial assets measured at fair value with changes in profit and loss for the period	**55,599**	**1,767,687**
Total other current financial assets	**55,599**	**1,793,824**
Total other financial assets	**2,446,669**	**4,231,375**
- Figures in millions of Colombian pesos-		

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

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

Equity Investment	2015	2014
Isagén S.A. E.S.P.	1,218,329	1,062,454
Interconexión Eléctrica S.A. E.S.P.	831,029	971,786
Other investment	6,846	6,906
Total	**2,056,204**	**2,041,146**
Dividends recognized during the period related to investments that are maintained recognized at the end of the period	93,457	45,642
Dividends recognized during the period	**93,457**	**45,642**

- Figures in millions of Colombian pesos-

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

Note 13. Assurance

The Company has not granted guarantees as of December 31, 2015 and 2014, over which the party receiving, which it is authorized to sell or encumber without the occurrence of a default by the owner of the guarantee.

The Company has not received guarantees as of December 31, 2015 and 2014, which it is authorized to sell or encumber without the occurrence of a default by the owner of the guarantee.

Note 14. Other assets

The details of other assets at, December 31:

Concept	2015	2014
Non current		
Payments made in advance1	34,474	35,254
Employee benefits	21,949	15,689
Deferred loss for operation of lease back2	24,309	24,984
Goods received as dation in payment	1,288	1,132
Total other noncurrent assets	**82,020**	**77,059**
Current		
Payments made in advance1	75,240	24,437
Advances delivered to suppliers	77,145	109,409
Sales tax	38,559	(751)
Total other current assets	**190,944**	**133,095**
Total other assets	**272,964**	**210,154**

- Figures in millions of Colombian pesos-

[1]The non-current portion of the payments made in advance includes in insurance the all risks policies of the Ituango Hydroelectric Project for $21,432 (2014: $26,393) and third party liability for $609 (2014: $799), both effective until March 15, 2010, which are being amortized the premium in legal stability agreements for $10,925 (2014: $6,555) and leases for $1,508 (2014: $1,508).

The current portion corresponds to insurance, consisting of the all risks policies for $24,159 (2014 $19,985), of which $6,616 (2014: $6,322) are of the Ituango Hydroelectric Project, and other insurance $46,842 (2014 $2,072) of which $44,598 correspond to the climatic change insurance and advance payments for support and maintenance of software for $4,218 (2014 $2,379).

[2]See detail of agreements for leasing in note 20. Creditors and other accounts payable and other financial liabilities.

Note 15. Inventories

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

Inventories	2015	2014
Materials for the rendering of services 1	93,605	105,261
Merchandise in stock 2	1,629	1,861
Goods in transit	2,168	396
Total inventories at cost or at net realizable value, whichever is lower	**97,402**	**107,518**

- Figures in millions of Colombian pesos-

[1] Includes the materials for the rendering of services held by third parties.

[2] Includes merchandise in stock that does not require transformation, such as power, gas and water meters, communication equipment, telephones and Supply goods, as well as those held by third parties.

During the period inventories were recognized for $81,378 (2014 $71,962) as cost for the rendering of the service or cost of the goods sold. There was loss by the retirement of inventories for $1,029 (2014 $4,374). There were not reductions of the value of inventories recognized as expense or reversals of reductions of value. The Company does not have inventories committed as guarantee of liabilities.

Note 16. Cash and cash equivalents

The composition of cash and cash equivalents as of December 31, 2015 and 2014 is as follows:

Cash and cash equivalents	2015	2014
Cash on hand and in banks	320,808	165,562
Other cash equivalents	166,374	119,361
Total cash and cash equivalents reported in the Statement of financial position	**487,182**	**284,923**
Cash and cash equivalents reported in the Statement of Cash flows	**487,182**	**284,923**
Restricted cash	**145,324**	**108,808**

- Figures in millions of Colombian pesos-

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

The Company has restrictions on cash and cash equivalents at fair value as of December 31, 2015 for $145,324 and as of December 31, 2014 for $108,808).

Fund	Destination	2015	2014
Bogota Agreement Parques del Rio	Transfer of public utilities networks for the development of the project called Parques del Rio Medellin.	25,472	-
Sintraemdes Housing Fund	Contribute to the acquisition of housing and improvement thereof, of workers beneficiaries of the bargaining agreement executed between EPM and the Unions.	22,622	29,985
Master Agreement Municipality of Medellin No. 4600049285	Construction by EPM of sidewalks and other roadway elements in the center of the city, taking advantage of the Centro Parrilla project, that is, the renewal of water and sewage networks.	22,189	11,292
Sinpro Housing Fund	Contribute to the acquisition of housing and improvement thereof, of workers beneficiaries of the bargaining agreement executed between EPM and the Unions.	17,455	16,371
Banco Bogota INCODER	Join forces and resources between EPM and INCODER to carry out the project “feasibility study for the construction of the irrigation and drainage district in part of the Uraba region of Antioquia” with multipurpose scope.	10,641	-
Agreement UVA Poblado 037000657546	Support the municipality of Medellin for the construction of the UVA – ARTICULATED LIFE UNIT POBLADO SECTOR.	9,039	-
Bogota Bolivar Gallery	Adapt carrera 51 (Bolivar) between 44 street (San Juan) and 57 street (La Paz) and convert that road sector in what will be called the Bolivar Gallery.	6,753	-
Municipality of Medellín - Water	Integral management of water for human consumption of the inhabitants of the municipality of Medellin.	6,038	5,925
Ministry of Mines and Energy – Special Fund Development Quota	Co-financing agreement for the construction of distribution and connection infrastructure to lower income users in the municipalities of Amagá, Santafé de Antioquia, Sopetrán, San Jerónimo and Ciudad Bolívar. Compressed Natural Gas and connection to users of Don Matias, Entrerrios, San Pedro, Santa Rosa and Yarumal. Agreement No. 106: construction of the infrastructure of connection to users of Valle de Aburrá, La Ceja, La Unión and El Retiro. Agreement 179: includes municipality of Sonsón.	4,781	2,504
Aldeas Program	Usage of the wood that completes its maturing cycle in the forests planted by EPM around its reservoirs, to build social interest housing in the municipalities of Antioquia outside the Valle de Aburrá and deliver them to low income families, preferably in situation of forced or voluntary displacement.	3,791	1,194

- Figures in millions of Colombian pesos -

Fund	Destination	2015	2014
Encargo EPM-ECOP-70083600976-0	Resource management EPM- Ecopetrol contract .	3,742	-
BID 2120 Credit	Disbursement for construction of wastewater treatment plant (PTAR) Bello	2,569	23,008
Cuenca Verde	Administer the resources assigned for fulfillment of the objective of Corporación Cuenca Verde.	2,072	2,015
Sintraemdes Education Fund	Promote the wellbeing of the workers to take care of the needs of payment of tuition, texts and supplies that are required to carry out owns studies and those of the family group.	1,448	879
Sinpro Education Fund		1,419	930
Sintraemdes Disaster Fund	Promote the wellbeing of its workers to take care of their urgent needs and unforeseen needs or those of their primary family group.	1,210	936
Sinpro Disaster Fund		1,021	869
Health Adapted Entity Fund and Fosyga Fund	Control and follow up mechanism of the collection of contributions of the Contributive Regime of the General Social Security System in Health.	861	865
BBVA Enc Fiduc FAER GGC 315	Contributions from the Ministry of Mines and Energy in accordance with the provisions of the contract FAER GGC 2014 315 bound for rural electrification works in the municipality of Anori .	574	-
Montreal Protocol Multilateral Fund	Cooperation agreement with the Ministry of the Environment and Sustainable Development for the performance of activities within the framework of the implementation in Colombian of the Montreal Protocol.	283	590

-Figures in millions of Colombian pesos -

Fund	Destination	2015	2014
National Royalties Fund - Gas	Construction of the compressed natural gas distribution infrastructure and subsidies for the connection to users of strata 1 and 2 of the municipalities of El Peñol and Guatapé.	278	274
Bogotá Agreement Anori Domiciliary	To cover the performance of the construction and supervision works in one hundred seventy-three (173) domiciliary facilities and internal electric power networks, for the electrification of homes in the villages of La Plancha, Chagualo Arriba, Chagualito, La Culebra and El Banco of the municipality of Anori.	190	-
International Energy Transactions	Guarantee corresponding to the “compensation that must be made between the invoice of pool transactions and the advance payments, seeking that the actual payment is made to XM.	167	533
Motorcycle Repair Fund	Promote the wellbeing of the official workers who work in the regional market and use motorcycles owned by them for the performance of their work.	155	155
Motorcycle Repair Fund	Promote the wellbeing of the official workers who work in the regional market and use motorcycles owned by them for the performance of their work.	115	63
IDEA Agreement 4600003541	To cover the co-financing of up to 70% of the cost of domiciliary electric installations in the different subregions of the department of Antioquia.	83	-
Thermal District	Agreement with the Ministry of Environment and Sustainable Development for the performance of activities of the Thermal District La Alpujarra.	56	20
Espiritu Santo	EPM - Espíritu Santo liquidation	55	62
Municipality of Barbosa - Subsidies	Agreement to subsidize partially the connection of subscribers in strata 1 and 2.	54	52
Agreements on public lighting and sanitation rates with municipalities	Agreement to manage the resources of territorial entities for the payment to the municipalities with collection agreements of the public lighting and sanitation rates; these resources are exempt from the payment of tax on financial transactions (4x1000).	51	584

- Figures in millions of Colombian pesos-

Fund	Destination	2015	2014
Municipality of Medellin - Land	Acquisition of landed property identified and characterized within the zone of protection of the hydrographic basins that supply the water systems of the municipality of Medellín.	49	47
Deposits Law 820	Guarantee required by the lessor to the tenant for the payment of public utilities. As per Article 15 of Law 820 of 2003 and Regulatory Decree 3130 of 2003.	46	44
Department of Antioquia Agreement	Join efforts for the institutional development, strengthening, transformation or creation of companies, in order to secure the rendering of public utilities of the municipalities of the department.	36	1,053
Municipality of Medellin - Moravia	Construction, repair and replacement of water and sewage networks and the paving in the municipality of Medellin of the roadways affected by these works in the Moravia neighborhood.	6	1,082
IDEA agreement 4600003912	Inter-administrative agreement to join forces for the design and construction of electric power generation and distribution systems in the rural zones in the department of Antioquia.	2	-
IDEA Agreement 4600003283	Join forces for the construction of gas domiciliary service connections in the different subregions of the department of Antioquia under the framework of the program “Gas without Frontiers”.	1	-
BBVA const network municipality San luis	Construction of power networks in the villages of Bocanegra, El Jordan, La Mesa, El Olivo, Santo Tomás, El Pescado, Santa Rita, La Arabia, La Arauca, La Garrucha, la Palestina, Altavista and other five villages of the municipality of San Luis, municipality of Antioquia.	1	-
Governor’s Office of Antioquia - Gas without Frontiers	Support the development of the expansion component through the construction domiciliary gas connections, within the framework of the program “Gas without Frontiers”, in the sub-regions of the department of Antioquia.	-	6,627
IPSE-EPM Agreement	Execution of the integral project of individual photovoltaic solar systems, as rural energy solution with non-conventional energy sources (NCES) in the zones not interconnected.	-	425
Municipality of Caldas	Administrating the resources assigned by the municipality to the performance of the replacement and modernization project of the secondary water and sewage networks and their complementary works.	-	220
Department of Antioquia and IDEA - Antioquia Illuminated	Take the electric power service to rural houses in the municipalities of the department of Antioquia	-	139
Municipality of Barbosa	Replacement and modernization of secondary water and sewage networks and their complementary works in the neighborhoods of Robles, Centro, La Bicentenaria, Los Ángeles and El Portón of the municipality of Barbosa.	-	65
Convention points SOMOS	Provision of services for the operation of the key capabilities associated with the element Loyalty Points Program for Large Scale EPM Group .	-	-
Total restricted resources		**145,324**	**108,808**

Note 17. Equity

17.1 Capital

The company did not have capital increases or reductions in the period reported.

Capital	2015	2014
Beginning balance	67	67
Total	**67**	**67**

- Figures in millions of Colombian pesos-

17.2 Reserves

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

Reserves	2015	2014
Legal reserves		
Beginning balance	2,511,760	2,564,593
Constitution	686,435	694,177
Appropriation	(327,295)	(747,010)
Total legal reserves	**2,870,900**	**2,511,760**
Occasional reserves		
Beginning balance	574,008	574,008
Total Occasional reserves	**574,008**	**574,008**
Other reserves		
Beginning balance	7,591	7,591
Total Other reserves	**7,591**	**7,591**
Total reserves	**3,452,499**	**3,093,359**

- Figures in milliones of Colombian pesos -

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

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

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

Other reserves: includes equity funds (resources appropriated prior to 1999 to grant housing loans to the workers, Financing Plan, Self-insurance Fund, housing fund).

The Board of Directors, in its sessions of March 17, 2015 and February 25, 2014 approved:

- Creating a reserve for $251,269 (2014 $201,947) on the surpluses of 2014 and 2013, in order to comply with article 130 of the Tax Code.
- Creating a reserve for $435,166 (2014 $492,230) on the surpluses of 2014 and 2013 in order to comply with Decree 2336 of 1995, for the profits incorporated to profit and loss in the application of the equity method as per the previous GAAP.
- Release reserves created for $327,295 (2014 $747,010) for the surpluses realized.

17.3 Retained profits

The movement of retained profits during the period was:

Retained results	2015	2014
Beginning balance	12,646,413	13,040,726
Creation of reserves	(359,140)	52,833
Surplusses or dividends declared	(56,139)	(2,919,567)
Total accumulated result	**12,231,134**	**10,173,992**
Net result of the period	**1,484,584**	**2,472,421**
Total results retained	**13,715,718**	**12,646,413**

Figures in milliones of Colombian pesos -

Of the profits received during the year were $991,139 (2014 $2,085,631).

By COMPES Act of January 18, 2016 the payment of ordinary and additional profits to the municipality of Medellin EPM 2016 for $ 450,000 and $ 375,000 respectively was proposed. In March, when the final value of this surplus will be subject to adjustment.

Note 18. Components of the other accumulated comprehensive income

The detail of each component of the other comprehensive income of the separate statement of financial position and the corresponding tax effect is the following:

Components of the other accumulated comprehensive income	2015			2014		
	Gross	Tax Effect	Net	Gross	Tax Effect	Net
Equity investments measured at fair value through equity	1,853,883	(91,367)	1,762,516	1,838,825	1,837	1,840,662
New measurements of defined benefit plans	42,636	(21,403)	21,233	42,389	(17,302)	25,087
Cash flow hedges	-	-	-	7,790	(18,785)	(10,995)
Credit risk of liabilities measured at fair value	-	-	-	-	-	-
Revaluation of properties, plant & equipment and other assets	3,738	(404)	3,334	7	(2)	5
Total	**1,900,257**	**(113,174)**	**1,787,083**	**1,889,011**	**(34,252)**	**1,854,759**

- Figures in milliones of Colombian pesos -

During the period net losses were reclassified for $39,224 (2014 $91,539), previously recognized in the other comprehensive income to the other profit and loss for the period corresponding to cash flow hedges abroad.

Following is presented for each component of the comprehensive income, a reconciliation of the beginning and ending balances as of December 31, 2015 and 2014:

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

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

Equity investments measured at fair value through equity	2015	2014
Book value as of January 1	1,840,662	1,995,518
Net profits or losses for changes in the fair value of equity investments	15,058	(154,863)
Associated income tax (or equivalent)	(93,204)	7
Total	**1,762,516**	**1,840,662**

- Figures in milliones of Colombian pesos -

18.2. Component of new measurements of defined benefit plans

The component of new measurements of the defined benefit plans represents the accumulated value of the actuarial profits or losses, the returns of the assets of the plan and the changes in the effect of the asset's ceiling, excluding the values included in the net interest over the liability (asset) of net defined benefits. The net value of the new measurements is transferred to the accumulated profits and not reclassified to the results of the period.

Component of new measurements of defined benefit plans	2015	2014
Book value as of January 1	25,087	26,918
Net profits (losses) for new net measurements of defined benefit plans	247	(2,239)
Associated income tax (or equivalent)	(4,101)	407
Total	**21,233**	**25,086**

- Figures in milliones of Colombian pesos -

18.3. Component: cash flows hedging

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

cash flows hedging	2015	2014
Book value as of January 1	(10,995)	-
Profits or losses for changes in the fair value of hedging instruments	31,434	99,329
Associated income tax (or equivalent)	18,785	(18,785)
Accumulated profits (losses) by changes in the fair value of hedging instruments reclassified to profit and loss of the period	(39,224)	(91,539)
Total	**-**	**(10,995)**

- Figures in milliones of Colombian pesos -

18.4. Component: reclassification of properties, plant and equipment to investment properties

The component of reclassification of properties, plant and equipment to investment properties of other comprehensive income corresponds to transfers from properties, plant and equipment to investment properties, which are measured at fair value. The changes in the fair value are not reclassified to profit and loss.

Reclassification of properties, plant and equipment to investment properties	2015	2014
Book value as of January 1	5	5
Net profit or loss for changes in fair value of investment properties	3,731	-
Associated Income tax (or equivalent)	(400)	-
Total	**3,336**	**5**

- Figures in millions of Colombian pesos-

Note 19. Credits and loans

The following is the detail of the books value of credits and loans as of December 31:

Credits and loans	2015	2014
Non-current		
Commercial banks loans	407,771	883,799
Multilateral banks loans	640,451	1,062,951
Development banks loans		607,956
Other bonds and securities issued	5,963,779	5,156,890
Total Credits and loans non current	**7,012,001**	**7,711,595**
Current		
Commercial banks loans	711,571	355,727
Multilateral banks loans	1,050,265	163,345
Development banks loans	1,082,093	32,256
Bonds and securities issued	318,653	162,701
Other bonds and securities issued	290,935	262,826
Loans to related parties	54,009	-
Other loans	432,830	-
Total Credits and loans current	**3,940,356**	**976,854**
Total credits and loans	**10,952,357**	**8,688,449**

- Figures in millions of Colombian pesos-

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

Entity / loan	2015		2014	
	TIR	Value	TIR	Value
AFD	4.47%	1,082,093	4.58%	653,896
CLUB DEAL-DAVIVIENDA	7.26%	196,934	7.85%	235,404
CLUB DEAL-SANTANDER	7.40%	52,355	8.01%	62,529
CLUB DEAL-BBVA	7.47%	130,682	8.07%	156,088
CLUB DEAL-HELM BANK	7.60%	25,336	8.19%	30,253
BID 2120	3.79%	413,175	3.69%	112,792
BONDS IPC	9.71%	180,186	9.01%	184,327
FIXED RATE BONDS	13.82%	58,826	13.82%	58,820
IPC BONDS II TRENCH	9.31%	140,809	8.72%	142,798
BONDS TF II TRENCH	10.81%	82,237	10.81%	82,233
BONDS IPC III TRENCH	9.50%	203,223	9.21%	206,080
INTERNATIONALE BONDS	8.16%	1,607,032	8.16%	1,217,572
IPC IV BONDS TRENCH 1	8.05%	111,998	6.11%	113,921
IPC IV BONDS TRENCH 2	7.66%	119,431	7.27%	121,642
IPC IV BONDS TRENCH 3	8.33%	266,678	8.08%	271,577
GLOBAL 2021 COP	8.70%	1,329,058	8.70%	1,326,582
IPC V BONDS TRENCH I	7.73%	41,574	7.04%	42,166
IPC V BONDS TRENCH II	8.09%	95,460	7.76%	96,911
IPC V BONDS TRENCH III	8.50%	227,402	8.29%	230,945
IPC VI BONDS TRENCH I	7.25%	124,873	6.83%	126,377
IPC VI BONDS TRENCH II	7.66%	124,871	7.43%	126,491
IPC VI BONDS TRENCH III	7.94%	249,792	7.76%	253,114
GLOBAL 2024 COP	7.73%	981,247	7.73%	980,861
IPC V BONDS TRENCH IV	7.93%	130,090	-	-
IPC VII BONDS TRENCH I	6.26%	119,241	-	-
IPC VII BONDS TRENCH II	7.27%	119,664	-	-
IPC VII BONDS TRENCH III	7.75%	259,673	-	-
BID-1664/OC-CO	3.62%	518,990	4.21%	426,781
BID 2120-1	6.65%	191,417	6.51%	192,935
BANK OF TOKYO-MITSUB	1.82%	446,591	2.55%	377,944
BID 800- RELIQUIDADO	3.18%	106,358	4.58%	99,677
BID 2217/OC-CO	3.54%	14,184	3.54%	16,166
AGRARIO	8.13%	115,343	7.95%	116,374
BNP PARIBAS	1.38%	598,694	-	-
BBVA	6.63%	282,376	-	-
BOGOTA	8.86%	150,454	-	-
EPM INVERSIONES	7.02%	54,010	-	-
IFC LOAN A B(1)	-	-	4.16%	349,606
IFC TRENCH 1	-	-	3.26%	275,586
Total		**10,952,358**		**8,688,449**

The information of the bonds issued is the following:

National bonds:

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

Figures in millions of Colombian pesos-

International bonds:

Type of Bond	Amount Awarded 2015	Amount Awarded 2014	Amount Awarded 2013	Amount Awarded 2012	Amount Awarded 2011	Amount Awarded 2010	Amount Awarded 2009
International Bonds	3,790,480	3,790,480	2,824,735	2,824,735	2,824,735	1,574,735	1,574,735
TOTAL	**3,790,480**	**3,790,480**	**2,824,735**	**2,824,735**	**2,824,735**	**1,574,735**	**1,574,735**

Figures in millions of Colombian pesos-

In September 2015 the total advance payment of the balance of the two trenches of the credit agreed with International Finance Corporation (IFC), for a total value of USD 48,735.4 millions, of which USD $46,120 million corresponded to capital and USD $2,615 million to interest.

In 2015 two transitory credits were obtained, one with BBVA for $280,000 and the other with Banco de Bogota for $150,000; a loan was also obtained from EPM Inversiones S.A., classified as related company, for $54,000.

On December 29 the company signed a credit agreement for USD $1,000 million with a group of seven international banks, which will be used for the financing of the budget and the company's 2016 investment plan. The credit was granted with a term of five years, with a single payment of principal at expiration, without any guarantee requirement, prepayable, with a rate Libor + 1.40% and it may be disbursed in a period of 12 months. The banks participating in this credit operation were Bank of America N.A., HSBC Securities (USA) Inc., Bank of Tokyo-Mitsubishi, Sumitomo Mitsui Banking Corporation, Citigroup Global Markets, JP Morgan Securities and Mizuho Bank. Derived from the signature of the agreement transaction costs were paid for $14,181, corresponding to commission for signature of agreement, administrative agent commission and national and international attorneys.

Debt Covenant / EBITDA

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

As of December 2015 the result of the indicator is of 3.76 times. Said result obeys to the appearance of the current circumstances that affected the EBITDA of the Power Generation line of business during the last quarter of 2015, by the materialization of the weather phenomenon “El Niño” and macroeconomic aspects that affected the balance of the long-term debt denominated in U.S. dollars.

Contractually, one of the schemes to avoid that this fact will become a nonfulfillment is that the banks grants a waiver, process that according to the procedures of the different financial entities may be protocoled once the company deliver its audited financial results of the period evaluated.

Since the last quarter of 2015, EPM started the processes associated to the obtaining of the respective waiver associated to the debt covenant/EBITDA with the financial institutions with which it has this commitment, as follows: French Development Agency –AFD-, Inter American Development Bank –BID-, Japan Bank for International Cooperation –JBIC-, and Bank of Tokyo Mitsubishi, the latter as credit agent bank with JBIC guarantee.

As of March 31, 2016, it was obtained a favorable answer to the request of the waiver by AFD, BID, and JBIC, which evidences that no default will be decreed or the demand of advance payment of the outstanding balance in those credits will be made.

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

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

Note 20. Creditors and other accounts payable and other financial liabilities

Creditors and other accounts payable and other financial liabilities consist of:

Creditors and other accounts payable and other financial liabilities	2015	2014
Non current		
Creditors and other accounts payable		
Acquisition of goods and services	628	628
Deposits received in guarantee	33	35
Resources received in administration	22,710	4,411
Construction contracts	8,203	10,028
Total creditors and other accounts payable	**31,574**	**15,102**
Other financial liabilities		
Financial leasing	197,213	198,045
Pension bonds	302,477	237,161
Derivatives that are not under hedge accounting	-	12,032
Total other liabilities	**499,690**	**447,238**
Total creditors and other accounts payable and other financial liabilities non current	**531,264**	**462,340**
Creditors and other accounts payable		
Creditors	307,118	1,111,939
Acquisition of goods and services	659,212	371,961
Subsidies assigned	1,966	33,946
Deposits received in guarantee	311	311
Prepayment and advances receives	507	657
Resources received in administration	16,483	7,732
Other accounts payable	616	437
Construction contracts	29,942	13,834
Commissions payable	2,110	4,463
Total creditors and other accounts payable	**1,018,265**	**1,545,280**
Other financial liabilities		
Financial leasing	832	762
Pension bonds	180,829	226,112
Derivatives that are not under hedge accounting	-	8,914
Total other financial liabilities	**181,661**	**235,788**
Total creditors and other accounts payable and other financial liabilities current	**1,199,926**	**1,781,068**
Total creditors and other accounts payable and other financial liabilities	**1,731,190**	**2,243,408**

- Figures in millions of Colombian pesos-

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

- The most significant financial leasing agreement is the real estate property called “Edificio Empresas Publicas de Medellín”. The agreement has a term of 50 years counted as of December 2001, automatically renewable for an equal term if none of the parties expresses otherwise. The value of the rent is $1,500 monthly, which will be adjusted each year by the Consumer Price Index (CPI).As of December 31 minimum future payments for financial leasing and the present value of the minimum payments are distributed as follows:

Financial leasing	2015		2014	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
At one year	18,000	17,181	18,000	17,181
At more than one year and up to five years	72,000	55,613	72,000	55,613
More than five years	558,000	125,251	576,000	126,013
Total leasing	**648,000**	**198,045**	**666,000**	**198,807**
Less - value of interest not earned	449,955	-	467,193	-
Present value of minimum payments for leasing	**198,045**	**198,045**	**198,807**	**198,807**

- Figures in millions of Colombian pesos -

The expense for contingent leasing of financial leasing recognized in the profit and loss of the period was $15,115 (2014: $14,489).

20.1 Defaults

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

Note 21. Derivatives and hedging

The company has contracted as of December 31, 2015, the following derivative instrument that is not classified as hedge accounting:

Citibank - Tranche_5 (US$ 29 Million): Exchange Rate Swap, where EPM pays interest at CPI + 2.00% and does not receive anything. On the last expiration date EPM receives the nominal amount in US dollars and delivers the pesos agreed at an exchange rate of 2,906 COP/USD. The risk covered of this hedge is the exchange rate. The fair value at December 31 is $ 11.776 (See note 12 – Others financial assets).

As of December 31, 2015 the company does not have instruments classified under hedge accounting (2014 $112,055).

The company had previously accounted for a transaction provided under hedge account of cash flow for $248,276 (2014: $116,403) to cover interest rate and exchange rate, of the credit IFC USD 349 million which was prepaid in September 2015; therefore, the company has reclassified $39,224 (See note 18 – Other accumulated comprehensive income) from profit recognized in the other comprehensive income to profit and loss of the period, of which $31,434 corresponds to other comprehensive income generated in the period 2015 and $7,790 corresponds to that generated in previous periods.

The hedging that was terminated in advance had been initially been contracted to cover the credit with IFC for USD 349 million; this credit was prepaid in its entirety on September 29, 2015, and thus since the underlying obligation had been extinguished the hedging that such obligation had associated was cancelled.

According to the authorization granted in article first of resolution 4457 of December 4, 2015, the advance termination was made of 6 swaps of Colombia peso – US dollar between EPM and BNP Paribas.

Advance Termination of the hedging

Date and time of the operation: December 9, 2015, 10:00 a.m.

Amount: 100% of the flows remaining until the expiration.

Characteristics of the operation that is cancelled:

Characteristic	Trench 1	Trench 2	Trench 3	Trench 4	Trench 5	Trench 6
Initiation	March 6, 2014 (first complete coupon)	March 17, 2014 (first complete coupon)	March 17, 2014 (first complete coupon)	March 17, 2014 (first complete coupon)	March 17, 2014 (first complete coupon)	March 17, 2014 (first complete coupon)
Notional (USD)	50,000,000	30,000,000	70,080,000	60,000,000	50,000,000	51,100,000
Spot Rate (USD/COP)	$ 2,029	$ 2,034	$ 2,011	$ 1,928	$ 1,923	$ 1,919
Notional in COP	101,450,000,000	61,020,000,000	140,930,880,000	115,680,000,000	96,150,000,000	98,060,900,000
Initial and final capital exchange	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Intermediate exchanges	Apply according to the flow	Apply according to the flow	Apply according to the flow	Apply according to the flow	Apply according to the flow	Apply according to the flow
Term	2 and a half years (until September 2016)	2 and a half years (until September 2016)	2 and a half years (until September 2016)	4 and a half years (until September 2018)	4 and a half years (until September 2018)	4 and a half years (until September 2018)
EPM receives USD	Libor 6M + 1.875%	Libor 6M + 1.875%	Libor 6M + 1.875%	Libor 6M + 2.15%	Libor 6M + 2.15%	Libor 6M + 2.15%
EPM pays in COP	4.80% fixed	5.95% fixed	5.94% fixed	6.82% fixed	6.885% fixed	6.898% fixed
Value of the liquidation reported by the bank (USD)	6,505,000	4,467,447	10,564,945	50,284,800,000	14,110,000	14,410,000
Closing exchange rate COP/USD of the operation	$ 3,310	$ 3,283	$ 3,283	$ 3,240	$ 3,310	$ 3,310

Implicit derivatives

The company has not entered into contracts containing embedded derivatives.

Note 22. Employee benefits

The item of employee benefits recognized in the periods 2015 and 2014 presents the following composition:

Employee benefits	2015	2014
Non-current		
Post-employment benefits	88,764	77,776
Long term benefits	115,116	115,430
Total non-current benefits	**203,880**	**193,206**
Current		
Short term benefits	62,927	52,924
Post-employment benefits	38,252	36,713
Total current benefits	**101,179**	**89,637**
Total	**305,059**	**282,843**

- Figures in millions of Colombian pesos -

22.1. Post-employment benefits

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

22.1.1. Defined benefits plans

Defined benefits plans	Pensions1		Educational aid plan2		Total	
	2015	2014	2015	2014	2015	2014
Present value of obligations for defined benefits						
Present value of obligations as of January 1	429,463	433,987	169	169	429,632	434,156
Interest income or (expense)	27,681	28,726	9	9	27,690	28,735
Actuarial gains or losses for change:						
Assumptions for experience	5,098	(3,134)	4	38	5,102	(3,096)
Financial assumptions	(14,383)	5,875	(1)	2	(14,384)	5,877
Payments made by the plan3	(36,960)	(35,991)	(30)	(49)	(36,990)	(36,040)
Present value of obligations as of December 31	**410,899**	**429,463**	**151**	**169**	**411,050**	**429,632**
Fair value of plan assets						
Fair value of plan assets as of January 1	315,438	241,794	-	-	315,438	241,794
Contributions made to the plan	-	100,000	-	-	-	100,000
Payments made by the plan3	(36,960)	(35,942)	-	-	(36,960)	(35,942)
Interest income	19,674	15,855	-	-	19,674	15,855
Actuarial gains or losses:	(9,035)	-	-	-	(9,035)	-
Returns expected from plan (excluding interest)	-	269	-	-	-	269
Other (recovery quota parts)	-	(6,538)	-	-	-	(6,538)
Other Changes	(4,795)	-	-	-	(4,795)	-
Fair value of plan assets as of December 31	**284,321**	**315,438**	**-**	**-**	**284,322**	**315,438**
Gains or losses defined benefit plan	**126,577**	**114,025**	**151**	**169**	**126,728**	**114,194**
Asset or (liability) Net defined benefit plan	**126,577**	**114,025**	**151**	**169**	**126,728**	**114,194**
Other defined benefits	288	296	-	-	288	296
Total defined benefits plans	**126,865**	**114,321**	**151**	**169**	**127,016**	**114,490**

[1]Includes a retirement pension plan for pensions recognized prior to the effectiveness of the General Pension System of Law 100 of 1993 with its respective substitutions, which are distributed in the actuarial calculation by groups differentiating the lifelong pensions, those shared with the Social Security Institute, the pension substitutions and those that generate retirement quota share. The plan is made up by EPM retirees and those that belong to the pension substitution by the liquidation of the Empresa Antioqueña De Energía EADE. It includes social security contributions and funeral allowance. Retirement pensions are legal under the parameters of Law 6 of 1945 and Law 33 of 1985. No risks have been identified for EPM, generated by the plan. During the period the plans have not suffered any modifications, reductions or liquidations that represent a reduction of the present value of the obligation.

[2]Includes an educational allowance plan that is granted to each of the children of the retirees of EPM, entitled thereto; it consists of aids for high school, technical or college studies. It has its origin in article 9 of Law 4 of 1976, whereby rules are issued on the subject of pensions of the public, official, semiofficial and private sectors and provides that the companies or employers will grant scholarships or aids for high school, technical or college studies, to the children of its retired personnel, under the same conditions as those granted to established for the children of active workers.

[3]Includes $36,991 for 2015 and in 2014: $36,040, of values paid for liquidations of the plan.

The company does not have restrictions on the current realization of the excess of the defined benefit plan.

The company did not make contributions for defined benefits during 2015, ($100,000 for 2014) and it does not expect to make contributions for the next annual period.

The weighted average duration in years of the obligation for defined benefits plans to the court date is the following:

Beneficio	2015		2014	
	Desde	Hasta	Desde	Hasta
Beneficio 1 Pensión EPM	8.5	8.5	8.8	8.8
Beneficio 2 Aportes seguridad social EPM	8.2	8.2	8.6	8.6
Beneficio 3 Auxilio educativo EPM	1.9	1.9	2	2
Beneficio 4 Pensión EADE	10.9	10.9	11	11
Beneficio 5 Aportes seguridad social EADE	7.9	7.9	7.6	7.6

The fair value of plan assets is composed so:

Description	2015		2014	
	% Participation	Fair value	% Participation	Fair value
Cash and cash equivalents	1.19%	3,383	30.15%	95,105
Debt instruments				
AAA	87.99%	250,175	62.04%	195,698
AA	8.78%	24,963	6.86%	21,639
Investment funds	2.04%	5,800	0.95%	2,997
Total debt instruments	**98.81%**	**280,938**	**69.85%**	**220,334**
Total	**100.00%**	**284,322**	**100.00%**	**315,439**

- Figures in millions of Colombian pesos -

The major actuarial assumptions used to determine the obligations for the defined benefit plans are the following:

Assumptions	Concept	
	2015	2014
Discount rate (%) EPM	7.70%	6.70%
Discount rate (%) (%) EADE	7.80%	7.00%
Annual salary increase rate (%)	4.00%	3.50%
Actual return rate of the plan assets	3.61%	3.62%
Future increase rate in annual pension	3.50%	3.00%
Annual inflation rate (%)	3.50%	3.00%
Survival tables	Valid annuitants 2008	

For the educational aid plan, the actuarial assumptions used are the following:

Assumptions	Concept	
	2015	2014
Discount rate (%)	6.00%	4.90%
Annual inflation rate (%)	3.50%	3.00%
Survival tables	Valid annuitants 2008	

The following table details the effect of a variation of over 1% and less than 1% in the discount rate and in the increase in the benefit on the obligation for plans of defined post-employment benefits:

Assumptions	Increase in discount rate by +1%	Decrease in discount rate by -1%	Increase in benefit increase by +1%	Decrease in benefit increase by -1%
EPM Pension Benefit 1	288,955	338,584		
EPM Social Security Contributions Benefit 2	24,629	28,648		
EPM educational aid Benefit 3	149	154	154	149
EADE Pension Beneft 4	65,801	78,371		
EADE Social Security Contributions Benefit 5	1,892	2,185		
Total Post-employment benefits	381,427	447,941	154	149

- Figures in millions of Colombian pesos -

The methods and assumptions used to prepare the sensitivity analysis of the Present Value of the Obligations (DBO – Defined Benefit Obligations) was made using the same methodology that for the actuarial calculation as of December 31, 2015: Forecasted Credit Unit (FCU). The sensibility does not present limitations, or changes in the methods and assumptions used to prepare the analysis of the current period.

22.1.2. Defined contribution plans

The Company made contributions to defined contribution plans recognized as expense in profit and loss for $12,231 (2014: $12,517) and cost for $20,959 (2104: $18,910) and in investment projects for $5,967 (2014: $17,364), for a total of $39,157 (2014: $48,791).

22.2. Short-term benefits

In short term benefits, the company recognizes the consolidation of the fringe benefits and the payroll payable for $62,927 (2014 $52,924).

22.3. Long-term employee benefits

Long-term employee benefits	Seniority bonus1		Retroactive severance2		Total	
	2015	2014	2015	2014	2015	2014
Present value of obligations for other long term benefits						
Beginning balance	29,937	27,275	85,493	97,730	115,430	125,005
Cost of present service	2,618	2,443	3,435	3,948	6,053	6,391
Income or (expenses) for interest	1,891	1,842	5,287	6,148	7,178	7,990
Actuarial profits or losses for changes in:					-	-
Assumptions for experience	740	(2)	268	(11,828)	1,008	(11,830)
Financial assumption	(1,039)	370	(1,666)	1,220	(2,705)	1,590
Cost of past service	-	1,945	-	-	-	1,945
Payments made by the Plan3	(3,306)	(3,936)	(8,543)	(11,725)	(11,849)	(15,661)
Present value of obligations as of December 31	**30,841**	**29,937**	**84,274**	**85,493**	**115,115**	**115,430**
Surplus or (deficit) for long -term benefits	**30,841**	**29,937**	**84,274**	**85,493**	**115,115**	**115,430**
Asset or (liability) for long-term net benefits	**30,841**	**29,937**	**84,274**	**85,493**	**115,115**	**115,430**

- Figures in millions of Colombian pesos -

For these benefits the company does not have assets that support the plan.

[1]Includes a plan corresponding to Seniority Bonus. It is a long-term benefit granted to the employees through the Collective Bargaining Agreement, in EPM is granted according to the years of continuous or discontinuous service. It is recognized and paid one time in the respective period and according to the terms established: every 5 years 12,12, 17, 23, 30, 35 and 40 days of basic salary will be paid, respectively. For the Seniority Bonus plan no possible risks are identified.

[2]Includes a plan corresponding to retroactive severance, it is a long-term benefit that applies approximately to 10.5% of the employees of EPM, consisting in the recognition of an average monthly salary multiplied by the years of service, payable through advances and at the time of termination of the employment agreement. The sources that gives rise to the plan is "Law Sixth of 1945 whereby some provisions are issued on the labor agreements, professional associations, collective conflicts and special labor jurisdiction" and the National Decree 1160 of 1989, whereby Law 71 of 1988 is partially regulated, whereby rules are issued on pensions and other provisions are ordered. For the retroactive severance plan, no possible risks or significant modifications are identified during the period.

[3] It includes $ 11.849 for the current period and $ 15.661 for 2014 by the amounts paid to the settlement plan.

The weighted average of the term of the obligation for long-term benefits as of 2015 and 2014 is the following:

Benefit	2015		2014	
	From	To	From	To
Seniority bonus	6.4	6.4	6.6	6.6
Severance	7.6	7.6	8	8

- Figures in years -

The company does not expect to make contributions to the plan for the upcoming annual period.

The major actuarial assumptions used to determine the obligations for the long-term employee benefit plans – Seniority Bonus, are the following:

Assumptions	Concep	
	2015	2014
Discount rate (%)	7.50%	6.40%
Annual salary increase rate (%)	4.70%	4.20%
Annual inflation rate (%)	3.50%	3.00%
Survival tables	Valid annuitants R 2008	

The major actuarial assumptions used to determine the obligations for the long-term employee benefit plans – Retroactive severance, are the following:

Assumptions	Concept	
	2015	2014
Discount rate (%)	7.60%	6.50%
Annual salary increase rate (%)	4.70%	4.20%
Annual inflation rate (%)	3.50%	3.00%
Survival tables	Valid annuitants 2008	

The following table shows the effect of a variation of more than 1% and less 1% in the salary increase, in the discount rate and in the increase in the benefit over the obligation for long-term benefits:

Assumptions	Increase in discount rate by +1%	Increase in salary increase by +1%	Increase in salary increase by +1%	Decrease in salary increase by -1%
Seniority Bonus	29,107	32,780	32,659	29,187
Retroactive severance	79,008	90,092	93,494	75,763
Total long-term benefits	**108,115**	**122,872**	**126,153**	**104,950**

- Figures in millions of Colombian pesos -

The methods and assumptions used to prepare the sensibility analysis of the Present Value of Obligations (DBO - Defined Benefit Obligations) was made using the same methodology as for the actuarial calculation as of December 31, 2015: Forecasted Credit Unit (FCU). The sensibility does not present any limitations, or changes in the methods and assumptions used to prepare the analysis of the current period.

Note 23. Taxes, contributions and rates

The following is the detail of taxes, contributions and rates as of December 31:

Taxes, contributions and rates	2015	2014
Current		
Tax withholding and stamp tax	52,016	40,944
Industry and Commerce Tax	19,486	19,216
Customs tax and surcharges	-	4,091
Contributions	741	704
Rates	12,602	14,815
Penalties	-	2
Other national taxes	697	697
Other municipal taxes	24	-
Value added tax	2,478	2,975
Total Taxes, rates and contributions current	**88,044**	**83,444**
Total Taxes, contributions and rates	**88,044**	**83,444**

- Figures in millions of Colombian pesos -

Note 24. Provisions, contingent assets and liabilities

24.1. Provisions

Item	Dismantling or restoration	Onerous contracts	Litigations	Business combinations	Other	Total
Beginning balance	861	163,586	109,898	116,884	18,506	409,735
Additions	-	-	17,248	-	35,227	52,475
Utilizations (-)	(475)	(15,623)	(12,423)	(32)	(34,364)	(62,918)
Reversals, amounts not used (-)	-	-	(43,019)	(528)	(1,697)	(45,245)
Adjustment for discount rate	510	9,454	13,360	1,436	656	25,417
Other changes	41	4,629	5,958	34,831	955	46,414
Ending balance	**936**	**162,045**	**91,022**	**152,591**	**19,283**	**425,878**
Non current	936	135,969	71,988	152,591	13,780	375,265
Current		26,076	19,034		5,503	50,613
Total	**936**	**162,045**	**91,022**	**152,591**	**19,283**	**425,878**

- Figures in millions of Colombian pesos -

24.1.1 Dismantling

EPM has the obligation to incur in costs of dismantling of restoration of its facilities and assets. Currently EPM has two provisions for dismantling, one of them related to the removal of transformers that contain PCB (polychlorinated biphenyls), EPM has agreed to the dismantling of these assets from 2014 to 2016 covered in Resolution 222 of December 15, 2011 from the Ministry of the Environment and Sustainable Development and to the Stockholm Convention of May 22, 2008. The provision is recognized for the present value of expected costs to pay off the obligation using estimated cash flows. The major assumptions considered in the calculation of the provision are: estimated costs, CPI and fixed TES (Treasury Bonds). As of this date there has been no evidence of any future events that could affect the calculation of the provision.

The Amaga Mine: with Resolution 130 AS-1106242 of October 21, 2011 issued by CORANTIOQUIA approval is given to the environmental component of the plan to close the coal mines of the mining title and for these purpose construction contracts are performed of various civil works, urbanism and monitoring in the coal mines of the mining title, code RPP 434 of the area of Amaga. EPM has committed to the dismantling of these assets from 2013 to 2016. The main assumptions considered in the calculation of the provision are: estimated costs, CPI, and TES fixed rate. As of this date no future events have been evidenced that could affect the calculation of the provision. Currently the company is in the final stretch of the actions contemplated in the mentioned resolution and is waiting for a pronouncement by Corantioquia to this effect, which could imply the performance of more monitoring. However, it is clear that regardless of this pronouncement, EPM must carry out the necessary actions for the delivery of the title, which include legal and technical processes and the structuring of decisional schemes.

24.1.2 Contracts for valuable consideration

As of December 31, 2015 the Company has the agreement of supply and transportation of fuel for $162,046 signed with Transportadora de Gas Internacional S.A. E.S.P. (TGI) which object is to support the Termosierra plant and obtain the income of the charge for reliability established by the Energy and Gas Regulation Commission.

The major assumptions considered in the calculation of the provision are: costs associated to the agreement with the mentioned conditions, utilization factor or suspension of payments for maintenance of the agreement, Libor rate, discount rate calculated with reference to the market returns of the bonds issued by the National Government, the Market's Representative Exchange Rate and macroeconomic scenario projected.

The main hypothesis used on the future events are: from 2016 to 2020 the following assumptions are maintained: Suspension of the contract for 30 days every year and utilization of the contract only for 15 days each year for generation of the Termosierra plant and the rest of the time would be paid without using the contract (only fixed costs).

24.1.3 Litigations

With this provision the Company covers the estimated losses probable related to labor, civil, administrative and tax litigations (through administrative and government channels) that arise in the operations. The major assumptions considered in the calculation of the provision are: the CPI of the macroeconomic scenario forecasted, discount rate calculated with reference to the market returns of the bonds issued by the National Government, estimated value to be paid and the estimated payment date for those litigations that their occurrence exceeds 50% probability. As of this date no future events have been evidenced that may affect the calculation of the provision.

The following are the litigations recognized by EPM:

Third Party	Claim	Value
Consorcio Dragados Porce II	Pay to the plaintiffs, among others, the sums of money resulting from the refund of the total compensation illegally deducted by EPM in the contracting process No. CD002376.	15,182
Germán Guillermo Márquez Vargas	Riogrande II Project, indemnification to the community for not having acquired the mining deposits of Versalles mine.	9,444
Carmen María Alzate Rivera	Pay damages derived from the increase of the Guatepe River flow to 42 families.	7,531
Fiduciaria Colpatria S.A.	Release payment mandate against EPM and in favor of Fiduciaria Colpatria S.A. acting as spokesperson of the FC - ENERTOTAL Stand-Alone Trust.	4,251
Velpa Soluciones Integrales S.A.	Impossibility of contracting with the State for a period of 5 years, resulting from the decision adopted in the contracting process No. 2009 - 0974.	4,130
Trainco S.A.	To declare the nullity of Resolutions Nos. 62.862 of 02/18/1997 and 65774 of 04/19/1997 and by which Contract No. 9/DJ-637/27 was unilaterally liquidated.	4,008
Giovanny Alberto Vargas Castro	Moral damages for landslide that occurred on 03/24/2006, in the community La Loma of the village of San Antonio de Prado.	2,946
Construciviles Ltda.	Breach of contract 1/DJ-1680/41 which object was the constructing of two water storage tanks.	2,239
Francisco Javier Casas Berruecos	Payment of damages for life of relationship, direct victim and those of rebound.	2,034
Miscellaneous	Other processes of amount less than $2,034 million pesos.	24,496
Muncipio de Sabaneta y other	Payment of industry and commerce	776
Jenifer Andrea Marcelo Jiménez	Indemnización. Solidaridad.	2,095
Gustavo Alberto Zapata	Compensation. Solidarity.	774
Jesús María García Martínez	Reliquid . Wages and social benefits.	724
Several labor	Other processes value of less than $ 700 million.	10,392
Total recognized litigation		**91,022**

- Figures in millions of Colombian pesos -

24.1.4 Joint Ventures

It corresponds to contingent considerations related to the acquisition of the subsidiaries Espiritu Santo Energy S. de R.L. and Empresas Varias de Medellín S.A. E.S.P. – EMVARIAS, the balance as of December 31, 2015 amounted to $135,123 and $17,468, respectively. The main assumptions considered in the calculation of the provision associated to Espiritu Santo are: estimated date of occurrence of milestones associated to the contingent payment, probability of occurrence associated, and additionally the discount of the flows of payments was considered applying a discount rate (Libor Rate) in accordance with the risk of the liability. As of this date no future events have been evidenced that may affect the calculation of the provision. The major assumptions considered in the calculation of the provision of EMVARIAS are: for litigations in progress against that Company as of the date of the transaction, definition of the year of materialization of each one of them, definition of the related value and estimate of the future contingent disbursements, discount rate (fixed rate TES [Treasury Securities]) to discount the future contingent flows of disbursements. As of this date no future events have been evidenced that may affect the calculation of the provision.

24.1.5 Other provisions

EPM maintains other provisions intended to the wellbeing and quality of life of its officers and family group, such as: employer policy, multiplying points, *Somos* program, technical reserve and provision for high cost and catastrophic diseases.

The main assumptions considered in the measurement of each type of provision are:

Employer policy: Granted to the employees of EPM as extralegal benefit. An aggregated deductible was contracted since May 1, 2015 up to December 31, 2016 of $4,600 million pesos. The main assumptions considered in the calculation for each type of provision are: discount rate TES (Treasury Securities) fixed rate, estimated value to be paid and estimated payment date. As of this date no future events have been evidenced that could affect the calculation of the provision.

Multiplying points: For every point 1.0% of the Minimum Monthly Legal Salary in Effect (MMLSE) will be recognized. One point for an immersion – study of foreign language – is equivalent to 3% of the MMLSE of the period to be provisioned. A percentage of 90% of the points corresponds to claim in cash at the time the points are earned. The remaining 10% is estimated for immersion.

Program Somos: The program operates under the modality of accumulation of points. According to the statistics' behavior the points are accounted for with a probability of 80% redemption.

Technical reserve: The base to calculate the reserve is that corresponding to all the authorization of services issued and that on the closing date in which the reserve is going to be calculated have not been collected, except those that correspond to authorizations with over twelve months of issue or those that after at least 4 months of having been issued, there is evidence that they have not been used.

High cost and catastrophic diseases: The base to calculate said provision is that corresponding to the analysis of the entire population served of affiliates and beneficiaries of Entidad Adaptada de Salud (EAS) of EPM, that suffer any of the authorized pathologies. The assumptions used are: Their life expectancy is estimated, estimated payment date, estimated payment value, CPI rate of the macroeconomic scenario of EPM to project and the estimated TES fixed rate for discount. As of this date no future events that could affect the calculation of provisions have been evidenced.

Estimated payments

The estimate of the dates on which the Company considers that it will have to face the payments related to the provisions included in the individual statement of financial position as of the cutoff date, is the following:

Year	Dismantling or restoration	Contracts for valuable consideration	Litigations	Joint Ventures	Others	Total
2016	548	29,847	22,222	11,979	9,239	73,836
2017	50	34,097	25,457	64,739	3,771	128,114
2018	52	33,470	6,957	914	3,457	44,850
2019 and others	412	64,630	81,387	9,885	5,255	161,570
Total	**1,062**	**162,045**	**136,024**	**87,517**	**21,722**	**408,370**

- Figures in millions of Colombian pesos -

24.2. Contingent liabilities and assets

Type of contingency	Contingent liabilities	Contingent Assets
Litigations	817,063	213,131
Total	**817,063**	**213,131**

- Figures in millions of Colombian pesos -

The Company has litigations or procedures that are currently in process with the legal, administrative and arbitration bodies. Taking into consideration the reports from the legal counsel it is reasonable to estimate that those litigations will not affect significantly the financial position or solvency, even assuming an unfavorable conclusion of any of them.

The main litigations pending resolution and legal and extralegal disputes to which the Company is part as of the cutoff date, are indicated below:

Contingent liabilities

Part 1

Third Party	Claim	Value
Juan Carlos Cárdenas Arboleda	That EPM and other entities will be declared liable for the damages caused to the plaintiffs for landslide in Calle Vieja of the neighborhood La Gabriela de Bello on December 5, 2010 and that they will be ordered to pay the property damages.	205,776
National Federation of Coffee Growers	Recognition and payment of the investments made by the Federation of Coffee Growers of Colombia in electric infrastructure works.	96,407
Alba Nancy Madrigal Maya	That EPM and other entities be declared responsible for the damages caused to plaintiffs for the landslide in Calle Vieja, of neighborhood La Gabriela Bello on Dec 5/10.	68,711
Compañía Minera La Cuelga	Indemnification for all economic damages caused to Compañía Minera La Cuelga, which originate in the work of execution, filling of reservoir and start up of the Porce III hydroelectric project.	32,608
Doris Elena Quintero Cortés	That EPM and other entities be declared responsible for the damages caused to plaintiffs for the landslide in Calle Vieja, of neighborhood La Gabriela Bello on December 5, 2010 and that they will be ordered the payment of property damages.	29,429
Alicia Ríos Quintero	That EPM and other entities be declared responsible for the damages caused to plaintiffs for the landslide in Calle Vieja, of neighborhood La Gabriela Bello on December 5, 2010 and that they will be ordered the payment of property damages.	28,440
Aura de Jesús Salazar Mazo	Violating and putting at risk the collective right, by destroying, interrupting and cutting the ancentral horse trails that lead to the village Alto Chiri of the municipality of Briceño in the township of Valle de Toledo.	26,804

Part 2

Third Party	Claim	Value
Alos transporters	That EPM be ordered to enable and classify Transport within the contracting process PC-2009-0480, rendering of passenger land transportation service.	21,016
Unión Temporal General Electric Company	Nullity of Resolution No. 263603 of 08/26/2002. Contract No. 3303775	15,615
Diana Carolina Machado Giraldo	Moral damages for the death of Mr. Juan Jose Rojas	15,284
María Martha Londoño Toro	A total of 195 people, who form part of 45 family groups, resident in the Neighborhood Paris Los Sauces of the Municipality of Bello, lack of prevention and adoption of the necessary and timely measures for geological problems in the homes.	11,987
Luis Fernando Calderón	Moral damages for the death of Ms. Ana Maria Calderon Jaramillo	11,932
Walter Nicolás Osorio Zuluaga	A total of 195 people, who are part of 45 family groups, resident in the Neighborhood Paris Los Sauces of the Municipality of Bello, lack of prevention and adoption of necessary and timely measures for geological problems in the homes.	10,745
Miscellaneous: Mateo Aristizábal Tuberqui, Andrés Mazo and Industrias Lehner S.A., among others	Processes for lesser amount to $10,744 million pesos.	226,590
Labor lawsuits	Reimbursements, salary equalization, overtime, conventional benefits, among others.	10,383
Municipalities of Yumbo and Medellín and the CREG	Industry and commerce, special contributions.	5,338
Total contingent liabilities		**817,063**

- Figures in millions of Colombian pesos -

Contingent Assets

Part 1

Third Party	Claim	Value
Inciviles	Breach of contract 020113590, derived from the contarcting No. 006050, which purpose is the construction and replacement of collectors, secondary networks, overflow channels and complementary works necessary for the optimization of the sewege system and of the processes of collection and transportation of waste and combined waters of the basin of the streams La Hueso phase II, La Quintana and La Cantera, of the municipality of Medellín.	7,871
Ministry of Environment and Territorial Development	Declaration of nullity invoked, to declare that within the costs related to the construciton and operation of the Hydroelectric Project Porcer 3.	4,194
Interconexión Eléctrica S.A. E.S.P. ISA	Civilly responsible for not recognizing to EPM the value corresponding to it of the remuneration that ISA received between the years of 1995 to 1999, for the line modules that correspond to assets of use of the National Transmission System in the substations Playas and Guatape.	2,841
Poblado Club Campestre Ejecutivo S.A.	Responsibility for damage of collector owned by EPM, that collects and transports waste water from the sanitary basic of the stream La Honda in the municipalñity of Envigado.	2,653

Part 2

Third Party	Claim	Value
Construcoes e Comercio Camargo Correa S.A.	Partial breach of contract No. 2/DJ-2183/47 executed with EPM, for the construction of the civil works of the Waste Water Treatment Plant San Fernando.	1,883
Bayron de Jesús Cardona Ruiz	Criminal complaint for the presumptive crimes of aggravated fraud for the amount in homogeneous and successive in heterogeneous contest for false statement in private document and embezzlement for misappropriation.	1,606
Other Administrative Entities: Compañía Mundial de Seguros and municipality of Envigado	Protection in advances; inapplicability of Decree 259 of August 14, 2002 of the municipality of Envigado.	3,959
Municipality of Bello	Integral nullity of the complex administrative act contained in Resolutions 2717 of 2009 and 0531 of 2010, PTAR Bello.	95,475
Municipality of Bello	Reibursement of money paid by EPM for determination and assessment of added value effect, PTAR Bello	90,071
Municipality of Santiago de Cali	Undue tax withholding.	2,309
Other fiscal entities: SENA, DIAN	Nullity in payment of contributions; correction to import declaration.	269
Total Contingent Assets		**213,131**

- Figures in millions of Colombian pesos -

As of December 31, 2015 the aue that is determined by the experts to be indemnified/received is of $603,932.

Estimated payments and collections

The estimate of the dates on which the Company considers that it will have to face the payments related to the contingent liabilities or will receive the collections for the contingent assets included in this note of the individual statement of financial condition as of December 31, 2015 is as follows:

Year	Contingent liabilities	Contingent assets
2016	7,616	3,955
2017	129,817	2,270
2018	44,405	15,134
2019 and others	1,345,825	293,881
Total	**1,527,662**	**315,241**

- Figures in millions of Colombian pesos -

Note 25. Other liabilities

The detail of other liabilities is the following:

Other Liabilities	2015	2014
Non current		
Collections in favor of third parties	10	10
Income received in Advance	3,602	874
Assets received from customers or third parties	8,334	12,687
Other deferred credits	21,368	8,967
Subtotal other non current liabilities	**33,314**	**22,538**
Current		
Collections in favor of third parties	66,982	50,766
Income received in Advance	99,346	27,710
Subtotal other current liabilities	**166,328**	**78,476**
Total other Liabilities	**199,642**	**101,014**

- Figures in millions of Colombian pesos -

25.1 The detail of the income received in advance of EPM as of the reporting date is the following:

Income received in advance	2015	2014
Non current		
Leases	2,811	874
Sale of energy service	791	-
Total income received in advance non current	**3,602**	**874**
Current		
Leases	173	90
Sales	51,653	5,118
Sale of energy service	31,846	17,278
Sale of fuel gas service	9,530	4,944
Other income received in advance	6,144	280
Total income received in advance current	**99,346**	**27,710**
Total income received in advance	**102,948**	**28,584**

- Figures in millions of Colombian pesos -

Note 26. Income

The detail of income is as follows:

Income	2015	2014
Rendering of services		
Energy service	5,157,614	4,527,232
Fuel gas service	700,776	512,406
Sanitatio service	391,489	367,853
Sewage servuce	353,019	335,201
Computer Services	4,254	5,215
Construction contracts	5,559	9,193
Other services	36,750	35,839
Refunds	-	(9,446)
Total rendering of services	**6,649,461**	**5,783,493**
Leases	32,435	32,006
Other income		
Sale of bid terms	536	605
Fee	4,036	4,547
Commissions	26,281	25,923
Valuation of investment properties	8,676	12,881
Contracts for management of public utilities	-	90
Government subsidies	8,641	(180)
Surpluses	22	1
Recoveries	71,141	86,101
Utilizations	6,693	10,092
Indemnificaitons	726	5,111
Other ordinary income	2,139	30,462
Reversal loss for impairment accounts receivable	17,642	1,649
Total other income	**146,533**	**177,282**
Total income from ordinary activities	**6,828,429**	**5,992,781**
Profit in sale of assets	17,902	149
Total income	**6,846,331**	**5,992,930**

- Figures in millions of Colombian pesos -

The company does not have income encumbered from ordinary activities , contingencies that have not been recognized affecting the income, or firm commitments with customers for the rendering of future services.

26.1 Construction contracts

EPM recognizes income from ordinary activities by using the method of percentage of completion for the agreements that comply with all criteria defined by IAS 11 Construction Contracts in a continued manner as the construction in carried out. EPM identifies that a construction contract is within the scope of IAS 11 Construction Contracts, when it meets the definition of construction contracts, and EPM acting as contractor has the limited capacity to specify the structural elements of the asset's design, before starting the construction or the changes, once the work is in progress.

The Group assesses these characteristics as follows:

- If the contracting party is capable of specifying the structural elements of the asset's design before the initiation of the construction and/or the most important structural changes once the construction is in progress, said agreement is treated as a construction contract.
- To the contrary, an agreement for the construction of an asset in which the contracting parties have only a limited capacity to influence the design of the asset, for example select a design based on a range of options specified by the contracting company, or specify only small variations of the basic design, is a sales agreement of goods within the scope of IAS 18 Revenues.

The Company recognized revenues from ordinary activities for asset construction agreements within the scope of IAS 11 Construction contracts as of December 31, 2015 for $5,559(2014 $9,193).

The method applied to determine the degree of progress of the previous construction contracts is the proportion of the costs of the contract incurred in the work already performed as of this date, in relation to the total estimated costs for the contract.

The Company recognized the following values in the period, for the agreements in force as of December 31, 2015 and 2014 described in the preceding paragraph:

2015	Costs incurred plus profits recognized	Advances received from customers for construction contracts
Agreement Aguas 3 Municipality of Medellín	1,486	-
Agreement Aguas 5 Municipality of Medellín	-	3,912
Agreement Aguas 6 Municipality of Medellín	-	11,269
Agreement Aguas 7 Municipality of Medellín	525	1,734
Agreement Barbosa	15	1
Agreement CM Caldas	-	381
Agreement Electrificadora de Santander	3,324	-
Agreement Empresas Varias de Medellín	209	-
Agreement FAER 2 - Rural electrification	-	646
Agreement Municipality of El Peñol	-	1,000
Agreement Municipality of Guatapé	-	1,000
Agreement Cornare	-	1,106
Agreement Aguas 8 Municipality Bolívar	-	16,850
Other Agreements	-	246
Total	**5,559**	**38,145**

- Figures in millions of Colombian pesos -

2014	Costs incurred plus profits recognized	Advances received from customers for construction contracts
Agreement Yondó	604	-
Agreement FAER networks	1,081	-
Agreement Moravia	-	1,076
Agreement Aguas 3 Municipality of Medellín	63	284
Agreement Aguas 5 Municipality of Medellín	2,944	5,291
Agreement Aguas 6 Municipality of Medellín	-	11,292
Agreement Aguas 7 Municipality of Medellín	-	2,240
Agreement Barbosa	1,395	1,410
Agreement Caldas	2,354	1,162
Agreement Electrificadora de Santander	752	-
Agreement Governor's Office Uraba	-	1,003
Other Agreements	-	104
Total	**9,193**	**23,862**

- Figures in millions of Colombian pesos -

26.2 Leasing as Lessor

The company does not have agreements as lessor that should be recognized as financial leasing.

The most significant operating leasing agreements are the leasing of public lighting infrastructure with the municipality of Medellin and to third parties such as Global TV, Media Commerce, Telmex, UNE for the municipalities of the east of Antioquia, among others. The contingent quotas of these leases are determined based on the update by the variables PPI and CPI. The pole line contracts may be renewed and the infrastructure contract cannot be renewed and they do not have purchase options, lease agreement payment are indexed by the PPI and the CPI.

As of the cutoff date the minimum future payments for operating leases are distributed as follows:

Leases	2015 Present value of minimum lease payments	2014 Present value of minimum lease payments
At one year	36,125	33,465
At more than one year and up to five year	8,439	35,687
Over five years	11,884	11,719
Total	56,448	80,871
Less - valye of finance income not earned	-	-
Present value of minimum lease payments	56,448	80,871

- Figures in millions of Colombian pesos -

The income recognized as the total of contingent installments in the period is $3,629 (2014 $1,447).

The Company as lessor, has contracts that adopt the legal form of a lease but that in essence do not correspond to it.

Note 27. Costs for rendering of services

The detail of the Costs for rendering of services is as follows:

Costs for rendering services	2015	2014
Cost of goods and public utilities for sale 1	2,514,629	1,691,655
Depreciations	389,789	383,982
Personal services	324,138	295,226
Consumption of direct inputs 2	276,253	49,713
Orders and contracts for other services	217,644	220,817
Orders and contracts of maintenance and repairs	124,132	133,150
Materials and other operating costs	99,155	84,177
Licenses, contributions and royalties	97,845	97,027
General	45,251	44,170
Taxes and Rates	35,365	29,004
Insurance	32,242	33,177
Fees	28,950	28,667
Amortization	25,490	26,201
Public utilities	8,126	8,289
Leases	4,424	4,547
Impairment of properties, plant and equipment	-	675
Total cost for rendering services	**4,223,433**	**3,130,477**

- Figures in millions of Colombian pesos -

[1]Includes the value of the purchases of energy in block and in the exchange, connection cost, use of lines, networks and ducts, cost of commercialization and distribution of natural gas, among other costs. The increase in those costs in respect to the previous period is due mainly to the increase in the prices of energy purchased in the exchange, STN, STR and SDL (National and Regional Transmission Systems and Local Distribution System)

charges for higher sales to the NRM (non regulated market) and changes in the calculation according to the regulation; caused by the difficult climatic conditions (descent of water resources and low levels of reservoirs), especially during the last quarter of the year, in which El Niño effect intensified.

[2]Includes the cost of production of chemicals, fuel gas, energy, ACPM and fuel oil, which experienced increase basically by the higher consumption of gas and ACPM for the generation of power in the thermal plant La Sierra of EPM and by restrictions and deviations due to the generation of energy with liquid fuels in the entire system, associated to the market conditions because of El Niño phenomenon.

Note 28. Administration expenses

The detail of adminsitration expenses is:

Administration expenses	2015	2014
Personnel expenses		
Salaries and wages	168,833	173,807
Social security expenses	72,062	63,712
Pension expenses	8,412	13,247
Other post-employment plans different from pension	10	9
Other long term benefits	3,434	4,322
Benefits in interest rates to the employees	3,119	2,539
Total personnel expenses	**255,870**	**257,636**
General expenses		
Taxes, contributions and rates 1	163,508	81,904
Commissions, fees and services	90,619	70,800
Corporate assets	86,869	19,174
Other general expenses	63,982	49,592
Maintenance	42,004	34,599
Provision for contingencies	28,902	63,295
Depreciation of properties, plant and equipment	27,975	19,791
Intangibles	20,797	13,126
Provision onerous contracts	19,129	25,204
Promotion and disclosure	12,648	13,187
Publiciy and advertising	9,353	13,613
Studies and projects	9,290	14,013
Other miscellaneous provisions	8,118	9,731
Impairment of accounts receivable	7,009	7,792
Public services	5,833	5,541
Surveillance and security	5,829	6,579
Amortización de intangibles	5,591	779
Total general expenses	**607,456**	**448,720**
Total administration expenses	**863,326**	**706,356**

- Figures in millions of Colombian pesos -

[1] Includes the wealth tax assessed by EPM and the national affiliates, taking as a base the net equity owned as of January 1, 2015 at a rate of 1.15%. The return of that tax was filed in May 2015 and its payment was made in two equal installments in May and September of the same year, its value amounted to $78,917.

28.1 Leases as lessee

As of the cutoff date the carrying value of property, plant and equipment under financial leasing is:

2015	Land and buildings	Communications and computing equipment	Machinery and equipment	Total assets
Cost	200,057	2,380	2,063	204,500
Accumulated depreciation	(60,926)	(1,283)	(946)	(63,155)
Total	**139,131**	**1,097**	**1,117**	**141,345**

- Figures in millions of Colombian pesos -

2014	Land and buildings	Communications and computing	Machinery and	Total assets
Cost	200,057	2,380	2,063	204,500
Accumulated depreciation	(56,589)	(1,192)	(880)	(58,661)
Total	**143,468**	**1,188**	**1,183**	**145,839**

- Figures in millions of Colombian pesos -

The most significant operating leasing agreements are the leasing of premises for customer service offices in the different municipalities of Antioquia and the metropolitan area, of spaces for the facilities and operating of the antennas in the meteorological stations, information technology leasing (PCs, lap tops, printers, accessories, servers, video conference equipment, fax, network equipment), which do not have restrictions. The contingent installments of these leases are determined base don the Consumer Price Index (CPI), the agreements may be renewed without purchase option. Lease agreement payments are indexed by the CPI.

As of the cutoff date minimum future payments for operating leases, non-cancellable are distributed as follows:

Operating lease	2015 Non-cancellable operating leases	2014 Non-cancellable operating leases
At one year	10,044	9,942
At more than one year and up to five year	17,557	16,687
Total	**27,601**	**26,629**
Present value of minimum lease payments	**27,601**	**26,629**

- Figures in millions of Colombian pesos -

The total minimum future payments of non-cancellable subleasing of assets acquired under operating leases that the company expects to receive as of December 31 is $116 (2014 $13). The contingent leasing expense recognized in profit and loss of the period is $15, (2014 $46).

The operating leasing installments recognized as expenses of the period are $8,473 (2014 $10,704).

EPM, as lessee, does not have contracts that adopt the legal form of a lease but that in essence donot constitute it.

Note 29. Other expenses

The detail of other expenses is:

Other expenses	2015	2014
Contributions in non corporate entities	28,493	23,593
Loss in retirement of assets	12,384	7,577
Other ordinary expenses	1,567	8,143
Arbitration awards and out of court conciliations	1,227	1,735
Loss for changes in the fair value of investment properties	24	1,390
Loss in the sale of assets	-	653
Total	**43,695**	**43,091**

- Figures in millions of Colombian pesos -

Note 30. Financial income and expenses

30.1. Financial Income

Financial income	2015	2014
Interest revenues		
Bank deposits	10,626	4,312
Interest from debros and default	150,531	126,410
Profit vor valuation of financial instruments at fair value	67,146	41,741
Profit in trust rights	18,303	28,348
Other	2,024	1,928
Total	**248,630**	**202,739**

- Figures in millions of Colombian pesos -

30.2. Financial expenses

Financial expenses	2015	2014
Interest expense:		
Interest for obligations under financial leasing	32,353	31,790
Other interest expense	1,233	30
Total interest	**33,586**	**31,820**
Total expense for interest of financial liabilities that are not measured at fair value with changes in profit and loss	633,095	473,581
Less interest capitalized on qualifying assets	(148,375)	(70,040)
Other financial costs		
Commissions	592	519
Other financial expenses	70,060	126,013
Total financial expenses	**588,958**	**561,893**

- Figures in millions of Colombian pesos -

Note 31. Exchange difference, net

The effect of transactions in foreign currency is the following:

Exchange difference, net	2015	2014
Income for exchange difference		
Own position	1,437,050	553,661
Financial	167,425	145,439
Total income for exchange difference	**1,604,475**	**699,100**
Expense for exchange difference		
Own position	618,084	39,979
Financial	1,282,166	693,614
Total expense for exchange difference	**1,900,250**	**733,593**
Exchange difference, net	**(295,775)**	**(34,493)**

- Figures in millions of Colombian pesos -

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

Currency	Currency Type	Closing exchange rate as of December 31		Average exchange rate	
		2015	2014	2015	2014
United States Dollar	USD	3,149.47	2,392.46	2,743.39	2,000.33
Quetzal	GTQ	412.58	314.93	314.93	258.61
Mexican Peso	MXP	182.35	162.3	162.30	150.28
Chilean Peso	CLP	4.44	3.86	3.86	3.50
Euro	EUR	3421.27	2895	2895.00	2,657.44
Yen	JPY	26.17	19.95	19.95	18.95
Libra	GBP	4641.00	3730.44	3730.44	3,295.54
Franco Suizo	CHF	3146.32	2407.75	3146.32	2,187.75

Note 32. Effect by participation in equity investments

Interest in equity investments	2015	2014
Dividends and participations [1]	641,523	1,454,762
Result in sale of equity investments	-	(100,028)
Impairment of investments in subsidiaries, associates and joint business	(15,223)	(8,626)
Total	**626,300**	**1,346,108**

- Figures in millions of Colombian pesos -

[1] Includes dividends of subsidiaries (see note 8. Investments in subsidiaries), associates (see note 9. Investments in associates) and financial instruments (see note 12. Other financial assets).

In August 2014 UNE EPM Telecomunicaciones S.A. decreed extraordinary dividends to EPM for $1,074,798, which were delivered to the municipality of Medellin as surpluses by virtue of the share usufruct agreement signed between EPM and the municipality of Medellin.

Note 33. Income tax

33.1 Tax provisions

Tax provisions applicable and in effect, establish the following:

a) The nominal rate of the income tax is of 39%, distributed in Income Tax (25%), Income Tax for Equality CREE (9%) and CREE Surtax (5%).

b) In Colombia, domiciliary public utility companies are not subject to the presumptive income system that is determined based on the net tax equity of the immediately preceding year.

   It is important to emphasize that article 22 of Law 1607 of 2012 provided that for the purposes of the calculation of the income tax for equity CREE a minimum taxable base is required, which cannot be lower than 3% of the taxpayer's net equity on the last day of the immediately preceding taxable year in accordance with the provisions of articles 189 and 193 of the Tax Code.

c) Withe Law 1739 of December 23, 2014, as of 2015 the application of the tax discount for taxes paid abroad is modified, distributing it between the income tax and the CREE in a proportion of 64% and 36% respectively.
   It establishes modifications to the tax incentives of i) deduction for investments in research, technological development and innovation, ii) tax discount from the income tax for VAT paid in the acquisition of capital goods and heavy machinery.
   It permits to manage the exchange difference of foreign investments without tax effects, until the time of the disposal of the respective investment.
   It postpones the entry into effect of the limitations of the deductions for payments in cash for 2019 and following.

Since 2013 EPM is also taxpayer of the income tax for equality (CREE). This was created by Law 1607 of 2012 and is defines as the contribution by corporations and legal persons and similar taxpayers of the income and

complementary tax, in benefit of the workers, the generation of employment and social investment in the terms provided in that regulation.
Articles 21 and 22 of this Law indicate the generating event and the taxable base of the tax and, in turn, Article 23 defines the applicable rate, which will be 9%.

With the passing of Law 1739 of 2014, a surtax is created to this tax that would be of 5% in 2015, 6% in 2016, 8% in 2017 and 9% in 2018.

The generating event of the surtax applies to taxpayers whose annual CREE tax return shows a profit equal to or in excess of $800. The surtax created in this Law is subject, for the above mentioned years, to an advance of 100% of the value thereof calculated on the taxable base on which the taxpayer calculated the mentioned tax for the immediately preceding tax year.

The advance of the CREE surtax shall be paid in two annual installments in the terms established by the regulation.

In no event the CREE tax or its surtax, may be offset with balances in favor corresponding to other taxes that had been assessed in the tax returns. The balances in favor that are assesses in the CREE tax returns and its surtax, shall not be offset with debts corresponding to other taxes, advances, withholdings, interest and penalties.

This tax has in turn an advance collection mechanism by the method of self-withholding that is declared and paid monthly and is calculated on the net income received by the entities subject to the tax, applying to that net income the rate associated to the taxpayer's main economic activity, in accordance with the provisions of the regulations that rule for this tax.

33.2 Reconciliation of effective rate

The reconciliation between the applicable tax rate and the effective rate and the composition of the income tax expense for periods 2015 and 2014 is the following:

Income and complementary tax	2015	%	2014	%
Result before taxes	1,706,074		3,065,467	
Theoretical tax				
Plus entries that increase the income	914,102	54%	1,162,638	38%
Exchange difference investments abroad	-		538,705	
Wealth / equity tax	78,917		-	
Dividends effectively received from controlled entities	548,066		327,294	
Other - Provisions and non-deductible expenses	287,119		296,639	
Less entries that decrease the income	1,886,683	111%	2,683,380	88%
Deduction real productive fixed assets	544,437		439,004	
Dividends not taxed	425,142		306,326	
Excess of tax depreciation and amortization	264,509		412,769	
Remainder of companies liquidation	14,651		-	
Non taxed recoveries	62,789		48,399	
Differences IFRS vs. GAAP	504,175		806,698	
Others	70,980		670,184	
Net ordinary income of period	**733,493**	43%	**1,544,725**	50%
Less exempt income	21,613		37,933	
Net taxable income	**711,880**	42%	**1,506,792**	49%
Income tax rate (average)	25%		25%	
CREE tax rate	9%		9%	
CREE surtax rate	5%		0%	
Capital gains tax rate	10%		10%	
Income tax	177,970	10%	376,698	12%
CREE tax	113,319	7%	175,287	6%
CREE surtax	62,915	4%	-	
Less tax discounts	(92,878)	-5%	(72,532)	-2%
Income adjustment	(74,624)	-4%	-	
Current tax and CREE	**186,702**	11%	**479,453**	16%
Detail of current and deferred expense				
Current tax, CREE and surtax	186,702	11%	479,453	16%
Deferred tax	34,788	2%	113,593	6%
Income tax	**221,490**	13%	**593,046**	27%

- Figures in millions of Colombian pesos -

33.3 Income tax recognized in profit or loss

The most significant components of the income tax expense as of the cutoff date are:

Income tax	2015	2014
Current income tax		
Expense (income) for current income tax	354,204	551,985
Adjustments recognized in the current period related to the current income tax of previous periods	(74,625)	-
Tax benefits of tax losses, tax credits or temporary differences used in the period	(92,877)	(72,532)
Total current income tax	**186,702**	**479,453**
Deferred tax		
Net expense (income) for deferred tax related to the origin and reversal of temporary differences	29,536	77,893
Net expense (income) for deferred tax related to changes in tax rates or laws 1	5,252	-
Reclassification of deferred taxes from equity to income statement	-	35,700
Total deferred tax	**34,788**	**113,593**
Income tax	**221,490**	**593,046**

- Figures in millions of Colombian pesos -

[1] The expense (income) for deferred tax related to changes in the tax rates originated by the creation of the surtax, which effectiveness starts on January 1, 2015 by virtue of the passing by the Congress of the Republic of Colombia of Law 1739 of 2015. The rates used for determination of the deferred tax for national companies are:

39% for 2015, which varied in respect to the one used in the previous year, which was 34%, this for short-term entries that are reversed during 2015.

40% for 2015, which varied in respect to the one used in the previous year, which was 34%, this for short-term entries that are reversed during 2016.

40% for 2015, which varied in respect to the one used in the previous year, which was 34%, this for long-term items different from property, plant and equipment.

For property, plant and equipment, the rate in effect was used, considering the year in which it is expected to reverse the difference, taking as reference the remaining useful life of each asset.

33.4 Income tax recognized in other comprehensive income

The detail of the tax effect corresponding to each component of "other comprehensive income" of the individual statement of comprehensive income is the following:

Other comprehensive income of the Statement of comprehensive income	2015			2014		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Equity investments measured at fair value through equity	15,058	(93,204)	(78,146)	(154,863)	7	(154,856)
New measurements of defined benefit plans	247	(4,101)	(3,854)	(2,239)	408	(1,831)
Cash flows hedging	(7,790)	18,785	10,995	7,790	(18,785)	(10,995)
Appreciation of properties, plant and equipment and other assets	3,731	(401)	3,330	-	-	-
Total	**11,246**	**(78,921)**	**(67,675)**	**(149,312)**	**(18,370)**	**(167,682)**

- Figures in millions of Colombian pesos -

33.5 Asset or liability for current income tax

	2015	2014
Asset or liability for current income tax		
Income tax	-	69,387
CREE tax and surtax	-	84,972
Balances in favor for income tax	122,558	-
Total income tax asset (or liability)	**122,558**	**154,359**

- Figures in millions of Colombian pesos -

33.6 Deferred tax

The detail of the deferred tax is:

Deferred tax asset	Beginning balance	Net changes included in profit and loss	Changes included in OCI	Ending balance
Non current assets	**271.804**	**55.152**	**-**	**326.956**
Investments in associates	1.846	(1.846)	-	-
Accounts receivable	128.676	58.455	-	187.131
Other	141.282	(1.457)	-	139.825
Current liabilities	**328.359**	**3.445**	**-**	**331.804**
Credits and loans	216.010	37.734	-	253.744
Employee benefits	97.915	(38.681)	-	59.234
Provisions	14.434	4.392	-	18.826
Non current liabilities	**163.109**	**(5.003)**	**-**	**158.106**
Derivatives	21.949	(15.298)	-	6.651
Provisions	149.089	(2.411)	-	146.678
Other liabilities	(7.929)	12.706	-	4.777
Deferred tax asset	**763.272**	**53.594**	**-**	**816.866**
Current assets	**84.221**	**65.214**	**(10.193)**	**139.242**
Cash and cash equivalents	1.695	3.016	-	4.711
Accounts receivable	29.120	68.755	-	97.875
Inventories	150	(25)	-	125
Other	43.063	(6.532)	-	36.531
Financial instruments under hedge accounting	10.193	-	(10.193)	-
Non current assets	**2.368.240**	**36.835**	**83.178**	**2.488.253**
Properties, plant and equipment	2.294.218	37.524	402	2.332.144
Intangibles	65.431	(689)	-	64.742
Equity instruments	-	-	91.367	91.367
Financial instruments under hedge accounting	8.591	-	(8.591)	-
Current liabilities	**59.877**	**31.045**	**-**	**90.922**
Derivatives	(25.432)	29.259	-	3.827
Other liabilities	35	1	-	36
Trade and other payables	85.274	1.785	-	87.059
Non current liabilities	**202.270**	**(42.876)**	**4.100**	**163494**
Credits and loans	51.200	23.216	-	74.416
Employee benefits	142.500	(66.078)	4.100	80.522
Trade and other payables	8.570	(14)	-	8.556
Deferred tax liability	**2.714.608**	**90.218**	**77.085**	**2.881.911**
Total deferred tax asset/liability	**(1.951.336)**	**(36.624)**	**(77.085)**	**(2.065.045)**

- Figures in millions of Colombian pesos -

Temporary differences associated to investments in subsidiaries, associates and joint ventures, for which no liabilities for deferred taxes have been recognized, amount to $223,908 (2014 $232,501).

The most significant items on which temporary differences result are the following:

In current assets, the highest impact for deferred tax occurs in the accounts receivable in respect to receivables provisions due to the difference in the calculation of the receivables provision under the tax rules and the cascade method under the International Standard; in addition, temporary differences occur by the effect of the valuation at amortized cost of the short term loans between related parties.

In non-current assets the highest impacts on the deferred tax arise by the temporary differences in property, plant and equipment and by the valuation at amortized cost of the long-term accounts receivable.

In respect to current liabilities, the items that impact the calculation of the deferred tax is, mostly, the calculation of the provision corresponding to pension bond shares, to the actuarial calculation in pensions and the pension transfer of EADE. In addition, the credits and loans for valuation at amortized cost of bonds, securities issued and short term credits and loans.

In other non-current liabilities, the most significant amounts in the deferred tax were generated by the temporary differences in the valuation at amortized cost of the long term credits and loans, in addition, by the temporary differences of the loans for long term benefits to employees such as retirement pensions, pension bond shares and actuarial calculation of retroactive severance and interest on severance.

Temporary differences on which no deferred tax was generated were, among others, for the investments in subsidiaries, associates and joint ventures, in accordance with paragraph 39 of IAS 12; in addition, in the items that do not have future tax consequences, such as the case of liabilities for taxes and for financial returns generated in the plan assets, because they are exempt income.

The approval of dividends after the date of presentation and before the financial statements were authorized to be published, does not generate any consequences in the income tax since the policy established for national subsidiaries is that only profits and reserves not taxed are distributed. The tax effects that could be generated by the dividends decreed of the subsidiaries abroad, is offset by using the discounts for taxes paid abroad and amortization of the goodwill whenever applicable.

Note 34. Information to be disclosed on related parties

EPM is a decentralized entity of the municipal level, which sole owner is the Municipality of Medellin. The capital for its incorporation and operation, as well as its equity, is of a public nature. The Mayor of Medellin is the chairman of the Board of Directors of EPM.

As related parties EPM are considered the subsidiaries, associates, joint ventures, including the subsidiaries of the associates and joint ventures, key management personnel, as well as the entities on which the key management personnel may exercise control or joint control and the post-employment benefit plans for benefit of the employees.

Following is presented the total value of the transactions carried out by the Company with its associates and other related parties during the corresponding period:

Transactions & balances with related parties	Income1	Costs/ Expenses2	Values receivable3	Values payable4	Guarantees & endorsements received5
Subsidiary:					
2015	263,333	153,202	1,464,482	122,031	-
2014	341,794	105,513	1,027,682	17,640	-
Associates:					
2015	247,120	46,017	200,329	14,415	-
2014	-	-	-	-	-
Joint ventures in which the company participates					
2015	-	-	-	99	-
2014	-	-	-	-	-
Key management personnel clave of the Group:					
2015	-	6,078	94	1,923	23
2014	-	5,341	40	1,642	31
Other related parties:					
2015	11,287	26,369	45,928	14,528	-
2014	100,340	66,837	6,523	165,468	-

- Cifras en millones de pesos colombianos -

The transactions between EPM and its related parties were made in conditions equivalent to those that exist in transactions between independent parties, as refers to their object and conditions.

[1] Corresponds to income generated by transactions with subsidiaries and related parties associated to the sale of energy for $134,721 (2014 $281,840), sale of goods and services for $17,139 (2014 $16,217), financial income for $5,288 (2014 $33,747) and other income for $14,243 (2014 $9,967).

[2] Corresponds to costs and expenses generated by transactions with subsidiaries and related parties associated to purchase of energy for $150,963 (2014 $103,719) and acquisition of goods and services for $80,703 (2014 $1,794).

[3] Includes rendering of public utilities for $27,567 (2014 $46,503), rendering of services $4,082 (2014 $4,122), credits to related parties for $1,391,167 (2014 $957,559) and other debtors for $288,017 (2014 $19,498). EPM must rate the receivables under criteria that permit to prioritize the process of their recovery through the instrumentalities managed by it or collection entities. In respect to domiciliary public utilities the collection applies according to the billing cycle.

[4] Includes acquisition of goods and services for $80,077 (2014 $6,793), collections in favor of third parties for $15,009 (2014 $6,444), loans from related parties $54,009 (2014 $-) and other liabilities for $3,901 (2014 $4,403). The payment policy for EPM is 30 days after presentation of the invoice.

Transactions and balances with related entities of the Government

The total financial surpluses paid to the municipality of Medellin as of December 2015 was $991,139 (2014 $2,085,631).

Remuneration to the Board of Directors and key personnel of the Company:

The remuneration of key personnel members of the Company for the years ended as of December 31, is as follows:

Concept	2015	2014
Salaries and other short-term benefits to employees	5,473	5,215
Other long-term employee benefits.	-	-
Pensions and other post-employment benefits	605	445
Benefits for termination of agreement	-	-
Remuneration to key management personnel	**6,078**	**5,660**

- Figures in millions of Colombian pesos -

The amounts disclosed are those recognized as cost or expense during the period report for compensation of key personnel of EPM.

Note 35. Capital management

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

EPM manages its capital in order to plan, manage and assess the obtaining of financial resources in the national and international financial markets, for strategic investments, investment projects, through the different options that optimize the cost, that guarantee the maintenance of adequate financial indicators and adequate credit rating and minimize the financial risk. For the above purposes EPM has defined the following capital management policies and processes:

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

The Company has not made changes in its capital financing management objectives, policies and processes during the period ended on December 31, 2015 and 2014, and has not been subject to external capital requirements.

In order to face the changes in the economic conditions the company implements proactive mechanisms to manage its financing, enabling up to the extent viable different financing alternatives, in such a way that at the time that any long term credit operation is required, it has access to the source that has availability at each time of competitive market conditions and at the time needed.

Following us present the values that EPM manages as capital:

	2015	2014
Debt component that is managed as capital - Bonds and Loans	10,952,358	8,688,449
Total debt	**10,952,358**	**8,688,449**
Total capital	**10,952,358**	**8,688,449**

- Figures in millions of Colombian pesos -

Note 36. Financial risk management objectives and policies

The objective of the Integral Risk Management Office is to lead the definition and implementation of the strategy for an integral risk management, in order to achieve an adequate protection and assurance of the goods, resources and interest of EPM.

EPM has as policy to carry out the management of the risks that have an incidence on its activity and environment, by adopting the best practices and international standards of Integral Risk Management (IRM), as a way to facilitate the achievement of the purpose, strategy, objective and business goals, both of statutory and legal origin. It has an information system that facilitates the integral management of risks, guarantees confidentiality, availability and reliability of information and permits to make analysis and monitoring of risks and improvement plans. It has implemented an internal risk management system and has in place a methodology for the identification, analysis, evaluation, control and monitoring of risks, among which are those associated to money laundering and financing of terrorism, that permits to reduce vulnerability, and propose and implement efficient mechanism for the proper performance of business, processes, projects and contracts. As valuation criteria the Company has valuation tables of the consequences of the materialization of risks and of the probability tables, which are applicable in the different management levels defined in the methodological guide for integral risk management.

The integral risk management monitoring and review activity is aligned with the process of follow up of the management established in the Company, in order to propose and implement improvement actions. The monitoring and review scheme established assesses, among others, the following aspects:

- The implementation strategy of the integral risk management.
- The changes in the internal and external context that imply making adjustments in the treatment of risks identified or those that generate new risks.
- The variation of the risks in terms of frequency, probability and consequence.
- The valuation criteria of probability and consequence of risks.
- The establishment and efficacy of treatment plans.

The Company manages the financial risks associated to the different management levels, for which it identifies the risks within market, liquidity and credit congregators that are classified in the category of financial risks and quantifies their impact and implements strategy for their mitigation.

The company is exposed to the financial risk, that is defined as the possibility of occurrence of an event that negatively affects the financial results, among which are the market risk, the liquidity risk, the credit risk and the operating risk.

The market risk refers to the changes or volatility of market variables that can generate economic losses. The market variables refer to exchange rates, interest rates, securities, commodities, among others; and their changes may impact, for example, the financial statements, cash flow, financial indicators, contracts, project viability and investments.

The credit risk refers to the possible default of payment obligations by third parties derived from contracts or financial transactions performed.

The operating risk is the scarcity of funds and inability to obtain the resources at the time they are required to cover the contractual obligation and carry out investment strategies. The scarcity of funds leads to the need to sell assets or contract financing operations in unfavorable market conditions.

Finally, the operating risk, from a financial standpoint, is defined as deficiencies or failures in the processes, technology, infrastructure, human resources or occurrence of unforeseen external events.

36.1. Market risks

The market risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate by variations in the market prices. The Company has identified that the financial instruments affected by the market risk include:

- Cash and cash equivalents
- Other financial assets:
  - through profit and loss
  - Trust rights
  - Derivative instruments

The sensitivity analyses included in the following sections correspond to the financial position at the cutoff date of December 31, 2015 and 2014. These sensitivity analyses were made under the assumption of maintaining constant balances exposed, the hedging contracted, as well as the mix of liabilities according to their indexation rates.

The methods and hypothesis used in preparing the sensitivity analysis consist of:

- For cash and cash equivalents and other financial assets, the methodology used for measuring the market risk is the Risk Value, consisting in the quantification of the maximum loss that could suffer the portfolio in one month with a reliability level of 95%. For the quantification of VaR the methodology used is that defined by the Financial Superintendency of Colombia, in Basic Accounting Financial Circular (CE100 of 1995).

36.2. Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as consequence of the variations in the market interest rates. The Company has identified that financial instruments affected by the interest rate risk include:

- Cash and cash equivalents
- Other financial assets
  - Investments at fair value through profit and loss
  - Derivative instruments
- Credits and loans
- Accounts receivable in foreign currency

The concentration of the interest rate risk appears when there are great individual exposures and when there are significant exposures in respect to counterparts which probability of default is determined by factors such as the economic sector, foreign currency and credit ratings. The interest rate risk management seeks the conservation of the principal and the maintenance or increase of profitability. In the Company policies have been defined on the subject of interest rate risks, through the identification, determination of the position of rates and simulation of possible hedging strategies. The above supports the making of decisions, which are oriented to maintaining the position or hedge it and later an analysis is made of the results of the strategies carried out

Interest rate sensibility analysis

The following table indicates the sensibility in respect to a possible reasonable change of interest rates of the financial instruments exposed to this risk, not considering the effect of the hedge accounting. Maintaining the rest of the variables constant, the profit/loss before taxes and the equity of EPM would be affected by changes in the variable interest rates as follows:

	Increase/decrease in basic points	Financial effect	
		In profit or loss before taxes	In the equity
2015			
Investments at fair value through profit and loss	*1*	*(76)*	*(61)*
	(1)	*76*	*61*
Credits and loans	*100*	*(37,579)*	*(30,063)*
	(100)	39,492	(1,594)
Derivative instruments	*100*	21,973	17,579
	(100)	(21,973)	(17,579)
Receivables in foreign currency	*100*	19,393	15,515
	(100)	(25,464)	(20,372)
2014			
Investments at fair value through profit and loss	*1*	*(34,870)*	*(27,896)*
	(1)	*34,870*	*27,896*
Credits and loans	*100*	*(40,828)*	*(32,663)*
	(100)	40,828	32,663
Derivative instruments	*100*	*5,439*	*4,351*
	(100)	*(5,439)*	*(4,351)*
Receivables in foreign currency	*100*	*7,174*	*5,739*
	(100)	(9,469)	(7,575)

- Figures in millions of Colombian pesos -

The Companyp considers that the sensibility analysis is representative in respect to the exposure of the interest rate risk.

38.3. Exchange rate risk

The exchange rate risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as consequence of the exchange rate variations.

The Company has identified that financial instruments affected by the exchange rate risk include:

- Cash and cash equivalents
- Other financial assets:
    - Derivative instruments
- Credits and loans
- Accounts receivable in foreign currency

The exchange risk exposure refers, first, to the financing activities in a currency different from the functional cufrrency and with the hedging operations contracted.The Company manages its exchange rate risks through hedging operations in a medium term horizon. It is the Company policy not to close speculative hedging operations, and thus the conditions of the derivative hedging instrument reply the underlying conditions in order to maximize the efficacy of the hedging. EPM covers its exposure to fluctuations in the exchange rate using different hedging instruments amng which are worth mentioning swaps, fowards and options at different terms.

Sensitivity analysis to exchange rates

The following table indicates the sensibility in respect to a possible reasonable change in exchange rates of $100 pesos in the currency against the United States dollar not considering the effect of the hedging accounting. The impact originates by the change in monetary and non-monetary assets. Maintaining the rest variables constant the profit/loss before taxes and equity of the Company would be affected by changes in the exchange rates as follows:

	Increase/decrease in basic points	Financial effect	
		In profit or loss before taxes	In the equity
2015			
Investments at fair value through profit and loss	*100*	*2,724*	*2,179*
	(100)	*(2,724)*	*(2,179)*
Credits and loans	*100*	*(147,548)*	*(118,038)*
	(100)	147,548	118,038
Derivative instruments	*100*	79,933	63,946
	(100)	27,807	22,246
Receivables in foreign currency	*100*	3,046	2,437
	(100)	(3,046)	(2,437)
2014			
Investments at fair value through profit and loss	*100*	*68,221*	*79,494*
	(100)	*(68,221)*	*(79,494)*
Credits and loans	*100*	*(126,273)*	*(101,019)*
	(100)	126,273	101,019
Derivative instruments	*100*	31,146	24,917
	(100)	(31,146)	(24,917)
Receivables in foreign currency	*100*	1,968	1,575
	(100)	(1,968)	(1,575)

- Figures in millions of Colombian pesos -

The Company considers that the sensibility analysis is representative in respect to the exposure of the exchange rate risk.

36.4. Credit Risk

The credit risk is the risk that one of the counterparts does not comply with the obligations derived from a financial instrument or purchase contract and that this will translate in a financial loss. The Company has identified that the financial instruments affected by the credit risk include:

- Cash and cash equivalents
- Investments at fair value through profit and loss
- Accounts receivable at amortized cost
- Other accounts receivable

The credit risk management by type of financial instrument of EPM is detailed below:

Cash and cash equivalents and investments at fair value through profit and loss

For credit risk management, the Company assigns limits by issuer, by counterpart and by intermediary taking into account the financial, risk and fundamental analysis of the entities, emphasizing on the equity support of shareholders. The methodology considers the characteristics proper of the investments portfolio and the regulations applicable. The credit risk concentration is limited since it is due to the provisions of the business rules manual for treasury operations. The description of the factors that define the risk concentration is detailed below:

- The limits are updated quarterly based on the latest financial statements available of the entities analyzed.
- When the value of the consolidated investment portfolio exceeds the equivalent of 10,000 minimum mnthly legal salaries in effect (MMLSE), no more than 20% of this value should not be concentrated in a single issuer, counterpart or intermediary with the exception of securities issued by governments that comply with the regulations in effect.
- Stock market intermediaries, other than the monitored banking institutions, may act as counterparts to perform operations, but cannot be considered as admissible issuers.
- Stock broker companies that act as counterpart of the treasury operations must have at least the second risk rating in strength or quality in the portfolio administration.
- Stock broker companies supported by banks, that is, bancarized counterparts, must have a minimum equity of 30,000 MMLSE.

  Finally, the actions to avoid risk concentration are intended to establish, analyze, follow up and control the limits, for which they control the limits in effects and the status of utilization thererof. On the other hand, the justifications related to the need to override the limits temporarily are submitted to approval.

  The investments referred to are created with banking institutions that have the following risk rating, according to the term of the investment, as follows:

  - For investments with a term equal or lower than one (1) year, the banking establishment must have a rating in effect corresponding to the maximum category for the short term in accordance with the scales used by the rating companies that grant it and have minimum the second best rating in effect for the long term used by the respective companies;
    For investment with a term over one (1) year, the banking establishment must have the maximum rate in effect for the long term according to the scale used by the rating companies and the maximum rating for the short term in accordance with the scales used for this term.

Accounts receivable measured at amortized cost and other accounts receivable: EPM is exposed to the risk that customers/users of public utilities and others incur in default in the payment of the utilities. The accounts receivable from debtors of domiciliary public utilities are classified in two large groups: those originated by default in the payment and the other corresponds to financing to the customers that are made as strategy for recovery of receivables or for obtaining new customers.

EPM assesses at the end of each balance sheet period the performance and value of accounts receivable to determine if there is any objective evidence that the receivables are impaired and identify the possible impact on future cash flows. The criteria used to determine if there is objective evidence of a loss for impairment are:

- Default in the payment by customers two (2) or more accounts receivable.
- It is known or evidenced that the customer is initiating a business restructuration or liquidation process.
- Events of a social, political public order or natural disaster types occur that according to the experience are directly correlated to the non payment of the accounts receivable.

In order to avoid an excessive concentration of risk EPM has put in operation various strategies that permit it to mitigate the risk of non payment of the receivables:

- Persuasive collection by making telephone calls and sending letters to the customers/users with the support of specialized collection agencies.
- Segmentation of customers that permits to identify those of higher risk, by their value, to carry out with them personalized collection activities.
- Possibility of making payment agreements or partial payments that lead to the recovery of the exposed capital.
- Offset of accounts receivable against accounts payable by EPM to its customers.
- When the above strategies do not generate satisfactory results then changes in the customers' product portfolio are made to facilitate the payment of the debt.
- Changes in the product portfolio to customers that facilitate the payment of the debt; for example prepaid energy.

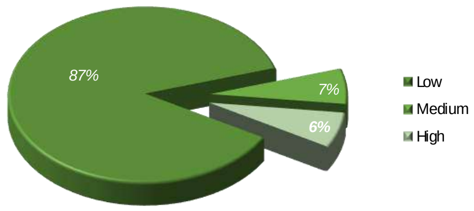
EPM also grants financing that are made as strategy for recovery of receivables or for attracting new customers. These give the right to fixed or determinable payments and are included in the current assets, except those with expirations over 12 months counted from the date of generation of the balance sheet, in which case they are classified as non-current assets.

In general terms, in order to guarantee the debts of customers blank promissory notes are prepared with letters of instructions, and when the value of the financing exceeds the amounts pre-established in the internal regulation, real or bank guarantees are requested, and in the cases in which the customer is a state entity, the resources that EPM collects for the customer are encumbered, prior agreement.

The rating of risk associated to accounts receivable is detailed below:

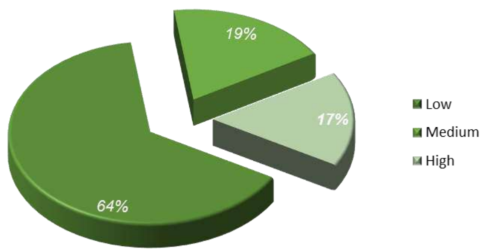
The total receivables portfolio of EPM as of December 2015 was $3,790,457 and its composition by risk is the following:

Receivable portfolio by risk

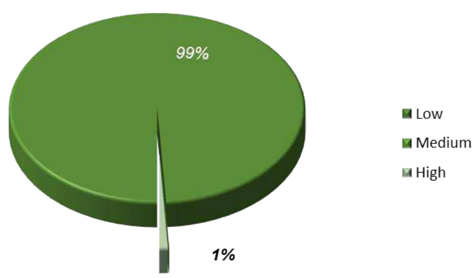


The portfolio of Public Utilities and Other Debtors of EPM as of December 2015 was $1,452,010 and $2,338,447 and its composition by risk is as follows:

Public utilities portfolio by risk



Portfolio other debtors by risk



For the portfolio of mass public utilities and of added value products several models are used as methodology for risk rating, as follows: Scoring for current public utilities, scoring of public utilities portfolio past due, scoring of value added products portfolio current and past due and a risk model for accounts that are over 180 days past due.

The risk rating for the collection documents recorded in the non-recurrent invoicer was taken by general rule, rating the past due portfolio as high right and the current portfolio as low risk. Additionally the documents recorded in doubtful accounts were rated as high risk.

The company considers that the value that represents best its exposure to credit risk at the end of the period, not considering any guarantee taken or other credit improvements, is:

Item	2015	2014
Cash and cash equivalents restricted	487,182	284,923
Investments in debt instruments	66,021	1,769,172
Investments in equity instruments	2,056,204	2,041,146
Accounts receivable	3,790,457	2,211,071
Maximum exposure to credit risk	**6,399,864**	**6,306,312**

Cifras en millones de pesos colombianos

36.5. Liquidity Risk

It refers to the possibility that there would be inssuficiency of resources for the timely payment of operations and commitments of the entity, and that because of this the Company would be forced to obtain liquidity in the market or to liquidate investments in an onerous manner. It is also understood as the possibility of not finding buyers for the portfolio securities.

EPM has identified that the financial instruments affected by the liquidity risk include: Cash and cash equivalents, other financial assets, derivative instruments and credits and loans. In order to control the liquidity risk comparisons of figures are made of benchmark indicators and of liquidity levels at different time horizons. As of that analysis, investment strategies are performed that do not affect the liquidity of the Company taking into account the cash budget and the market risk analyses to consider the diversification of the sources of funds, the capacity to sell assets and the creation of contingency plans.

In general, the main aspects that are taken into account in the analysis are:

- Liquidity of securities: the characteristics of the issuer, amount of the issue and negotiation volume are analyzed.
- Market liquidity: the market's general behavior is analyzed and forecasts of rates are made in order to infer their future behavior.
- Portfolio liquidity: cash flows are coordinated in order to determine investment strategies in accordance with the future requirements of liquidity and diversification is sought to avoid the concentration of securities by issuer, rates and/or terms.

The following table shows the analysis of contractual expirations remaining for financial liabilities and assets not derivative:

	Average effective interest rate	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	Over 4 years	Total contractual obligation
2015							
Financial liabilities not derivatives	7.78%	1,508,261	324,543	591,834	2,105,579	6,194,891	10,725,106
Financial assets not derivatives	5.81%	41,100	1,141	-	-	-	42,241
Total		**1,549,361**	**325,684**	**591,834**	**2,105,579**	**6,194,891**	**10,767,348**
2014							
Financial liabilities not derivatives	7.30%	404,779	575,892	326,536	595,508	6,558,674	8,461,390
Financial assets not derivatives	3.08%	1,731,182	30,986	1,172	-	-	1,763,340
Total		**2,135,961**	**606,878**	**327,707**	**595,508**	**6,558,674**	**10,224,729**

- Figures in millions of Colombian pesos -

The values included in the above tables for financial assets and liabilities not derivative may change in view of changes in the variable interest rate with respect to the interest rate estimated at the end of the reporting period. The Company considers that the cash flows cannot occur earlier than indicated above.

The following table shows the analysis of contractual expirations remaining for financial liabilities derivatives:

	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	Total contractual obligation
2015					
Swap contracts	(7,061)	-	-	-	(7,061)
2014	(7,061)	-	-	-	**(7,061)**
Contratos Forward					
Contratos Forward	(42,468)	(23,101)	(16,785)	(16,786)	(99,140)
Total	**(42,468)**	**(23,101)**	**(16,785)**	**(16,786)**	**(99,140)**

- Figures in millions of Colombian pesos -

The main method for the measurement and follow up of the liquidity is the projection of the cash flow that is carried out in the company and is consolidated in the cash budget. Derived from this a daily follow up is made of its cash position and projections of the latter are continuously made in order to:

- Follow up the liquidity needs related to the operating and investment activities associated to the acquisition and disposal of long term assets.
- Pay, prepay, refinance and/or obtain new credits, in accordance with the cash flows generation capacity in EPM.

These projections take into account the debt financing plans of EPM, the compliance of rations, the compliance with the organizational objectives and the regulations applicable.

Finally and as part of the strategy of a cautious management of the liquidity risk, EPM seeks to guarantee the maintenance of sufficient cash through the availability of financing with committed credit alternatives. As respect to EPM, as of 2015 it has lines of credit duly approved and renewable with the local banks for approximately $2 trillion pesos, a limit available to place in the market local bonds for $1.5 trillion and signed a credit agreement for $1,000 million U.S. dollars with a group of 7 international banks, at a term of five years and to partially finance the 2016 budget.

Note 37. 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 Company 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 EPM can access on the measurement date (level 1).
- Based on valuation techniques commonly used by market participants that use different variables of the prices quotes that are observable for assets or liabilities, directly or indirectly (level 2).
- Based on internal cash flow discount valuation techniques, using variables estimated by the company not observable for the assets or liabilities, in lieu of variables observed in the market; and in some cases, the cost is taken as an estimate of the fair value. This applies when recent information available is insufficient to measure it, or if a wide range of possible measures exists of the fair value and the cost represents the best estimate of the fair value within that range (level 3).

During 2015 and 2014 in EPM 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 Company in the measurement of the fair value for recognition and disclosure:

Cash and cash equivalents: includes the cash on hand and in banks and the high liquidity investments, easily convertible into a determined amount of cash and subject to insignificant risk of changes in their value, with an expiration of three months or less from the date of their acquisition. EPM uses as valuation technique for this entry the market approach; these entries are classified in level 1 of the fair value hierarchy.

Investments at fair value through profit and loss and through equity: includes the investments that are made to optimize the liquidity surpluses, that is, all those resources that are not immediately allocated to the performance of the activities that constitute the corporate object of the companies. EPM uses as valuation technique the market approach; these entries are classified in level 1 of the fair value hierarchy. Regarding the investments at fair value through equity the market approach is used for the investments listed in the stock market, classifying them in level 1 and for the rest equity investments the cost is taken as the best estimate of its fair value and they are classified in level 3.

Derivative instruments – Swaps: The Company 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. Derivatives are accounted for as financial assets when their fair value is positive and as financial liabilities when their fair value is negative, in the statement of financial position.

EPM uses as valuation technique for the swaps the cash flow discounted, in approach of the income. The variables used are: Interest rate swap curve for types denominated in U.S. dollars, to discount the flows in U.S. dollars; and the external interest rate swap curve for types denominated in Colombian pesos to discount the flows in Colombian pesos. These items are classified in the level 2 of the fair value hierarchy.

Investment properties: these are those held to obtain rent and/or appreciations of capital (including investment properties in construction for those purposes). The investment properties are measured initially at cost, including the transaction costs. The carrying value includes the replacement or substitution cost of one part of the investment property existing at the time in which the cost is incurred, if the recognition criteria are met; and it excludes the costs of the daily maintenance of the investment property.

Subsequently to the initial recognition, the investment properties are measured at the fair value that reflects the market conditions as of the date of presentation. EPM 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. Within the cost approach, the residual method is used, which is applied only to buildings, and is based on the determination of the construction cost updated, less the depreciation for age and conservation status. Within the income approach, the income method is used where the value of the good is determined according to its capacity to generate income, taking into account the probable value of the monthly rent that the lessees would be willing to day in the leasing market. 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 EPM, measured at fair value on a recurring basis as of December 31, 2015 and 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 December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Designated at fair value				
Cash and cash equivalents	487,182	-	-	487,182
	487,182	-	-	487,182
Other equity investments				
Fixed income securities	43,823	-	-	43,823
Equity instruments	22,198	-	-	22,198
	66,021	-	-	66,021
Other equity investments				
Equity instruments	2,049,471	-	6,733	2,056,204
	2,049,471	-	6,733	2,056,204
Derivatives				
Swaps	-	11,776	-	11,776
	-	11,776	-	11,776
investment properties				
urban and rural lands	-	141,236	-	141,236
buildings and houses	-	15,977	-	15,977
Total	**2,602,674**	**168,989**	**6,733**	**2,778,396**
	94%	**6%**	**0%**	

- Figures in millions of Colombian pesos -

Fair value measurement on a recurring basis as of December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Designated at fair value				
Cash and cash equivalents	284,923	-	-	284,923
	284,923	-	-	284,923
Other equity investments				
Fixed income securities	1,763,340	-	-	1,763,340
Equity instruments	5,833	-	-	5,833
	1,769,173	-	-	1,769,173
Other equity investments				
Equity instruments	2,034,413	-	6,733	2,041,146
	2,034,413	-	6,733	2,041,146
Derivatives				
Swaps	-	116,403	-	116,403
	-	116,403	-	116,403
Investment properties				
Urban and rural lands	-	123,547	-	123,547
Buildings and houses	-	14,665	-	14,665
	-	138,212	-	138,212
Derivatives				
Swaps	-	20,945	-	20,945
	-	20,945	-	20,945
Total	**4,088,509**	**275,560**	**6,733**	**4,370,802**
	94%	**6%**	**0%**	

- Figures in millions of Colombian pesos -

As of 31 December 2015 and 2014 no transfers between levels occurred.

As of December 31, 2015 and 2014 there were no changes in the assets and liabilities of the company measured at fair value on a recurrent basis using unobservable variables, classified in level 3 of the fair value hierarchy.

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

Concepto	2015						
	Book balance	Estimated fair value			Estimated fair value		
		Level 2	Level 3	Total	Level 2	Level 3	Total
Assets							
Public services	1,452,010	1,455,888	-	1,455,888	1,010,512	-	1,010,512
Employees	66,060	67,352	-	67,352	49,615	-	49,615
Related parties	1,915,034	1,915,034	-	1,915,034	942,450	-	942,450
Other receivables	357,353	356,872	-	356,872	187,259	-	187,259
Total assets	3,790,457	3,795,146	-	3,795,146	2,189,836	-	2,189,836
Liabilities							
Other bonds and securities issued	6,254,714	-	6,254,714	6,254,714	-	5,419,715	5,419,715
Commercial banks loans	1,119,342	-	1,119,342	1,119,342	-	1,239,525	1,239,525
Multilateral banks loans	1,690,716	-	1,690,716	1,690,716	-	1,226,296	1,226,296
Development banks loans	1,082,093	-	1,082,093	1,082,093	-	640,212	640,212
Bonds and securities issued	318,653	-	318,653	318,653	-	162,701	162,701
Loans with related parties	54,009	-	54,009	54,009	-	-	-
Other loans	432,830	-	432,830	432,830	-	-	-
Total liabilities	10,952,358	-	10,952,358	10,952,357	-	8,688,449	8,688,449
Total	**14,742,815**	**3,795,146**	**10,952,358**	**14,747,503**	**2,189,836**	**8,688,449**	**10,878,285**
		26%	**74%**		**20%**	**80%**	

- Figures in millions of Colombian pesos -

As of 31 December 2015 and 2014 assets and liabilities not classified at level 1

Note 38. Service concession contracts

As of December 31, 2015 and 2014, the Company manages, as operator, various concessions that contain provisions for construction, operation and maintenance of facilities, as well as the rendering of public utilities such as water supply and water collection and treatment, in accordance with the application regulations.

Following is the detail of the remaining period of concessions where EPM act as operator:

Company/agreement	Activity	County	Concession Period	Initial period remaining
EPM - municipality of Caldas	The municipality agrees to make available and facilitate the use of the networks and other infrastructure for the rendering of the water and sewerage services.	Colombia	30 years (extendable)	13 years
EPM - municipality of Sabaneta	The municipality agrees to make available and facilitate the use of the networks and other infrastructure for the rendering of the water and sewerage services.	Colombia	10 years (extendable)	9 years
EPM - municipality of La Estrella	Execution of work and rendering of services of potable water supply and sewerage	Colombia	10 years (extendable)	9 years
EPM - municipality of Envigado	Rendering of the water and sewerage service.	Colombia	10 years (extendable)	2 years
EPM - municipality of Itagüí	Construction of the water supply and sewerage networks for the rendering of the service in the neighborhoods assigned.	Colombia	30 years (extendable)	2 years
EPM - municipality of Bello	Execution of work and rendering of services of water supply and sewerage.	Colombia	10 years (extendable)	7 years
EPM - municipality of Copacabana	The municipality agrees to the execution of works for the supply of potable water, sewerage and rendering of such services.	Colombia	20 years (extendable)	15 years
EPM - municipality of Girardota	Rendering of the service of water supply and sewerage.	Colombia	20 years (extendable)	17 years
EPM - municipality of Barbosa	The municipality agrees to make available and facilitate the use of the networks and other infrastructure for the rendering of the services of water supply and sewerage.	Colombia	30 years (extendable)	12 years

As of the closing date, no income and costs incurred by the construction services exchanged for a financial asset or an intangible asset have been recognized.

Service concession agreements for the rendering of the water and sewage service

The concession agreements between EPM and the municipalities provide the conditions under which the water and sewage networks are manage, operated and maintained for the provision of the potable water and wastewater treatment services to its inhabitants, in the terms, conditions and rates established by the Potable Water and Water Sanitation Regulation Commission – CRA (for its initials in Spanish).

The agreements indicate the following rights and obligations for EPM as operator in the service concession agreement:

- Right to receive from the Municipality the total water and sewer networks and to have exclusiveness as operator of the system.
- Obligation to make the exclusive use of the water and sewage networks for the purposes for which they were intended, maintain them and return them in the conditions of use they were received.
- Some concession agreements have the option to be automatically renewed for equal periods unless an of the parties expresses the intention not to continue with it.
- Concession agreements do not establish the obligation of construction of property, plant and equipment elements.

Upon termination of the concession, EPM shall return the water and sewage networks without any consideration to the Municipalities. There have been no changes in the terms of the concession agreements during the period.

For this agreement, the Intangible asset model is applicable (See Note 6 Intangibles Assets).

Note 39. Facts occurred after the period being reported

Credit for USD 1,000 million signed by EPM under the modality of "Club Deal"

On January 12, 2016 EPM received the first disbursement for USD 200 million of the credit signed under the modality of "Club Deal" with the following financial institutions: Bank of America N.A. and HSBC Securities (USA) Inc., which had the role of "Global Coordinators", "Mandated Lead Arrangers" and "Joint Bookrunners". Meanwhile, Bank of Tokyo-Mitsubishi and Sumitomo Mitsui Banking Corporation participated as "Mandated Lead Arrangers" and "Joint Bookrunners", and Citigroup Global Markets, JP Morgan Securities and Mizuho Bank acted as "Lead Arrangers". Derived from the signature of the contract transaction costs for $14,181 were paid corresponding to the contract signature commission, administrative agent commission and national and international lawyers.

The signature of the loan was authorized by the Ministry of Finance and Public Credit by means of resolution No. 4783 of December 22, 2015.

This credit will be intended to the financing of the budget and the investment plan of year 2016 of the Company and the Ituango Hydroelectric Project.

Sale of shares of EPM in Isagen

On January 26, 2016 the Board of Directors of EPM recommended to the Municipal Administration to present a project of Agreement to the Municipal Council of Medellin, to authorize the sale of the shares that the Company has in Isagen, authorization that was granted by the Administrative Body on march 15, 2016 by means of the approval of the project of Agreement No. 004. With this transaction, EPM may receive $4,130 pesos for every share owned.

Change of corporate name of the subsidiary Aguas de Urabá S.A. E.S.P.

The General Stockholders' Meeting of Aguas de Uraba S.A. E.S.P, in extraordinary meeting held on January 28, 2016, authorized the change of corporate name of the Company to that of Aguas Regionales EPM S.A. E.S.P., as evidenced in Minutes No. 19 and in public deed No. 0000196 of the Sole Notary of Apartado – Antioquia of February 5, 2016, registered in the Commercial Registry of February 14, 2016 under No. 00013221 of Book IX of the Chamber of Commerce of Uraba.

Incident of Guatapé Hydroelectric Plant of EPM

On the past 15th of February 2016 a technical problem occurred that caused a fire that left unavailable the cables that evaluate the energy from the Guatape Plant to the substation of the National Transmission System. EPM has been performing all actions necessary to reincorporate 560 MW of capacity gradually, entering 8 generation units (70 MW ea.) as follows: two in May, two in June, two in August and the two remaining ones in September. On the other hand, EPM has a lost profit policy that will permit it to mitigate the effects that this event will have in its financial statements.