



# **Empresas Públicas de Medellín E.S.P. and Subsidiaries**

**Interim Condensed Consolidated Financial Statements and Notes  
September 30, 2018 and December 31, 2017  
(Unaudited)**

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

As of September 30, 2018 and December 31, 2017

Amounts stated in millions of Colombian pesos

	Notes	September 2018	December 2017
<b>Assets</b>			
<b>Non current assets</b>			
Properties, plant and equipment, net	7	33,139,706	31,480,096
Investment properties		86,914	126,740
Goodwill		2,903,012	3,060,672
Other intangible assets		2,186,757	2,076,453
Investments in associates		1,813,852	1,804,827
Investments in a joint ventures		82	82
Deferred tax assets		246,801	225,317
Trade and other accounts receivables		900,024	874,751
Other financial assets		2,111,175	2,105,782
Other assets		120,447	115,581
Cash and cash equivalents		7,822	-
<b>Total non current assets</b>		<b>43,516,592</b>	<b>41,870,301</b>
<b>Current assets</b>			
Inventories		423,826	372,240
Trade and other accounts receivable		3,179,498	2,752,912
Current tax assets		58,397	415,669
Other financial assets		728,416	265,938
Other assets		474,078	388,561
Cash and cash equivalents		1,777,188	1,191,214
<b>Total Current assets</b>		<b>6,641,403</b>	<b>5,386,534</b>
<b>Total assets</b>		<b>50,157,995</b>	<b>47,256,835</b>
<b>Debit balances of deferred regulatory accounts</b>		<b>90,751</b>	<b>48,842</b>
<b>Total assets and debit balances of deferred regulatory accounts</b>		<b>50,248,746</b>	<b>47,305,677</b>
<b>Equity</b>			
Capital		67	67
Premium on placement of shares		(25,125)	(25,118)
Reserves		2,540,800	3,479,283
Other comprehensive income		2,648,226	2,864,172
Retained earnings		13,423,878	11,505,849
Profit for the period		1,535,169	2,186,302
<b>Equity attributable to controlling interests</b>		<b>20,123,015</b>	<b>20,010,555</b>
Non controlling interests		863,989	857,654
<b>Total equity</b>		<b>20,987,004</b>	<b>20,868,209</b>

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

As of September 30, 2018 and December 31, 2017

Amounts stated in millions of Colombian pesos

	Notes	September 2018	December 2017
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Credits and loans	10	12,874,414	14,116,243
Trade and other payables		467,478	264,530
Other financial liabilities		509,974	538,470
Employee benefits		937,044	849,558
Income tax payable		62,189	-
Deferred tax liabilities		2,989,356	2,854,341
Provisions	11	366,213	384,345
Other liabilities		115,940	118,607
<b>Total non current liabilities</b>		<b>18,322,608</b>	<b>19,126,094</b>
<b>Current liabilities</b>			
Credits and loans	10	6,235,998	2,842,480
Trade and other payables		3,101,166	2,948,403
Other financial liabilities		370,243	364,878
Employee benefits		223,945	237,959
Income tax payable		198,697	148,088
Taxes, contributions and rates payable		162,469	181,740
Provisions	11	577,027	400,026
Other liabilities		41,422	173,147
<b>Total current liabilities</b>		<b>10,910,967</b>	<b>7,296,721</b>
<b>Total liabilities</b>		<b>29,233,575</b>	<b>26,422,815</b>
Credit balances of deferred regulatory accounts		942	-
Deferred tax liabilities related to balances of deferred regulatory accounts		27,225	14,653
<b>Total liabilities and credit balances of deferred regulatory accounts</b>		<b>29,261,742</b>	<b>26,437,468</b>
<b>Total liabilities and equity</b>		<b>50,248,746</b>	<b>47,305,677</b>

The accompanying notes are an integral part of the financial statements

**Jorge Londoño De la Cuesta**  
Chief Executive Officer

**Jorge Andrés Tabares Ángel**  
Chief Financial Officer

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the periods from January 1 to September 30, 2018 and 2017  
Amounts stated in millions of Colombian pesos

	Notes	September 2018	September 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
<b>Continued operations</b>					
Sale of goods	12	33,113	13,658	16,239	4,869
Rendering of services	12	11,671,514	10,722,259	4,052,576	3,645,948
Leases	12	60,367	55,422	21,209	18,997
Other income	13	279,208	176,925	80,588	61,071
<b>Income from ordinary activities</b>		<b>12,044,202</b>	<b>10,968,264</b>	<b>4,170,612</b>	<b>3,730,885</b>
Profit in sale of assets	12	2,736	1,070	465	692
<b>Total income</b>		<b>12,046,938</b>	<b>10,969,334</b>	<b>4,171,077</b>	<b>3,731,577</b>
Costs for rendering services	14	(7,808,557)	(7,156,899)	(2,741,561)	(2,427,309)
Administration expenses	15	(1,107,249)	(966,552)	(309,001)	(309,329)
Impairment loss recognised on trade receivables		(66,388)	(62,717)	(22,350)	(21,878)
Other expenses	16	(95,207)	(56,433)	(12,147)	(27,600)
Financial income	17.1	213,104	198,357	85,199	66,453
Financial expenses	17.2	(772,570)	(741,753)	(267,200)	(265,795)
Net exchange difference	18	(74,462)	140,934	(39,573)	70,042
Equity method in associates and joint business		11,606	(43,304)	(6,361)	(41,977)
Effect by interest in equity investments		66,856	49,772	1	3
<b>Profit before tax</b>		<b>2,414,071</b>	<b>2,330,739</b>	<b>858,084</b>	<b>774,187</b>
Income tax expense		(783,261)	(839,100)	(249,797)	(359,945)
<b>Profit of the period after taxes of continued operations</b>		<b>1,630,810</b>	<b>1,491,639</b>	<b>608,287</b>	<b>414,242</b>
Discontinued operations		-	-	-	-
<b>Profit of the period before net movement in balances of deferred regulatory accounts</b>		<b>1,630,810</b>	<b>1,491,639</b>	<b>608,287</b>	<b>414,242</b>
Net movement in balances of net regulatory accounts related to the result of the period		41,039	(14,921)	(1,499)	18,325
Net movement in deferred tax related to deferred regulatory accounts related to the results of the period		(12,172)	4,632	633	(5,407)
<b>Profit of the period and net movement in balances of deferred regulatory accounts</b>		<b>1,659,677</b>	<b>1,481,350</b>	<b>607,421</b>	<b>427,160</b>
<b>Other comprehensive income, net of taxes</b>					
<b>Items that will not be reclassified subsequently to the result of the period:</b>					
New measurements of defined benefit plans		884	8,739	4,742	(5,611)
Equity investments measured at fair value through equity		(92,371)	416,664	(126,137)	31,548
Income tax related to components that will not be reclassified		954	(41,660)	1	(3,150)
		<b>(90,533)</b>	<b>383,743</b>	<b>(121,394)</b>	<b>22,787</b>
<b>Items that may be reclassified subsequently to the result of the period:</b>					
<b>Cash flow hedging</b>		(8,358)	(18,066)	2,479	17,755
Result recognized of the period		(11,845)	(115,278)	14,857	(107,287)
Reclassification adjustment		3,487	97,212	(12,378)	125,042
<b>Exchange differences for conversion of business abroad</b>		(88,048)	(36,317)	10,974	(64,895)
<b>Income tax related to the components that can be reclassified</b>		(28,637)	10,192	(29,647)	49
<b>Equity method in associates and joint ventures business</b>		(2)	-	(4)	-
		<b>(125,045)</b>	<b>(44,191)</b>	<b>(16,198)</b>	<b>(47,091)</b>
<b>Other comprehensive income, net of taxes</b>		<b>(215,578)</b>	<b>339,552</b>	<b>(137,592)</b>	<b>(24,304)</b>
<b>Total comprehensive income for the period</b>		<b>1,444,099</b>	<b>1,820,902</b>	<b>469,829</b>	<b>402,856</b>
<b>Profit for the period attributable to:</b>					
Owners of the company		1,535,169	1,365,044	568,206	389,151
Non controlling interest		124,508	116,306	39,215	38,009
		<b>1,659,677</b>	<b>1,481,350</b>	<b>607,421</b>	<b>427,160</b>
<b>Total comprehensive income attributable to:</b>					
Controlling interests		1,319,543	1,704,598	429,720	364,852
Non controlling interests		124,556	116,304	40,109	38,004
		<b>1,444,099</b>	<b>1,820,902</b>	<b>469,829</b>	<b>402,856</b>

The accompanying notes are an integral part of the financial statements

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN THE EQUITY**

For the periods from January 1 and September 30, 2018 and 2017

Amounts stated in millions of Colombian pesos

	Other comprehensive income											Total	
	Capital issued	Premium on placement of shares	Reserves	Retained earnings	Equity Investment	Defined benefit plans	Cash flow hedging	Conversion differences	Reclassification of properties, plant and equipment to investment properties	Result of the period in other comprehensive income of associates and joint ventures business	Attributable to controlling interests		Non-controlling interests
<b>Balance as of January 1, 2017</b>	<b>67</b>	<b>(25,014)</b>	<b>3,604,789</b>	<b>12,959,786</b>	<b>1,745,875</b>	<b>(14,949)</b>	<b>(8,262)</b>	<b>705,285</b>	<b>12,079</b>	<b>188</b>	<b>18,979,844</b>	<b>803,461</b>	<b>19,783,305</b>
Profit for the period	-	-	-	1,365,044	-	-	-	-	-	-	1,365,044	116,306	1,481,350
Other comprehensive income of the period net of income tax	-	-	-	-	375,007	8,287	(7,430)	(36,312)	-	-	339,552	(2)	339,550
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,365,044</b>	<b>375,007</b>	<b>8,287</b>	<b>(7,430)</b>	<b>(36,312)</b>	<b>-</b>	<b>-</b>	<b>1,704,596</b>	<b>116,304</b>	<b>1,820,900</b>
Surpluses and dividends declared	-	-	-	(1,609,136)	-	-	-	-	-	-	(1,609,136)	(63,902)	(1,673,038)
Movement of reserves	-	-	(101,089)	101,089	-	-	-	-	-	-	-	-	-
Income tax related to transactions with owners	-	-	-	(1,033)	-	-	-	-	-	-	(1,033)	(986)	(2,019)
Other movement of the period	-	-	-	23,174	(4,031)	3,943	(567)	(3,831)	245	411	19,344	(6,082)	13,262
<b>Balance as of September 30, 2017</b>	<b>67</b>	<b>(25,014)</b>	<b>3,503,700</b>	<b>12,838,924</b>	<b>2,116,851</b>	<b>(2,719)</b>	<b>(16,259)</b>	<b>665,142</b>	<b>12,324</b>	<b>599</b>	<b>19,093,615</b>	<b>848,795</b>	<b>19,942,410</b>
<b>Balance as of January 1, 2018</b>	<b>67</b>	<b>(25,118)</b>	<b>3,479,283</b>	<b>13,692,151</b>	<b>2,173,346</b>	<b>(29,557)</b>	<b>(5,789)</b>	<b>716,674</b>	<b>12,079</b>	<b>(2,581)</b>	<b>20,010,555</b>	<b>857,654</b>	<b>20,868,209</b>
Profit for the period	-	-	-	1,535,169	-	-	-	-	-	-	1,535,169	124,508	1,659,677
Other comprehensive income of the period net of income tax	-	-	-	-	(91,919)	1,075	(36,740)	(88,049)	-	(2)	(215,635)	56	(215,579)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,535,169</b>	<b>(91,919)</b>	<b>1,075</b>	<b>(36,740)</b>	<b>(88,049)</b>	<b>-</b>	<b>(2)</b>	<b>1,319,534</b>	<b>124,564</b>	<b>1,444,098</b>
Surpluses and dividends declared	-	-	-	(1,203,503)	-	-	-	-	-	-	(1,203,503)	(106,956)	(1,310,459)
Movement of reserves	-	-	(938,483)	938,483	-	-	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	-	(51)	69	-	-	-	-	-	18	-	18
Income tax related to transactions with owners	-	-	-	(341)	-	-	-	-	-	-	(341)	(326)	(667)
Other movement of the period	-	(7)	-	(2,861)	-	(380)	-	-	-	-	(3,248)	(10,947)	(14,195)
<b>Balance as of September 30, 2018</b>	<b>67</b>	<b>(25,125)</b>	<b>2,540,800</b>	<b>14,959,047</b>	<b>2,081,496</b>	<b>(28,862)</b>	<b>(42,529)</b>	<b>628,625</b>	<b>12,079</b>	<b>(2,583)</b>	<b>20,123,015</b>	<b>863,989</b>	<b>20,987,004</b>

The accompanying notes are an integral part of the financial statements

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T.P. 144842-T

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

For the periods from January 1 to September 30, 2018 and 2017

Amounts stated in millions of Colombian pesos

	2018	2017
<b>Cash flows for operating activities:</b>		
<b>Results of the period</b>	<b>1,659,677</b>	<b>1,481,350</b>
<b>Adjustments to reconcile the net results for the period to the net cash flows used in operating activities:</b>		
Depreciation and amortization of properties, plant and equipment and intangible assets	741,730	699,847
Impairment of property, plant and equipment and intangibles	127	61,736
Impairment of accounts receivable	66,388	62,717
Reversal of loss for impairment of accounts receivable	(40,665)	(35,582)
Result for exchange difference, net	74,462	(140,934)
Result for valuation of financial instruments and hedge accounting	7,967	71,083
Provisions, post-employment and long term defined benefit plans	274,298	38,442
Government subsidies applied	(1,840)	(693)
Deferred income tax	85,631	194,358
Current income tax	697,631	644,742
Participation in the results of investments in associates and joint business	(11,606)	43,304
Interest income	(149,798)	(132,926)
Interest expenses	684,393	621,905
Result for disposal of properties, plant and equipment, intangibles and investment properties	249	1,431
Profit for disposal of financial instruments	-	(23)
Dividends from investments	(66,856)	(49,748)
Other income and expenses not effective, net	(61,936)	(16,232)
	<b>3,959,852</b>	<b>3,544,777</b>
<b>Movements in working capital:</b>		
Variation in inventories	(51,674)	(18,601)
Variation in debtors and other accounts receivable	(527,860)	(332,086)
Variation in other assets	244,534	(112,021)
Variation in creditors and other accounts payable	68,264	551,911
Variation in labor obligations	33,994	25,627
Variation in provisions	(75,067)	(116,210)
Variation in other liabilities	(119,715)	108,104
Interest paid	(884,924)	(956,670)
Income tax paid	(544,370)	(564,404)
<b>Net cash flows originated by operating activities</b>	<b>2,103,034</b>	<b>2,130,427</b>
<b>Cash flows for investment activities:</b>		
Acquisition of property, plant and equipment	(2,587,302)	(2,821,096)
Disposal of property, plant and equipment	12,418	27,745
Acquisition of intangible assets	(120,352)	(29,477)
Disposal of intangible assets	915	19,507
Disposal of investment properties	-	9
Acquisition of investments in financial instruments	(602,916)	(203,995)
Disposal of investments in financial instruments	172,104	69,585
Government Grants	289	-
Interest received	235	-
Dividends received from subsidiaries, associates and joint business	3,442	-
Other dividends received	32,898	27,670
Other cash flows from investment activities	125,916	355,996
<b>Net cash flows used by investment activities</b>	<b>(2,962,353)</b>	<b>(2,554,056)</b>
<b>Cash flows for financing activities:</b>		
Obtaining of public credit and treasury	3,721,788	3,618,653
Payments of public credit and treasury	(1,535,815)	(2,259,065)
Transaction costs due to issuance of debt instruments	(5,296)	(8,303)
Gains or losses on settlement of financial liabilities	-	9,666
Payments of liabilities for financial leasing	(29,095)	-
Dividends or surpluses paid	(806,457)	(1,105,235)
Dividends or surplus paid to non-controlling interests	(106,956)	(63,902)
Payments of capital of derivatives designated as cash flow hedge	(342)	-
Other cash flows from financing activities	218,087	(37,992)
<b>Net cash flows originated by financial activities</b>	<b>1,455,914</b>	<b>153,822</b>
<b>Net cash and cash equivalents increase (decrease)</b>	<b>596,595</b>	<b>(269,807)</b>
Effects of variations in exchange rates in the cash and cash equivalents	(2,799)	19,894
Cash and cash equivalents at the beginning of period	1,191,214	1,194,499
<b>Cash and cash equivalents at the end of the period</b>	<b>1,785,010</b>	<b>944,586</b>
Restricted resources	141,576	155,432

The accompanying notes are an integral part of the financial statements

**Jorge Londoño De la Cuesta**  
 Chief Executive Officer

**Jorge Andrés Tabares Ángel**  
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 Accountant  
 T.P. 144842-T

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## Notes to the interim condensed consolidated financial statements of EPM Group for the periods ended as of September 30, 2018 and December 31, 2017.

(Expressed in millions of Colombian pesos, except when indicated otherwise).

### Note 1. Reporting Entity

Empresas Públicas de Medellín E.S.P. (hereinafter, "EPM Group") is the holding company of a multi-Latin enterprise group made up of 48 companies and a structured entity<sup>1</sup>; that have presence in the provision of public utilities in Colombia, Chile, El Salvador, Guatemala, Mexico and Panama.

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

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

EPM Group offers its services through the following sectors:

- Energy: it includes the Energy Generation, Transmission, Distribution and Commercialization, and Natural Gas Distribution businesses.
- Aqueduct: integrated by the Aqueduct, Residual Waters and Cleaning businesses.
- Other segments: Consists of the following investment vehicles: Distribución Eléctrica Centroamericana II S.A. (DECA II), EPM Capital México S.A. de C.V., EPM Chile S.A., EPM Inversiones S.A., EPM Latam S.A., Inversiones y Asesorías South Water Services SpA., Panamá Distribution Group S.A. (PDG). Additionally, Max Seguros Ltd., a captive reinsurance company formed to negotiate, engage, and provide reinsurance services.
- Also, the Company participates in the telecommunications business, a segment in which the Company has significant influence since August 2014, through EPM Telecomunicaciones S.A. - UNE and its affiliates Edatel S.A. E.S.P, Orbitel Servicios Internacionales S.A. - OSI, Cinco Telecom Corporation CTC and Colombia Móvil S.A.; and Inversiones Telco S.A.S. and its affiliate Emtelco S.A.S. provides voice, data, Internet, professional services, and data center services, among others.

The consolidated financial statements of EPM Group corresponding to the year ended as of December 31, 2017, were authorized by the Board of Directors to be published on March 20, 2018. The main activities of EPM Group are described in Note 21 Operation Segments.

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

## 1.1 Legal and regulatory framework

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

### 1.1.1 Legislation for Colombia

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

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

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

#### 1.1.1.1 Regulation Commissions

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

These entities are:

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

#### 1.1.1.2 Regulation by sector

##### 1.1.1.2.1 Activities of the aqueduct, sewage and waste management sector

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

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

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

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

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

#### 1.1.1.2.2 Activities from the electric sector

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 tend to an efficient, secure and reliable operation of the sector.

**Generation:** It consists on 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 initials in Spanish). It encompasses the set of lines, with its corresponding connection equipment that operate in tensions that are equal or greater than 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 on transporting electric power through a set of lines and substations, with the associated equipment, that operate at tensions lower than 220 KV.

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

#### 1.1.1.2.3 Activities of the natural gas sector

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

**Gas:** It is the set of activities targeted to the distribution of fuel gas, 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 complementary activities of commercialization from the production and transportation of gas through a main gas pipeline, or through other means, from the generation site to that where it connects to a secondary network.

### 1.1.2. Legislation of Chile

#### 1.1.2.1 Activities from the electric sector

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

In Chile there are four electric systems interconnected: two small systems that serve the south of the country, the Aysén System and the Magallanes System, which concentrate 0.29% and 0.62% of the installed capacity in the country respectively and two large systems, the Interconnected System of the Great North (SING, for its initials in Spanish) and the Central Interconnected System (SIC, for its initials in Spanish) which concentrate 28.06% and 71.03% of the country's installed capacity; and have a coordinated cargo dispatch operating from 2017.

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

#### 1.1.2.2 Sanitary service activities

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

### 1.1.2.3. Regulatory framework

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

The legal framework of the Chilean electric sector is mainly conformed by:

- Decree Law N° 1 DFL N° 1 of 1982. The Electric Services General Law establishes the fundamental norms for the development of the economic activity in the electric industry. It may only be modified at the National Congress and its most relevant modifications are those that are applied through Law N° 19.940 of 2004 (Short Act I (“Ley Corta I”)), that reformed the regulatory framework of the Transmission, and Law N° 20.018 of 2005 (Short Act II (“Ley Corta II”)), that reformed the commercialization regime between generators and distributors for the supply of regulated clients. The bylaws, in turn, are elaborated by the sectorial bodies of the Executive Power and must be submitted to the norms established in the Law.
- Decree with Force of Law (DFL) No. 4 DFL of 2007. Approves modifications to the Decree with Force of Law No. 1 of 1982, General Law of Electric Services, on the subject of electric power.
- Law No 20.257 of 2008. It introduces modifications to the General Law of Public Services (GLPS) in respect to the generation of public power with renewable non-conventional energy sources.
- Law No. 20.402 of 2009. It creates the Ministry of Energy, establishing modifications to Decree Law No. 2.224 and to other legal legislation.
- Law No. 20,936 of 2016. Modifies Law 20,018 of 2005, establishes a new electric transmission system and creates an independent coordinating body from the national electricity system.

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

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

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

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

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

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

#### 1.1.2.4 Regulatory entities

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

- Ministry of Energy: It is the superior body of collaboration to the President of the Republic in the functions of governance and administration of the energy sector. This public body is responsible for determining the plans, policies and norms for the development of the electric sector. Further, it grants concessions for hydro-electrical centrals, transmission lines, substations, and electric distribution zones. The National Energy Commission (CNE, for its initials in Spanish) is attached to the Ministry of Energy.
- National Energy Commission (“Comisión Nacional de Energía - CNE”): is a public and decentralized entity with its own equity and full capacity to acquire and exercise rights and obligations that relate to the President of the country through the Ministry of Energy. In particular, the National Energy Commission leads the tariff fixation processes to the electricity and gas companies of the network. It is responsible for designing technical standards and calculating the regulated prices established in the Law. Likewise, it monitors and projects the current and expenses operation of the energy sector, through the generation of the works plan that constitutes an indicative guide for a ten-year expansion of the system. Likewise, proposes to the Ministry of Energy the legal and regulatory norms that are required in the matters of its competence.
- Superintendent of Electricity and Fuels (“Superintendencia de Electricidad y Combustibles - SEC”): It is the public body whose mission is to watch over the adequate operation of the electricity, gas and fuels services, in terms of their safety, quality and price. In addition to fixing technical standards, the SEC’s objective is to audit and oversee compliance with the legal and regulatory norms for generation, production, storage, transportation and distribution of liquid fuels, gas and electricity, to verify that the quality of services that are provided to the users be the one stated in those decisions and technical norms and that the operations and the use of the energy resources do not constitute danger to the people or their things. The institutional framework of SEC is Law 18410 of 1985, modified by Law 20402 of 2009.
- Independent Coordinator of the National Electric System: through Law 20.936, this coordinator is created to preserve the security of the service in the electrical system, guarantee an economic operation, guarantee open access to the transmission systems, coordinate and determine the economic transfers between companies. The Coordinator is an autonomous, non-profit entity and its board of directors is elected by the Essential Nominating Committee, its members are independent of the coordinated companies.
- The Panel of Experts: is an autonomous collegiate body created in 2004 by Law No. 19,940 whose function is to rule on differences of understanding, conflicts or non-conformities that result from the

application of the electrical legislation between electric companies and other entities and that these same submit to your consideration. The opinions of this entity are binding for the parties.

Some of the major regulatory entities for the sanitary sector (potable water and sewerage system) in Chile are:

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

### 1.1.3. Legislation for El Salvador

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

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

#### 1.1.3.1. Regulatory framework

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

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

#### 1.1.3.2. Regulatory entities

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

- Ministry of Economy (MINEC): Central government institution which purpose is the promotion of the economic and social development through the increase of the production, the productivity, and the rational utilization of the resources. Among its responsibilities are to define the commercial policy of

the country and the follow-up and momentum to the Central American economic integration. It has under its command the Direction of Electric Energy and the Social Investment Fund for the Local Development; further, it chairs the National Council of Energy. Likewise, it contributes to the development of the competence and competitiveness of productive activities, both for the internal market and for the external market.

- **General Superintendence of Electricity and Telecommunications (SIGET):** It is a not-for-profit public service autonomous institution. Such autonomy includes the administrative and financial aspects and it is the competent entity to apply the norms contained in international treaties on electricity and telecommunications in force and effect in El Salvador, as well as in the laws that rule the electricity and telecommunications sectors and its bylaws, in addition to knowing about the non-compliance therewith.
- **Transactions Unit (UT, for its initials in Spanish):** Among its functions is the managing with transparency and efficiency of the wholesale electrical energy market and operating the transmission system, maintaining the security and the quality and providing to the market operators satisfactory responses for the development of its activities. Likewise, it coordinates with the Regional Operator Entity (EOR) the energy transactions that El Salvador carries out with other countries at Central American and international levels. Finally, it determines responsibilities in case of failures in the systems.

#### **1.1.4 Legislation for Guatemala**

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

##### **1.1.4.1 Regulatory Framework**

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

##### **1.1.4.2 Regulatory entities**

Some of the main energy regulatory entities in Guatemala are:

- **Ministry of Energy and Mines:** is the most important Guatemalan government entity of the electric sector. It is responsible for enforcing the General Electricity Act and related regulations, as well as for the coordination of policies between National Commission of Electric Energy (CNEE) and the Administrator of the Wholesale Market (AMM). This government dependency also has the authority to grant authorization permits for the operation of the distribution, transmission and generation companies.
- **National Electrical Power Commission (CNEE, for its initials in Spanish):** The Guatemalan electric sector is regulated by the CNEE, a regulatory entity created pursuant to the General Electricity Act, as a technical body of the Ministry of Energy and Mines and subordinated to it. It consists of three members appointed by the President of the Republic from groups of three proposed by the Principals of universities, the Ministry of Energy and Mines and the Wholesale Market agents. The duration of each directory is five years.
- **Wholesale Market Administrator (AMM, for its initials in Spanish):** is the entity in charge of managing the Guatemalan wholesale market, a private entity created by the General Electricity Act, that coordinates the operation of the generating facilities, the international interconnections, and the transmission lines that conform the national electricity system. Likewise, it is responsible for the system's safety and operation conducting an economically efficient shipment and managing the electricity resources, in such a way that it minimizes the operating costs, including the costs of failures, within the restrictions imposed by the transmission system and the service quality requirements. Likewise, the AMM is in charge of the scheduling of the supply and the shipment of

electricity. AMM's bylaws are subject to CNEE's approval. If a generation, transmission or distribution company, or an electricity agent or large user does not operate their facilities in conformity with the regulations established by the AMM, the CNEE has the capacity to sanction it with penalties and, in the case of a severe violation, it may require to be disconnected from the national electricity system.

### 1.1.5 Legislation for México

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

In the government environment, each of the 32 federative entities has their respective water laws, with sensibly equal purposes in spite of the diverse denominations. The modifications to the government legislation associated to the provision of water and sanitation services mainly derived from a series of initiatives promoted by the National Waters Commission (CAN, for its initials in Spanish) in the 90's.

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

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

#### 1.1.5.2 Regulatory entities

Some of the main regulatory entities in the sanitation sector in Mexico are:

- Secretariat of the Environment and Natural Resources ("Secretaría de Medio Ambiente y Recursos Naturales - SEMARNAT"): In the different environments of the society and of the public function, it incorporates criteria and instruments that assure the optimal protection, preservation, and utilization of the country's natural resources, thus forming an integral and inclusive environmental policy that allows achieving sustainable development, provided that they are not expressly entrusted to another office; likewise, in matters of ecology, environmental sanitation, water, environmental regulation of the urban development and the fishing activity, with the interest that shall correspond to other offices and entities.
- National Water Commission ("Comisión Nacional del Agua - CONAGUA"): With the participation of the society, it manages and preserves the national waters to achieve the sustainable use of the resource with the co-responsibility of the three orders of the government and the society in general. It is the authority with technical quality and promoter of the government orders in the integrated management of the hydric resource and its inherent public goods, and protects the water bodies to guarantee a sustainable development and preserve the environment.
- Social Development Secretariat ("Secretaría de Desarrollo Social - SEDESOL"): Defines the commitments of the administration to advance in the achievement of an effective social development. Formulates and coordinates the solidary and subsidiary social policy of the federal government, targeted to the common good, and executes it in a co-responsible fashion with the society.

### 1.1.6 Legislation for Panama

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

#### 1.1.6.1 Regulatory framework

The regulatory regime mainly consists of the following norms:

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

#### 1.1.6.2 Regulatory entities

Some of the main energy regulatory entities at the energetic level in Panama are:

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

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

- The Planning Unit of the Electric Transmission Company (“Unidad de Planificación de la Empresa de Transmisión Eléctrica - ETESA”): It elaborates the reference expansion plans and projects the global

requirements of energy and the fashions to satisfy those requirements, including the development of alternative sources and establishing programs to preserve and optimize the use of energy. The public service companies are called to prepare and present their expansion plans to ETESA.

- The National Dispatching Center (“Centro Nacional de Despacho - CND”): It is operated by ETESA. It plans, supervises and controls the integrated operation of the National Interconnected System (“Sistema Interconectado Nacional”). Receives the supplies of the generators who participate in the power sale market (spot), it determines the spot prices of energy, administers the transmission network, and provides the liquidation values between suppliers, producers, and consumers, among others.
- The Rural Electrification Office (“Oficina de Electrificación Rural - OER”): It is responsible for promoting the electrification in non-served, non-profitable and non-franchised rural areas.

## 1.2. External Audit

As included in the Code of Good Corporate Governance, the external audit is established as a control mechanism with the purpose Audit consolidated financial statements and accounting policies in accordance with International Financial Reporting Standards (NIIF, for its initials in Spanish), adopted in Colombia by the General Accounting Office of the Nation (CGN, for its initials in Spanish). 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 the preparation of the financial statements

The consolidated financial statements of EPM Group are prepared in conformity with the International Financial Reporting Standards (hereinafter, IFRS) and the International Accounting Standards (hereinafter, IAS) issued by the International Accounting Standards Board (hereinafter, IASB), as well as the interpretations issued by the Interpretations Committee (hereinafter, IFRIC). These financial statements are harmonized with generally accepted accounting principles in Colombia as set out in the Annex to Decree 2420 of 2015 and subsequent amendments accepted by the National Accounts Office through Resolution 037 of 2017.

The interim consolidated financial statements as of September 30, 2018 have been prepared in accordance with IAS 34, Interim Financial Information appearing on international financial reporting standards issued by the IASB (for its acronym in English). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the annual period ended December 31, 2017.

The presentation of financial statements in accordance with IFRS requires that estimates and assumptions must to be made and 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 in Note 4 - Significant accounting judgments, estimates, and causes for uncertainty in the preparation of the financial statements.

EPM and each of the subsidiaries present separate or individual financial statements, as applicable, for compliance before the controlling entities and for internal administrative follow-up purposes and provide information to the investors

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

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

## 2.2 Consolidation principles

The consolidated financial statements include the financial statements of EPM and its subsidiaries as of September 30, 2018 and December 31, 2017. Using the global integration method, EPM consolidates the financial results of the companies over which it exercises control, which are detailed in Note 8 Investments in subsidiaries.

The control is obtained when any of the Group's companies control the relevant activities of the subsidiary, which are generally the operating and financing activities, is exposed, or has rights, to the variable returns of this and has the ability to use its power on the subsidiary to influence on its performance.

In general, there is a presumption that a majority of the voting rights ends up taking control. To support this presumption, and when EPM Group has less than the majority of the voting or similar rights of an investee entity, EPM Group considers all the pertinent facts and circumstances to evaluate whether it has the power over an investee company, including the contractual agreements with the other holders of votes in the investee entity, the rights arising from other contractual agreements, and the voting rights of EPM Group as the potential voting rights. EPM Group reevaluates whether or not they control the investee, if the facts and circumstances indicate that there are changes in one or more of the three controlling elements.

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

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

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

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

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

When EPM Group loses control over a subsidiary, the assets (including the goodwill), liabilities, non-controlling interests, and other components of the net equity are written-off; any residual interest it may

retain is measured at fair value; the gains or losses that arise from this measurement are recognized in the results for the period.

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

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

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

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

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

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

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

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

### **2.4 Cash and cash equivalents**

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

### **2.5 Business combinations**

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

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

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

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

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

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

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

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

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

consideration transferred is lower than the fair value of the net assets of the acquired entity, the corresponding gain is recognized in the results for the period, on the acquisition date.

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

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

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

For impairment assessment purposes, goodwill is assigned to each of the CGUs (or groups of CGUs) of the Group that expects to obtain benefits from the synergies of this combination.

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

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

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

Business combinations under common control are recorded using the interest unification method as a reference. Under this method, the assets and liabilities involved in the transaction are reflected at the same values used in the consolidation of the financial statements of the controlling company under common control, any difference between what is paid on the book value of the assets acquired and transferred liabilities are recognized as a patrimonial transaction; the income, costs and expenses of the combined companies (after elimination of transactions between them) are combined from the beginning

of the period in which the combination occurs until the date of the combination of entities under common control.

## 2.6 Investments made in associates and joint ventures

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

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

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

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

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

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

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

The Group discontinues the use of equity method from the date on which the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. Additionally, EPM Group records all the amounts previously recognized in other comprehensive income with respect to this associate or joint venture on the same basis that would have been required if such associate or joint venture had directly sold the financial assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the associate or joint venture had been reclassified into

gains or losses at the moment of the sale of the related assets or liabilities, the Group would classify the gain or loss from equity into gains or losses (as a reclassification adjustment) upon discontinuation using equity method.

## 2.7 Joint Ventures

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

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

## 2.8 Functional and foreign currency

The Group's financial statements are presented in Colombian pesos, which is the functional currency and used for the presentation of the parent.

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

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

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

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

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

In addition, with respect to the partial disposal of a subsidiary (which includes a business abroad), the entity will again attribute the proportional part of the accumulated amount of the exchange differences to the non-controlling interests, and they are not recognized in gains or losses. In any other partial

disposal (i.e., partial disposal of associates of joint agreements that do not involve the loss of significant influence and joint control by the Group), the entity shall reclassify into gains or losses only the proportional part of the accumulated amount of the exchange differences.

## 2.9 Revenue

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

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

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

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

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

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

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

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

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

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

Gas revenues come from the distribution and sale of natural gas to the regulated and non-regulated market.

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

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

At the time of recognition of revenue, the Group evaluates based on specific criteria to identify when it acts as principal or commission agent and thus determine whether revenues should be recognized grossly or net for marketing activities.

Revenues and costs from contracts are recognized according to the degree of termination, which is measured based on the costs incurred to date as a percentage of the total estimated costs for each contract. When the result of a contract cannot be reliably measured, revenues are recognized only to the extent that the incurred expense meets the conditions to be recovered, while the expected losses are recognized immediately.

#### **2.10 Construction contracts**

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

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

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

The payments received from the client before the corresponding work has been carried out, are recognized as a liability in the statement of financial position as other 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 liabilities".

#### **2.11 Issued premiums and acquisition costs**

The written premiums comprise the total premiums receivable for the period of coverage. The income for written premiums is recognized proportionally, throughout the term of the policy; the income of these premiums is reduced by cancellations and annulments; for the case of cancellations, it corresponds to the amount of the premium accrued up to the time of cancellation due to the expiration of the payment deadline.

Revenues from premiums accepted in reinsurance are incurred at the time of receiving the corresponding account statements of the reinsurers.

Unearned premiums are calculated separately for each individual policy to cover the remaining portion of written premiums.

#### **2.12 Deferred income reinsurance commission**

In the Group, the deferred commissions are recorded in the development of their reinsurance activity, where the income from the values collected from the commissions to the reinsurers differs with the assignments of premiums made each month. The reinsurer pays the transferor a commission over the premiums it receives in order to compensate the expenses of capturing the business and maintaining the receivable, the value of the commission is established as a percentage of it on the premium and will depend on the negotiation made.

#### **2.13 Reinsurance**

The Group considers reinsurance as a contractual relationship between an insurance company and a reinsurance enterprise, in which the first relinquishes total or partially, to the reinsurer, the risk or risks assumed with its insureds.

The premiums corresponding to the reinsurance ceded, are registered in accordance with the conditions of the reinsurance contracts and under the same criteria of direct insurance contracts.

All accounts receivable and accounts payable that are generated in the relationship with the reinsurer are handled independently and are not subject to compensation.

#### 2.14 Government grants

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

#### 2.15 Taxes

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

Among the most relevant taxes are the income tax, the sales tax and the wealth tax:

##### Income tax

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

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

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

- **Deferred:** 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 taxable temporary differences and the deferred tax asset is recognized for all deductible temporary differences and for the future offsetting of fiscal credits and unused fiscal losses to the extent that it is probable the availability of future tax gains against which they can be imputed. Deferred taxes are not discounted.

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

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

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

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

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

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

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

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

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

### Sales tax

All EPM Group companies located in Colombia that shall carry out sales of movable assets and provide taxed services or obtain exempt income are responsible for this tax in the common regime. Currently, the energy (power), aqueduct, sewage, and domiciliary gas services are excluded from this tax. The general rate is 19% and it exists a differential rate of 5%.

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

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

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

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

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

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

### **Wealth tax**

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

### **2.16 Non-current assets held for sale and discontinued operations**

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

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

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

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

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

Income, costs and expenses from a discontinued operation are presented separately from those of continued activities, in a single item after income tax, in the consolidated comprehensive income statement of the current period and the comparative period of the previous year. Even though when the Group retains a non-controlling interest in the company that was once a subsidiary after the sale.

### **2.17 Properties, plant and equipment**

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

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

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

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

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

Plants, ducts and tunnels	
Construction	50 to 100 years
Equipment	10 to 100 years
Networks, lines and cables	
Electrical transmission network	30 to 40 years
Electrical distribution network	30 to 40 years
Aqueduct network	40 to 80 years
Residual water network	30 to 80 years
Gas network	60 to 80 years
Buildings	50 to 100 years
Communication and computing equipment	5 to 40 years
Machinery and equipment	7 to 40 years
Furniture, fixture, and office equipment	10 to 15 years
Land <sup>(1)</sup>	10 to 20 years

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

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

The Group calculates the depreciation by components, which implies depreciating individually the parts of the asset that have different useful lives. The depreciation method used is straight line; The residual value that is calculated for the assets is not part of the depreciable amount.

A component of properties, 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.

## 2.18 Leases

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

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

### EPM Group as a lessee

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

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

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

### EPM Group as a lessor

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

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

Revenues proceeding from operative leases over investment properties are accounted for on a straight-line basis over the term of the lease.

## 2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial time to be prepared for their destined use or sale, are capitalized as part of the cost of the respective asset until the asset is ready for their intended use. The revenue from

the temporary investment in specific loans pending to be consumed in qualified assets is deducted from the borrowing costs that qualify for their capitalization. All other borrowing costs are recorded as expenses in the period when incurred. Borrowing costs consists of interest and other costs incurred in by EPM with respect to the loan of funds. To the extent that the funds derive from generic loans and are used to obtain a qualified asset, the value of the costs susceptible of capitalization is determined by applying a capitalization rate (weighted average of the borrowing costs applicable to the general loans outstanding during the period) to the disbursements made in that asset.

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

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

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

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

## 2.20 Investment properties

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

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

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

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

## 2.21 Intangible Assets

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

phase, the disbursements must be reflected in the Comprehensive income statement in the period in which they incurred.

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

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

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

#### **Research and development costs**

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

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

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

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

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

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

#### **Goodwill**

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

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

For the CGUs, which have been assigned goodwill, on an annual basis the Company verifies the value impairment, which implies the calculation of the value at use of the CGUs to which it is assigned. The value at use requires determining the future cash flows that must arise from the CGUs and an appropriate discount rate to calculate the current value. When the actual future cash flows are less than expected, an impairment loss may arise.

#### **Other intangible assets**

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

### **2.22 Financial instruments**

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

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

#### **Financial Assets**

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

A financial asset is subsequently measured at amortized cost or at fair value with changes in other comprehensive income, using the effective interest rate<sup>2</sup> if the asset is maintained within a business model the objective of which is to keep them to obtain contractual cash flows and the contractual terms thereof grant, in specific dates, cash flows that are only payments of the principal and interest on the pending principal amount. Without detriment to the foregoing, EPM Group can designate a financial asset as measured at fair value with changes in operations irrevocably.

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

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<sup>2</sup> The effective interest rate method is a method of calculating the amortized cost of a financial asset and allocation of income throughout the relevant period. The effective interest rate is the discount rate that exactly equals the future cash flows of a financial asset (including all fees, commissions and points of paid or receive that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the instrument’s expected life, or if appropriate, a shorter period, at its book value or initial recognition.

in the statement of comprehensive income, in the “result for the period” section. EPM Group has selected to measure some of its investments in capital instruments at fair value through the other comprehensive income.

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

Income from dividends is recognized when the Group’s right to receive payment is established.

### **Impairment of financial assets**

At each reporting date, the Group recognizes a correction in value for expected credit losses on financial assets measured at amortized cost or at fair value through changes in other comprehensive income, including receivables from leases, contract assets or loan commitments and financial guarantee contracts to which the impairment requirements are applied over the life of the asset.

Expected credit losses are estimated considering the probability that an impairment loss may or may not occur and are recognized as a gain or loss in the statement of comprehensive income, the profit or loss section of the period against a lower value of the financial asset. The Group assesses the credit risk of financial assets on a monthly basis at the time of presenting the reports, in order to determine the value correction for expected credit losses over the financial assets.

The Group applies the impairment requirements for loss to financial assets that are measured at fair value with changes in other comprehensive income, which is recognized in the other comprehensive income and does not decrease the carrying amount of the financial asset in the statement of financial situation.

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

The Group determines that a client’s credit risk increases significantly when there is a breach in the financial agreements by the counterpart, or when the internal information or that obtained from external sources indicates that the debt payment is unlikely, without considering the guarantees maintained.

Non-compliance of covenants is measured according to what is indicated in the contracts for the provision of services and the own regulations of the subsidiary in each country.

The Group determines that a financial asset presents credit deterioration when:

- The breach in the clients’ payment is evidenced, in accordance with what is indicated in the contracts for the provision of services and the regulations of the subsidiary in each country.
- It is known or there is evidence that the client enters into business restructuring processes or insolvency or liquidation.
- Social alterations of public order or natural disasters are presented, that according to experience are directly correlated with non-payment of invoices.

Credit risk is affected when there are changes in the financial assets, the Group’s policy to reassess the recognition of credit losses is: when there is a breach of financial agreements by of the counterpart; Or information developed internally or obtained from external sources indicates that it is unlikely that the debtor will pay its creditors in its entirety without taking into account the guarantees maintained.

Amortized financial assets may continue to be subject to execution activities under the Group's recovery procedures, taking into account the legal recovery when appropriate. The realized recoveries are recognized in profit or loss for the period.

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

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

### **Financial liabilities**

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

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

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

### **Financial guarantee contracts**

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

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

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

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

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

A financial liability or part of it is written-off from the statement of financial position when the contractual obligation has been settled or has expired. If the entity does not transfer or substantially

retains all risks and advantages inherent to the ownership and continues to retain the control of the asset transferred, the entity shall recognize its participation in the asset and the associated obligation for the amounts that it would have to pay. If the group substantially retains all the risks and advantages inherent to the ownership of a financial asset transferred, the entity shall continue to recognize the financial asset and also recognize a guaranteed loan on a collateral way for the incomes received.

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

#### **Compensation of financial instruments**

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

#### **Derivative financial instruments**

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

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

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

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

#### **Hedge Accounting**

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

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

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

A change in the fair value of a derivative that is a hedging instrument is recognized in the statement of comprehensive income, in the “statement of income” section as financial cost or revenue. A change in

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

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

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

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

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

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

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

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

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

The gains or losses of the hedging instrument related to the effective portion of the hedging are recognized in other comprehensive income, whereas any other gain or loss related to the ineffective

portion is recognized in the statement of comprehensive income in the “statement of income” section. Before the disposal of the business abroad, the accrued value of the gains or losses recorded in the other comprehensive income are reclassified in the statement of comprehensive income in the “statement of income” section.

### **Equity instruments**

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

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

### **2.23 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.

### **2.24 Impairment value of non-financial assets**

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

The recoverable value of an asset is the fair value less costs of sale, either of an asset or a CGU, 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 CGU. When a reasonable and consistent base of distribution is identified, common/corporate assets are also assigned to the individual CGUs, or distributed to the smallest group of CGUs for which it can be identified a reasonable and consistent distribution base. When the carrying value of an asset or of a CGU 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 CGU, 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 CGU are assigned proportionately based in the carrying amount of each asset to the non-current assets of the CGU after extinguishing goodwill. The CGU is the

smallest identifiable group of assets, which generates cash inflows in favor of the Group, which are largely independent of cash flows derived from other assets or groups of assets. The Group defined the CGU considering: 1) The existence of income and costs for each group of assets, 2) The existence of an active market for the Generation of cash flows and 3) the way in which Manage and monitor operations.

The impairment value for goodwill is determined by evaluating the recoverable value of each CGU to which the goodwill relates. The value impairment losses related to goodwill may not be reverted in future periods.

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

## 2.25 Provisions

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

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 pre-tax interest rate that reflects current market conditions over the value of money and the specific risks for that obligation.

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

### Dismantlement reserve

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

Dismantlement or restoring costs, in the Group's subsidiaries that applied, 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, for the subsidiaries in Colombia, the yield on the TES Bonds (Public Debt Securities issued by the General Treasury of the Nation) is used; for Chile's subsidiaries, a risk-free discount rate is used and corresponds to the interest rate of the instruments issued by the Chilean Central Bank at 30 years; for the subsidiaries in Panama and Salvador for the market yields of the bonds issued by the National Government.

Future estimated dismantlement or restoration costs are annually revised. Changes in the future estimated costs, in the dates estimated for the disbursements, or in the discount rate applied are added

or deducted from the asset cost, without exceeding the carrying value of the asset; any surpluses are immediately recognized in results for the period. The change in the provision value associated to the time elapsed is recognized as financial expense in the statement of comprehensive income in the “result for the period” section.

### **Onerous Contracts**

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

### **Contingent liabilities**

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

### **Contingent Assets**

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

## **2.26 Employee benefits**

### **2.26.1 Post-employment benefits**

#### **Defined Contribution Plans**

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

#### **Defined Benefit Plans**

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

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

The actuarial gains or losses, the yield of plan assets and the changes in the asset ceiling effect, excluding the securities included in the net interest on the net defined benefits liabilities (assets), are recognized in the other comprehensive income, in the case of post-employment benefits; and if it is long-term benefits they are recognized in the statement of comprehensive income in the “statement of income”

section in the period where they arise. The actuarial gains or losses include the effects of changes in the actuarial assumptions as well as adjustments due to experience.

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

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

### **2.26.2 Short term 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.

### **2.26.3 Long term Benefits**

EPM Group 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 Group 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 Group 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 Group 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 Group has fully delivered them.

### **2.26.4 Benefits for termination**

The Group 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.

## **2.27 Reserves**

Liabilities for insurance contracts represent for the Group the best estimate of future payments for the risks assumed in the insurance obligations; which are measured and recognized through technical reserves:

### **2.27.1 Reserve of unearned premium**

It is constituted for the fulfillment of future obligations derived from the commitments assumed in the current policies. They correspond to the portion of the premium that, at the date of calculation, has not been earned by the insurer. Its purpose is to adjust the result so that the profit is allocated to the period in which the premium was earned, regardless of when it was issued. This reserve is calculated by policy, as the result of multiplying the premium issued, minus the acquisition expenses incurred at the time of issuing the policy for the fraction of risk not incurred at the date of calculation. Likewise, the part of the reserve corresponding to the reinsurer is calculated, taking into account the premium that has been assigned.

### **2.27.2 Reserve of losses or claims reported**

This reserve is a provision of money that the Group must have to face the costs derived from the claims already notified and pending of payment. Its purpose is to establish adequate reserves to guarantee the payment of incidents that have not been paid during the accounting period. This reserve is constituted per claim, on the date on which the insurer is aware of the occurrence of the loss and corresponds to the best technical estimate of the cost thereof. The amount of the constituted reserve is readjusted to the extent that more information is available and in case there are reports of internal or external liquidators. The reserve includes the liquidation expenses incurred to meet the claim, including the costs of attorneys' fees for those claims that are in the process of being prosecuted.

### **2.27.3 Reserve of incurred losses not reported (IBNR)**

It represents an estimate of the amount of resources that the Group must allocate to meet future claim payments that have already occurred as of the date of calculation of this reserve, but have not been notified or for which there is not enough information. For the calculation of this reserve, methodologies that estimate the reserve required based on the development of historical incidents will be used. They are based on the assumption that the relative change in the evolution of claims paid net of recoveries and salvages in a given period of occurrence, estimated from one period to the next, is similar to the evolution of this type of claims in periods of occurrence prior to the same "age" of the claim. When using this method, the data on the payments of a period are evaluated at the end of it in triangular form. The methodologies consider all the payments associated to the claims and, therefore, the payments associated to all types of contracts. For the reservation of branches that do not have sufficient information, different estimation techniques may be used, based on historical information or market referencing.

## **2.28 Test of adequacy of liabilities**

The technical provisions recorded by the Group are regularly subject to proof of reasonableness in order to determine its sufficiency. If, as a result of the test, it becomes clear that they are insufficient, they are adjusted with a charge to the result of the exercise.

## **2.29 Service Concession Agreements**

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

This interpretation is applicable to those concessions where:

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

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

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

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

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

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

In the note 20 Measurement of fair value on a recurring and non-recurring basis provides an analysis of the fair values of financial instruments and non-financial assets and liabilities and more detail of their measurement.

### 2.31 Operating Segments

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

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

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

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

### 2.33 Changes in estimates accounting policies and errors

#### 2.33.1 Changes in accounting estimates

The Group recorded no significant changes in its financial statements as a result of a revision to its estimated carrying amount.

#### 2.33.2 Changes in accounting policies

As of September 30, 2018, the accounting practices applied in the consolidated financial statements of the Group are consistent with 2017.

#### **New standards implemented and change in voluntary accounting policies:**

In the current year, the Group has implemented the changes to the IFRS (new standards, amendments or interpretations) issued by the International Accounting Standards Board (IASB), which are mandatory for the accounting period beginning on January 1, 2018.

**IFRIC (International Financial Reporting Interpretations Committee) 22 Operations in foreign currency and advance consideration:** issued in December 2016, this Interpretation deals with how to determine the date of the transaction, to define the exchange rate that will be used in the initial asset, expense or revenue (or part of it) authentication, for the retirement of a non-monetary asset or non-monetary liability resulting from the payment or receipt of advance payment in foreign currency. On that subject, the Interpretations Committee of the IFRS (International Financial Reporting Standards) came to the following conclusion: the date of the transaction, for the purpose of determining the type of change, this is the initial authentication date of the asset of non-monetary payment or liability for deferred revenue. If there are multiple advance payments or receipts, a transaction date is set for each payment or receipt. Does not apply when an entity measures the related asset, expense or revenue in the initial authentication at fair value or at the fair value of the remuneration paid or received on a date that is not the date of the initial non-monetary or liability asset authentication derived from advance remuneration (for example, the business credit in accordance with IFRS 3 Business combinations). It also does not apply to revenue tax and insurance contracts.

These changes have no impact on financial statements, since they coincide with the current practice of the Group.

**IFRS 4 Insurance Contract:** issued in March 2004, is a standard in development by phases, for those who issue insurance and reinsurance contracts. The move to Phase II has begun, which has involved some exemptions from applying other rules, for example, an entity shall apply those changes which allow insurers that meet specific criteria the use of a temporary IFRS 9 exemption for annual terms beginning on or after January 1, 2018, also insurance companies are allowed to relocate in specified circumstances, some or all of their financial assets, so that they are measured at fair value with changes to the results but affecting the other comprehensive result.

The above entails changes in the implementation of IFRS 9 “Financial instruments” with IFRS 4 “Insurance contracts” (Amendments to IFRS 4) offer two options for institutions issuing insurance contracts within the scope of IFRS 4:

- One option that allows the entities to reclassify the profit or loss to other comprehensive results, part of the revenue or expenses arising from designated financial assets; this is so-called overlay approach;
- An optional temporary waiver of the IFRS 9 application for entities whose main activity is the issuance of contracts within the scope of IFRS 4; this is the so-called deferral approach.

The implementation of both approaches is optional and allows an entity to stop them before the new insurance contracts’ standard is implemented.

An entity would retrospectively apply the overlay approach to financial assets that qualify when the IFRS 9 is implemented first. The implementation of the overlay approach requires the disclosure of sufficient information to enable users of financial statements to understand how the reclassified amount is calculated in the intended reclassification period in the financial statements.

An entity would apply the deferral approach for annual terms beginning on or after January 1, 2018. The implementation of the deferral approach should be disclosed along with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and compare insurers that implement the temporary exemption with entities that apply the IFRS 9. The deferral can only be used during the three years following January 1, 2018.

The Group is evaluating the impacts that the implementation of this new standard could generate.

**IFRS 9 Financial Instruments:** In 2016, the Group implemented IFRS 9 Financial Instruments (Revised July 2014) beforehand and the corresponding amendments to other IFRS prior to their effective dates. The IFRS 9 introduces new requirements for: the classification and measurement of financial assets, impairment of financial assets and hedge accounting. The details of these new requirements, as well as their impact on the financial statements are described below:

- Classification and measurement of financial assets: regulation introduces a measurement category for debt instruments called “Fair value with changes in another comprehensive result”. The Group had no impacts from this new approach.
- Depreciation of financial assets: the Measurement of the correction of value for expected credit losses on financial assets that are measured at amortized cost or fair value with changes in another comprehensive revenue, accounts receivable for leases, assets of a contract or loan agreement and financial guarantee contract to which the value depreciation requirements are applied during the asset’s lifetime.
- Changes in accounting policies resulting from the adoption of the IFRS 9 were not restated, in which case the cumulative difference in stock losses that are recognized in terms of IFRS 9 are weighed against the accumulated results as of January 1, 2016.
- Hedge accounting: the regulation introduces a substantially renovated approach for hedge accounting that aligns more closely with risk management. The Group did not have changes resulting from this new approach.

**IFRS 15 Revenue from contracts with customers:** issued in May 2014; this is a new standard applicable to all contracts of revenue from ordinary activities coming from contracts with customers except leases, financial instruments and insurance contracts which are regulated by their respective standards. This is a joint project with the Financial Accounting Standards Board - FASB to eliminate differences in revenue recognition between IFRS and US GAAP.

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

a. Identification of the action as principal or agent

When a third party is involved in providing goods or services to a customer, the Group will determine whether the nature of its commitment is a performance obligation to provide the specified goods or services itself (i.e., acts as a principal) or in arranging for the supply of those goods or services to be supplied to the third party (i.e., acting as an agent).

b. Variable remuneration

Any amount that varies according to the contract. The remuneration may vary due to discounts, returns, offsets, refunds, credits, price reductions, incentives, performance bonuses, penalties, or other similar items. The agreed remuneration may also vary if the right of an entity to receive it depends on whether or not a future event occurs. For example, a remuneration amount would be variable if a product with a right to a refund is sold or a fixed amount is promised as a performance bonus at the time of achieving a specified milestone.

c. Implementation methods

The regulation allows the use of two methods for the initial application as well: the full retrospective method and modified method. In the Group this regulation is implemented in accordance with the modified method.

**Modified method.** With the modified approach, the cumulative effect of the initial application will be authenticated as an adjustment to the opening balance of retained earnings (or other equity component, as applicable) of the annual reporting period that includes the initial date of application. According to this transition method, an entity will apply this standard retroactively only to contracts that are not terminated on the date of initial application (e.g., January 1, 2018 for an entity with December 31 as year-end).

For reporting periods that include the initial application date, an entity will all provide all of the following additional disclosures:

(a) The amount by which each item in the financial statements is affected in the current reporting period by the application of this standard compared to IAS 11 and IAS 18, and related Interpretations that were in effect before the change; and

(b) An explanation of the reasons for the significant changes identified.

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

The basic principle of IFRS 15 is that an entity recognizes revenue from ordinary activities in such a way that it represents the transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognizes revenue from ordinary activities in accordance with this basic principle by applying the following steps:

Stage 1: Identify the contract(s) with the customer

Stage 2: Identify performance obligations in the contract

Stage 3: Determine the transaction price

Stage 4: Assign the transaction price among the contract performance obligations

Stage 5: Recognize revenue from ordinary activities when (or to the extent that) the entity meets a performance obligation

Under IFRS 15 an entity recognizes revenue when an obligation is satisfied, e.g., when the “control” of the goods or services underlying the performance of the particular obligation is transferred to the customer. More specific guidelines have been added to the standard to handle specific scenarios. Additionally, further disclosures are required.

This would replace the standards IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Barter transactions involving advertising services.

The Group applies the new regulation as of January 1, 2018, with special emphasis on the identification of the performance obligations included in contracts with customers and the evaluation of methods for estimating the amount and timing of the consideration variable. The adoption of IFRS 15 did not have a material impact on the financial statements.

**IAS 28 -Investments in associates and joint ventures:** the amendment to IAS 28, which forms part of the annual improvements to IFRS 2014-2016 Cycle regulations issued in December 2016, clarifies that when an investment in an associate or joint venture, it is held directly or indirectly by an entity that is a risk capital or a collective investment fund organization, investment trust or other similar body, including insurance funds related to investments, an entity may elect to measure these investments at fair value through profit or loss in accordance with IFRS 9. An entity shall make this choice separately for each associate or joint venture initially acknowledging the associate or joint venture. It also clarifies that if an entity which is not itself an investment entity has a stake in a joint venture or associate that is an investment entity, by implementing the equity method the entity can retain the fair value measurement implemented by that associate or joint venture which is an investment entity in the joint venture or associate’s shares which is, in turn, an investment entity in subsidiaries. This choice is made separately for each associated investment entity or joint venture at a date later than the date on which: (a) investment in the associate or joint venture is initially recognized; (b) the investment associate or joint venture becomes an investment entity; and (c) the associated investment entity or joint venture is first converted into a Matrix.

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

**IAS 23 Borrowing costs:** the amendment to IAS 23, which is a part of the annual improvements to IFRS Cycle 2015-2017 issued in December 2017, establishes that to the extent that an entity’s funding comes from generic loans and those are used to obtain a suitable asset, this shall determine the amount of costs liable for capitalization by applying a capitalization rate to the expenditure on said asset. The capitalization rate will be the weighted average of applicable borrowing costs to all outstanding loans received by the entity during the period. However, an entity shall exclude from this calculation the borrowing costs applicable to loans specifically agreed upon to finance a suitable asset until all the activities necessary to prepare the asset for its intended use or sale substantially completed. The amount of borrowing costs that an entity capitalizes during the term shall not exceed the total borrowing costs incurred during the same term.

The modifications had no impact, as the calculation had been carried out as established.

**IAS 40 Investment Property:** The amendment made in December 2016, has an effect on investment properties’ (re-classifications) transfers motivated by the “change in use”, going into more depth on the

latter term: A change in use occurs when the property complies, or fails to comply with the definition of investment property and there is no evidence of change in use. Separately, a change in the administrations' intentions for the use of a property does not provide evidence of a change in use. Examples are brought forth bearing the regulation in paragraph 57 and 58 (not substantially modified). Paragraphs 84C to 84E and 85G were added to define the transitional provisions by making transfers of investment properties.

The Group has not shown impacts associated with the implementation of said amendment, this considering that financial technical definitions are included.

### 2.33.3 Implementation of new and revised

The new rules and amendments to IFRS, as well as (IFRIC) interpretations that have been published during the term, but which have not yet been implemented by the Group, can be found detailed below:

Standard	Date of mandatory implementation	Exchange rate
IFRS 17 Insurance Contract	January 1, 2021	New
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019	New
IFRS 16 - Leases	January 1, 2019	New
IAS 28 - Investments in partners and joint ventures (long-term holdings in associated companies and joint ventures)	January 1, 2019	Modification
IFRS 9 - Financial Instruments - (Characteristics of Early Cancellation with Negative Compensation)	January 1, 2019	Modification
IFRS 3 Business combinations (Annual Improvements to IFRS Cycle 2015-2017 - Interest previously held in a joint operation when the control of the business is obtained)	January 1, 2019	Modification
IFRS 11 Joint arrangements (Annual Improvements to IFRS Cycle 2015-2017 - Interest previously held in a joint operation when the control of the business is obtained)	January 1, 2019	Modification
IAS 12 Income Taxes (Annual Improvements to IFRS Cycle 2015-2017 - Consequences of income tax, financial instrument payments classified as equity)	January 1, 2019	Modification
IAS 19 - Employee Benefits - Plan Modification, Reduction or Liquidation	January 1, 2019	Modification

Below, each standard is detailed:

**IFRS 17 Insurance Contract** issued in May 2017, replacing IFRS 4 which was addressed as a provisional standard that was being prepared in phases.

IFRS 17 resolves the comparison problems that applying IFRS 4 caused, as it enabled the application of local standards and historical values in insurance contract. Now, with this new standard, all insurance contracts will be recorded consistently at current values, which will generate more useful information for interest groups. This will make it possible to better understand the financial position and profitability of insurance companies.

The Group is evaluating the impacts that the implementation of this new standard could generate.

Modifications will be mandatory for the annual periods starting as of January 1, 2021. It may be applied early if IFRS 9 and IFRS 15 are implemented.

**IFRIC 23 Uncertainty over Income Tax Treatments:** issued in June 2017, this interpretation seeks to resolve the problem of how to reflect in financial statements the uncertainty that arises as to whether an accounting treatment applied in tax returns is accepted by the tax authority. In the face of such uncertainty, the accounting arrangement is considered an “uncertain accounting arrangement”, which is assessed as to whether the tax authority is likely to accept it. If accepted, the accounting tax position should be determined consistent with the tax treatment used or planned to be used in the entity's revenue tax returns and, if not, the effect of uncertainty in determining the related accounting tax position should be reflected. In the latter case, the effect of uncertainty must be estimated, using either the most likely amount or the expected value method, depending on which method best predicts the solution of uncertainty.

The Interpretation allows any of the following approaches to be implemented:

- **Full retrospective approach:** this approach can be used only if it possible without retrospective use. The application of the new interpretation will be accounted for in accordance with IAS 8, which means that the comparative information will have to be restated; or
- **Modified retrospective approach:** restated of comparative information is not required or permitted under this approach. The cumulative effect of initially applying the Interpretation will be recognized in opening equity at the date of initial application, being the beginning of the annual reporting period in which the entity first applies the interpretation.

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

The interpretation will be mandatory for the annual periods starting as of January 1, 2019. Early implementation is allowed.

**IFRS 16 Leases:** issued in January 2016, this new regulation introduces a comprehensive model for the identification of leasing contracts and accounting arrangements for landlords and tenants. It shall replace the current rules for the accounting arrangement of leases included in IAS 17 Leases and related interpretations.

In order to make the distinction between leases and service contracts, it is based on the customer's control over the asset identified. For the tenant, the distinction of operating leases (out of balance) is removed and financial leases (on the balance sheet) and is replaced by a model in which an asset (right to use) must be recognized and its corresponding liabilities for all leases (i.e., everything on the balance sheet), except for the short-term leases and low-value asset leases.

The asset (right to use) is initially measured at cost and subsequently measured at cost (with certain exceptions) minus accumulated depreciation and damage losses, adjusted for any reassessment of the liability for lease. Lease liability is initially measured by the present value of the future lease payments. Subsequently, lease liability is adjusted to interest and lease payments, as well as the impact of the amendments to the lease, among others. Furthermore, the classification of cash flows will also be

affected, since operating lease payments according to IAS 17 are presented as operating cash flows; while in the IFRS 16 model, lease payments are divided into capital depreciation and a portion of the interest that will be presented as cash flow from financing and operation, respectively.

In contrast to tenant accounting, IFRS 16 includes as accounting requirements for the landlord the same ones that the IAS 17 brings, that is to say, it continues to require that a landlord classify a lease as an operating lease or a financial lease.

This new regulation requires greater detail in the disclosures.

During 2017, the Group developed the guidelines, technical financial definitions and identified impacts made by the adoption of this standard. During 2018, activities related to the transition for implementation are being carried out with effect as of January 1, 2019.

**IAS 28 - Investments in associates and joint ventures - Long-term holdings in associated companies and joint ventures:** the amendment to IAS 28, issued in October 2017, establishes that IFRS 9 is set to be applied to other financial instruments in partnership or joint ventures that are not covered by the method of participation. These include long-term interests that, in essence, are part of the entity's net investment in a partnership or joint venture. Modifications will be mandatory for the annual terms starting January 1, 2019. Early implementation is allowed.

**IFRS 9 Financial Instruments.** The amendments to IFRS 9, related to the characteristics of prepayment with negative compensation, allow firms to measure financial assets, canceled in advance with negative compensation to paid-off cost or fair value through another comprehensive revenue result if it complies with a specific condition; rather than at fair value through profit or loss.

The Group is evaluating the impacts that the implementation of these changes could make.

Modifications will be mandatory for the annual terms starting January 1, 2019.

**IFRS 3 - Business combinations:** the amendment to IFRS 3, which is a part of the annual improvements to IFRS Cycle 2015-2017 regulations issued in December 2017, establishes that when control of a business is obtained where it was previously part of a joint operation and had the right to the assets and obligations for the liabilities related to the joint operation before the acquisition date, the transaction is a business combination carried out in stages and interest previously maintained in the joint operation should be measured again.

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

Implementation of changes will be mandatory for the annual terms that start as of January 1, 2019. Early implementation is allowed.

**IFRS 11 Joint arrangements:** the amendment to IFRS 11, which is a part of the annual improvements to IFRS Cycle 2015-2017 issued in December 2017, establishes that when joint control of a business is obtained where it was previously part of a joint operation but did not have joint control, interest previously maintained in the joint operation should not be gauged again.

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

Modifications will be mandatory for annual terms starting January 1, 2019. Early implementation is allowed.

**IAS 12 Revenue Tax:** the amendment to IAS 12, which is part of the annual improvements to IFRS cycle 2015-2017 issued in December 2017, clarifies that all consequences of tax on dividend revenue (distribution of benefits) should be recognized in results, another integral result or equity, according to the initial acknowledgement of the transaction. Specifically, it establishes that an entity shall acknowledge the consequences of revenue tax dividends as defined in IFRS 9 when it acknowledges a liability to pay a dividend. The consequences of the revenue tax the dividends are linked more directly

to transactions or past events that generated profits that can be distributed, than with the distributions made to the owners. Therefore, an entity shall recognize the consequences of dividends for revenue tax in the outcome of the term, another comprehensive result or equity depending on where the entity originally acknowledged those transactions or past events.

The Group is evaluating the impacts that the implementation of this change could generate.

Modifications will be mandatory for the annual terms starting as of January 1, 2019. Early implementation is allowed.

**IAS 19 - Employee Benefits - Plan Modification, Reduction, or Termination:** For the accounting of the cost of the current or regular service, both for the defined benefits cost components, such as for the acknowledgement and measurement of post-employment benefits - defined benefit plans and other long-term benefits for employees, will require that actuarial surmises be performed at the start of the annual period to be described in order to determine the cost of regular services. However, if an entity again measures the liability (asset) by net defined benefits in accordance with the plan assets' current fair value and the current actuarial assumptions (paragraph 99), they shall determine the cost of the services of the present term for the rest of the annual term to be reported following the plan change, reduction or termination, using the actuarial surmises used to again measure the liability (asset) employee for defined benefits in accordance with paragraph 99(b) - the benefits offered under the plan and the plan's assets after the plan's change, reduction or termination. When a plan change, reduction or termination is made, an entity shall acknowledge and measure the past service cost, or a gain or loss resulting from liquidation.

With regard to the net interest on net defined benefit liability (asset), this shall be determined by multiplying the amount of the liability (asset) by the specified discount rate, be it the rate corresponding to the issuance of high quality corporate bonds in that currency or alternatively, market yields on government bonds made in that currency.

The Group is evaluating the impacts that the implementation of these changes could make.

Interpretation shall be mandatory for annual terms starting January 1, 2019. Early implementation is allowed.

#### 2.33.4 Errors in previous periods

As of September 30, 2018, no adjustments were made to the consolidated financial statements by effect of errors of previous periods.

#### 2.33.5 Changes in presentation

As of September 30, 2018, there were no significant changes in presentation to the consolidated financial statements.

### Note 3. Seasonality

EPM Group does not have seasonal operations during the period.

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

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

Estimates are based upon historic experience and as a function of the best information available on the facts analyzed as of September 30, 2018 and December 31, 2017. These estimates are used for determining the value of the assets and liabilities in the consolidated financial statements, when it is not possible to obtain such value from other sources. EPM Group evaluates its estimates on a regular basis. Actual results may differ from those estimates.

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

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

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

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

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

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

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

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

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

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

EPM Group discloses the fair value corresponding to each class of financial instrument in such a way that allows comparing it with the carrying values. Macro-economic projections calculated within each Group company are used. Investment portfolio is valued at market price. In its absence, a similar one is looked for in the market and if not, assumptions are used.

Macro-economic rates are projected using the cash-flow methodology. Derivatives are estimated at fair value. Accounts receivable are estimated at the market rate in force and effect for similar credits. Accounts receivable from employees are valued in a similar way as massive debtors, except for mortgage (housing) credits.

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

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

The assumptions used for uncertain or contingent liabilities include the classification of the legal process by the “expert judgment” of the areas professionals, the type of contingent liability, the possible legislative changes, and the existence of high-courts’ jurisprudence that applies to the concrete case - the existence of similar cases in the company, - the study and analysis of the substance of the issue, - the guarantees existing at the moment when the facts occur. The Company shall disclose and not recognized in the financial statements those obligations classified as “possible”. Obligations classified as remote are not disclosed or recognized.

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

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

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

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

– **Recoverability of deferred tax assets**

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

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

– **Determination of control, significant influence or joint control on an investment.**

Investment in Ecosistema de Morelos S.A. de C.V., without control.

As of September 30, 2018, and December 31, 2017, the Group has 80% of the equity instruments of Ecosistema de Morelos S.A. de C.V., therefore, it holds over half of the voting rights; however, due to contractual investment agreements between the Group and the minority investors, in December 2016 the Group lost the power to direct their relevant activities, it cannot select and remove the majority of the members of the Board of Directors. Consequently, Ecosistema de Morelos S.A. de C.V. is not consolidated in the financial statements of the Group, this investment is incorporated in the financial statements of

the Group through the subsidiary Tecnología Intercontinental S.A. de C.V. TICSA as investment in financial instruments measured at fair value with changes in profit and loss.

#### – Determination of the expected credit loss

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

The model uses a window of twelve months, which is why it is estimated that an obligation has to be provisioned at a certain percentage in the same period. The model will be applied based on the scorecard developed taking into account the information of each Group Company. The models are defined according to the information available and the characteristics of the population groups for each one. Although the methodology applies to all accounts with balance, some exclusions must be taken into account, such as: Accounts written-off; Self-consumption; Contributions; Public Lighting and in general charges from third parties. For its calculation, it is previously defined the moment from which it is considered that an obligation was breached and will not be recovered.

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

$$EL = PD \times ED \times LGD, \quad \text{where:}$$

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

**Exposure at default (ED):** corresponds to the balance of capital, balance of interests, and other current charges of the obligations.

**Loss given default (LGD):** defined as the economic deterioration that the entity would incur in the event that any of the non-compliance situations materialize.

#### – Estimate of revenue

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

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

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

#### – Operating segments

The determination of the operating segments is based on the information that is supplied regularly to the highest authority on the Group's decision-making and it is identified as this information is segmented. Once these segments are identified, the capacity to generate income and incur costs and expenses of the groupings identified. Also, verification is made of whether the highest decision-making authority reviews the returns and assigns the resources based on this segmentation; finally, an examination is made on whether there is disaggregated financial information that supports this segmentation. In addition to the above items, the Group's approach and management is analyzed in order to take into consideration today, possible segments that arise in the future, according to their strategy.

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

For the three-month period ended September 30, 2018, there were no significant transactions and other relevant aspects other than those of the Group's normal course of business.

## Note 6. Surpluses

Surpluses paid in the intermediate period accumulated by EPM Group corresponding to financial surpluses are \$806,457: ordinary \$656,457 and associated with the transfer of Isagen \$150,000 (September, 2017 \$1,105,235: ordinary \$550,438, extraordinary \$254,797 and associated with the transfer of Isagen \$300,000).

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

The following is the detail of the carrying amount of property, plant and equipment:

Concept	2018	2017
Cost	40,382,520	38,189,365
Accumulated depreciation and impairment	(7,242,814)	(6,709,269)
<b>Total</b>	<b>33,139,706</b>	<b>31,480,096</b>

- Amounts expressed in millions of colombian pesos -

Property, plant and equipment show a net variation with respect to 2017, of \$1,659,610 mainly due to the construction of infrastructure in the different businesses of the Group, of which, the most relevant corresponds to the construction of the Ituango Hydroelectric project, for \$1,196,618.

During 2018, EPM Group has invested \$2,587,302 in property, plant and equipment.

The capitalization of borrowing costs of \$249,657 (2017: \$275,161), the weighted average rates used to determine the amount of borrowing costs were: 7.93% in pesos and 4.41% in dollars (2017: 7.96% and 4.01%).

As of September 30, 2018, the Group does not have properties, plant and equipment retired from their use and that have not been classified as non current assets held for sale.

The main projects in progress are the following:

Project	2018	2017
Ituango <sup>(1)</sup>	8,812,633	7,616,015
Bello waste water treatment project	1,079,747	1,179,116
Other EPM projects	673,067	784,259
Construction, expansion and maintenance of substations, networks, lines and cables DECA affiliates	363,314	415,474
Substations, networks, lines and loss control ESSA	196,487	199,387
Desalination and drinking water and waste water networks ADASA	-	147,216
Expansion of the NTS, RTS, networks, lines and loss control CENS	145,534	150,955
Substations, lines and network growth ENSA	151,978	129,962
Substations, networks, lines and loss control CHEC	90,272	70,551
Primary Conexión San Nicolás D.	29,139	33,045
Water and Sewage networks Regional Water EPM	19,020	20,516
Distribution networks and GIS Implementation, Delsur	15,047	20,271
Expansion and replacement of plans, networks, lines and cables EDEQ	13,283	12,207
A. MALAMBO Projects - Water supply and sewage networks	5,672	8,159
EMVARIAS Project - Altair Landfill Basin (phase 3)	13,008	2,521
Los Cururos Aeolic Park Project and Cebada substation	14,942	2,533
Water treatment plants Ticsa Group	32,223	30,853
Plants and networks of water supply and sewage EMPRIO	14,115	-
AOR Projects-Replacement of sewage networks	19	106
AOR Projects - Retiro supply and tank El Retiro	-	36
<b>Total</b>	<b>11,669,500</b>	<b>10,823,183</b>

- Figures in millions of Colombian pesos -

- (1) The Ituango hydroelectric project showed 85.6% (2017: 80.5%) physical progress, however, the contingency introduced on April 28, 2018 caused by a geological event that blocked the Cauca River detour tunnel with approximately 160 thousand cubic meters of rock and soil, which led water collecting on top of the dam. As a consequence of the foregoing, EPM, in its decisions, has prioritized first and foremost, the protection of communities and the environment and secondly, the project's infrastructure, therefore, the decision was made to pour water through the future power plant's machine-room so that the flow of water directed back to the Cauca River, with the goal of eventually returning to its traditional flow and a lower reservoir level.

In addition to the above, construction was hastened on some work fronts, in order to adapt them for the arrival of the water as well as the dam.

**Dam:** Construction began on an emergency filling between heights of 385 to 418 meters above sea level, on top of the design dam already built to 385 meters above sea level, in order to mitigate the risk of the dam suffering from reservoir overflow.

**Interim discharge:** A concrete plug was demolished at the interception with the Gallery 252 to access the interim discharge's floodgate chamber.

In the floodgate chamber and in the access gallery, progress is being made with concrete, and the installation of the radial floodgates.

In the interim discharge tunnel the hollowing out of discharge canal concrete walls continues.

**Landfill:** They completed the concrete in the deflector zone, the discharge canal slabs, pending completion of the left adduction channel's complementary wall. Furthermore, mechanical assembly of the landfill's radial floodgates was completed.

**Tail-race tunnel:** In the floodgate wells, backup floodgate wells 3, 4, 5 and 6 continue to be closed; backup floodgate wells 1 and 2 assistants are open, and main floodgates wells 7 and 8 are closed. Activity at the small square with wells resumed.

**Access to the upper slopes in the floodgate area - (Romerito Collapse):** Slope excavation and profiling of slopes, bolt locating and marking began.

**Road tunnel:** Strengthening, in an area of 151 m of tunnel, with bolts, frame refitting, mesh placement, fiber-reinforced concrete.

**Floodgate well access gallery:** Bolt perforation and installation is performed, as well as construction of the pedestrian area enclosed wall.

**Gallery A, C and D treatments:** By June 30, 2018, industrial facilities for entry to Gallery A had been made and breaking and cutting in this gallery commenced.

By the date of the period in question, work fronts that were still suspended were the following:

- Landfill excavations: suspended on May 2, 2018
- Upper tail-race tunnels: suspended on May 10, 2018
- Upper tail-race elbows: suspended on May 10, 2018
- Machine-room construction: suspended on May 10, 2018
- Beacons and discharges: suspended on May 10, 2018
- Construction on small access square 307 to machine-room: suspended on May 16, 2018
- Construction on the backup detour system (detour to right end of tunnel): April 28, 2018.

Work fronts that are being resumed:

- Dam boost and drainage galleries: suspended on May 9, 2018, activity resumed on June 14, 2018.
- Upper tail-race elbows and plugs: suspended on May 10, 2018 (2:00 a.m.), by June 30, 2018, industrial facilities are brought in to inspect access galleries.
- Construction on the intermediate discharge: suspended on May 8, 2018, activity resuming on June 10, 2018.
- Construction on small access square 307 to machine-room: suspended on May 16, 2018, work resumes on June 8, 2018, with cleaning.
- Construction in road tunnel: Was suspended between May 27, 2018 and June 1, 2018.

The National Authority of Environmental Licenses - (Autoridad Nacional de Licencias Ambientales, ANLA) - through administrative act 00820 notified on June 28, 2018, maintains the environmental license, prioritizes the implementation of works related to overcoming the contingency, and temporarily suspends regular activities not related to the contingency's care. In accordance with this measure, EPM must continue carrying out the actions that it has been employing. Said administrative act shall remain in effect until both an expert specialist issues an decision on current and future conditions of infrastructure stability on the main construction jobs.

Due to the aforementioned, the project will not be started on the estimated date (Nov 30 2018). Furthermore, as of the report date, it was not possible to quantify the value of damaged infrastructure materials and equipment, given the physical circumstances of the project.

The most significant property, plant and equipment acquisition commitments from Group as of the cutoff date amount to \$2,353,996 (2017: \$1,190,791).

## Note 8. Investments in subsidiaries

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

Name of subsidiary	Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
			2018	2017	2018	2017	
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	Colombia	Provides public utilities for electric power purchase, sale and distribution of electricity.	92.85%	92.85%	7.15%	7.15%	22/12/1988
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	Colombia	It provides public energy services, operating power generation plants, transmission and sub transmission lines and distribution networks, as well as the commercialization, import distribution and sale of electricity.	80.10%	80.10%	19.90%	19.90%	09/09/1950
Electrificadora de Santander S.A. E.S.P. (ESSA)	Colombia	Provides public services of electrical energy purchase sale commercialization and distribution of electric energy.	74.05%	74.05%	25.95%	25.95%	16/09/1950
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	Colombia	Provides public services for electricity, purchase, export, import, distribution and sale of electric power construction and operation of generating plants, transmission line substations and distribution networks.	91.52%	91.52%	8.48%	8.48%	16/10/1952
Elektra Noreste S.A. (ENSA)	Panama	Acquires energy, transports, distributes to customers, transforms voltage, installs, operates and maintains public lighting, authorized to carry out power generation up to a limit of 15% of maximum demand in the concession area.	51.16%	51.16%	48.84%	48.84%	19/01/1998
Hidroecológica del Teribe S.A. (HET)	Panama	It finances the construction of the Bonyic hydroelectric project required to meet the growth of the energy demand of the isthmus of Panama.	99.18%	99.19%	0.82%	0.81%	11/11/1994

Name of subsidiary	Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
			2018	2017	2018	2017	
Empresa Eléctrica de Guatemala S.A. (EEGSA)	Guatemala	Provides electricity distribution services.	80.90%	80.90%	19.10%	19.10%	05/10/1939
Gestión de Empresas Eléctricas S.A. (GESA)	Guatemala	Provides advice and consulting to distribution companies and electricity transmission.	100.00%	100.00%	-	-	17/12/2004
Almacenaje y Manejo de Materiales Eléctricos S.A. (AMESA)	Guatemala	Provides outsourcing services in the area of materials management.	99.94%	99.94%	0.06%	0.06%	23/03/2000
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	Guatemala	Provides services of commercialization of electrical energy.	80.52%	80.52%	19.48%	19.48%	05/11/1998
Transportista Eléctrica Centroamericana S.A. (TRELEC)	Guatemala	Provides services of Transmission of electrical energy.	80.90%	80.90%	19.10%	19.10%	06/10/1999
Enérgica S.A. (ENERGICA)	Guatemala	Provides services of construction and maintenance of projects and goods of the electric sector.	78.19%	78.19%	21.81%	21.81%	31/08/1999
Crediegsa S.A. (CREDIEGSA)	Guatemala	Provides recruitment services and other administrative services.	80.90%	80.90%	19.10%	19.10%	01/12/1992
Distribuidora de Electricidad del Sur (DELSUR)	El Salvador	Transformation, distribution and commercialization of electricity supplying the south central zone of El Salvador in Central America.	86.41%	86.41%	13.59%	13.59%	16/11/1995
Innova Tecnología y Negocios S.A. de C.V.	El Salvador	Provision of specialized services in electrical engineering and sale of electrical appliances to electricity users of Del sur.	86.41%	86.41%	13.59%	13.59%	19/10/2010

Name of subsidiary		Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
				2018	2017	2018	2017	
Parque Eólico Los Cururos Ltda.	(10)	Chile	Generation of electrical energy through all types of fuels and renewable energies such as wind, photovoltaic and biomass, transmission, purchase, sale and commercialization of electric energy.	100.00%	100.00%	-	-	26/08/2011
Aguas Nacionales EPM S.A. E.S.P.	(1)	Colombia	Provides public utilities for water, sewage and sanitation, treatment and waste management complementary activities and engineering services specific to these public services.	99.99%	99.99%	0.01%	0.01%	29/11/2002
Aguas Regionales EPM S.A. E.S.P.		Colombia	Ensure the provision of public residential water supply and sanitation services and compensate for the lag of the infrastructure of these services in the partner municipalities.	69.76%	69.76%	30.24%	30.24%	18/01/2006
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.		Colombia	Provides public utilities of water and sewerage, as well as other complementary activities specific to each of these public services.	56.01%	56.01%	43.99%	43.99%	22/11/1999
Aguas de Malambo S.A. E.S.P.	(2)	Colombia	Dedicated to guarantee the provision of public utilities for sewage and sanitation in the jurisdiction of the Municipality of Malambo Department of the Atlantic.	97.64%	96.23%	2.36%	3.77%	20/11/2010
Ecosistemas de Colima S.A. de C.V.		Mexico	Dedicated to elaborate executive project for the plant of treatment of residual waters, its construction equipment and putting into operation, conservation and maintenance stabilization of sludge in municipalities of the State of Colima.	80.00%	79.99%	20.00%	20.01%	14/02/2006
Ecosistemas de Tuxtla S.A. de C.V.		Mexico	Dedicated to the construction, equipment, start-up, operation and maintenance of a waste water treatment system with the total private investment modality recoverable. Develop potable water projects and water treatment plants.	80.00%	80.00%	20.00%	20.00%	17/11/2006
Ecosistemas de Uruapan S.A. de C.V.		Mexico	Subsidiary dedicated to the provision of wastewater treatment services of the Municipality of Uruapan Michoacán includes construction, equipment, testing and commissioning, maintenance and maintenance of the plant.	80.00%	80.00%	20.00%	20.00%	18/11/2009

Name of subsidiary	Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
			2018	2017	2018	2017	
Ecosistema de Ciudad Lerdo S.A. de C.V.	Mexico	Subsidiary dedicated to the construction, equipment, commissioning, operation and maintenance for 20 years of a wastewater treatment system in the city Lerdo Durango, with the total private investment modality recoverable.	80.00%	80.00%	20.00%	20.00%	24/04/2007
Aquasol Morelia S.A. de C.V.	Mexico	Subsidiary dedicated to the construction of a wastewater treatment plant, as well as the equipment and commissioning of said plant located in the town of Atapaneo in the Municipality of Morelia Michoacán.	80.00%	80.00%	20.00%	20.00%	13/11/2003
Ecosistemas de Celaya S.A. de C.V.	Mexico	Dedicated to the elaboration of the executive project for the wastewater treatment plant, as well as to the treatment, transportation and final disposal of solid waste and sludge in the plant of the city of Celaya state of Guanajuato.	80.00%	80.00%	20.00%	20.00%	05/12/2008
Desarrollos Hidráulicos de Tampico S.A. de C.V.	Mexico	Dedicated to the construction, equipment, extension, improvement, maintenance and operation of water supply systems and sewage services, collection, drainage and wastewater treatment works.	80.00%	79.99%	20.00%	20.01%	25/08/1995
Ecoagua de Torreón S.A. de C.V.	Mexico	Dedicated to providing services of operation of treatment of waste water from any source, be it municipal or domestic, as well as the activity related to the treatment of waste water.	80.00%	80.00%	20.00%	20.00%	25/10/1999
Proyectos de Ingeniería Corporativa S.A. de C.V.	Mexico	Provision of design, general or construction engineering services, professional and technical services tending to operate, manage, and generally carry out all the activities that are necessary for the development of activities of any commercial, industrial or service company, in its modality of physical or moral person.	80.00%	80.00%	20.00%	20.00%	01/08/2008

Name of subsidiary		Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
				2018	2017	2018	2017	
Corporación de Personal Administrativo S.A. de C.V.		Mexico	Provision of professional services tending to operate, administer, direct and generally carry out all the activities that are necessary for the development of activities of any commercial, industrial or service company in its modality of natural or moral person, as well as Also the administration, selection, contracting and exchange of personnel that performs functions within the facilities of the requesting companies.	80.00%	80.00%	20.00%	20.00%	01/08/2008
Aguas de Antofagasta S.A.	(10)	Chile	Construction, and exploitation of public services for the production and distribution of drinking water and collection and disposal of wastewater through the exploitation of sanitary concessions of the Sanitary Services Company of Antofagasta S.A. (current Econssa Chile SA), and the performance of the other services related to these activities, all in the form and conditions established in the decrees with Force of Law numbers 382 and 70, both of the year 1998, of the Ministry of Public Works, and other relevant regulations. For this, dated December 29, 2003, Aguas de Antofagasta S.A. subscribed with the Sanitary Services Company of Antofagasta S.A. (Current Concessionaire of Sanitary Services S.A. - Econssa S.A.) the "Contract of transfer of the right of exploitation of sanitary concessions", for a total term of 30 years from the date of its subscription.	100.00%	100.00%	-	-	28/11/2003
Empresas Varias de Medellín S.A. E.S.P.		Colombia	Subsidiary dedicated to the provision of the public toilet service within the framework of the integral management of solid waste.	99.93%	99.93%	0.07%	0.07%	11/01/1964
EPM Inversiones S.A.		Colombia	Dedicated to the investment of capital in national or foreign companies organized as utilities.	99.99%	99.99%	0.01%	0.01%	25/08/2003
Maxseguros EPM Ltd.		Bermuda	Negotiation, contracting and management of reinsurance for policies that protect the patrimony.	100.00%	100.00%	-	-	23/04/2008
Panamá Distribution Group S.A. - PDG		Panama	Capital investment in companies.	100.00%	100.00%	-	-	30/10/1998

Name of subsidiary		Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
				2018	2017	2018	2017	
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 in providing telecommunications services.	100.00%	100.00%	-	-	12/03/1999
Inmobiliaria y Desarrolladora Empresarial de América S.A. (IDEAMSA)		Guatemala	Subsidiary dedicated to investing in real estate.	80.90%	80.90%	19.10%	19.10%	15/06/2006
Promobiliaria S.A.		Panama	Purchase, sell, construct, modify, manage, lease and generally enter into any contract for the disposition, improvement, use and usufruct of real estate not necessary for the operation of property of the companies that make up the EPM Group.	100.00%	100.00%	-	-	08/09/2015
EPM Latam S.A.	(3)	Panama	Make capital investments in companies.	100.00%	100.00%	-	-	17/05/2007
EPM Capital México S.A. de C.V.	(4)	Mexico	It develops infrastructure projects related to energy, lighting, gas, telecommunications, sanitation, potable water treatment plants, sewage treatment, wastewater treatment, buildings, as well as its operation, studies and services.	100.00%	100.00%	-	-	04/05/2012
EPM Chile S.A.	(5)	Chile	It develops energy projects, lighting, gas, telecommunications, sanitation, sewage treatment plants and sewage treatment, as well as providing such services and participating in all types of public and private tenders and auctions.	100.00%	100.00%	-	-	22/02/2013

Name of subsidiary		Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
				2018	2017	2018	2017	
Inversiones y Asesorías South Water Services SpA		Chile	Participate in all types of competitions, bidding, auctions are public and / or private in the purchase of stakes in domestic or foreign companies. Carry out strategic alliances, joint venture partnerships and enter into business collaboration agreements to compete for tenders, obtain concessions and / or authorizations. Provide all types of advisory and services related directly or indirectly to the activities performed and in which society is involved.	100.00%	100.00%	-	-	16/12/2014
Tecnología Intercontinental S.A. de C.V. TICSA	(6)	Mexico	Dedicated to the study, development, promotion and execution of industrial projects, to the design, manufacture assembly and assembly of machinery technology development including commercial representation commercial and general trade.	80.00%	80.00%	20.00%	20.00%	28/07/1980
Patrimonio Autónomo Financiación Social		Colombia	To manage the resources and payments of the program of social financing created to facilitate to its users the purchase of electrical appliances, gas appliances and products related to Information technology.	100.00%	100.00%	-	-	14/04/2008
EV Alianza Energética S.A.		Panama	Provision of energy efficiency services and all related services such as environmental services, marketing and financing of efficiency projects, as well as the provision of energy and technology solutions, production, transformation, purchase, sale and supply of energy, gas and related products Such as biogas; Consultancy services, studies, reports and projects relating to farms and previous services, as well as those relating to the environment and energy saving.	51.00%	51.00%	49.00%	49.00%	22/01/2016

Name of subsidiary		Location (Country)	Main Activity	Percentage of property and voting rights		Percentage of participation of the non-controlling party		Creation date
				2018	2017	2018	2017	
EPM Transmisión Chile S.A.	(7) (10)	Chile	Exploitation, development of electric systems intended to the transportation, transmission and transformation of electric energy, either within the country or abroad, and the acquisition thereof. For these purposes, it may obtain, acquire or enjoy the respective concessions, permits and authorizations, such as exercise the rights and powers that the legislation in effect grants to electric companies. In addition, the commercialization of the capacity of transportation lines and transformation of the substations and equipment associated to them, in order that the generating plants, nations and foreign, may transmit the electric power that they produce and reach their consumption centers.	100.00%	100.00%	-	-	02/02/2017
Empresas Públicas de Rionegro S.A.S. E.S.P. - EP RIO	(8)	Colombia	Rendering of domiciliary public utilities, among them water supply and sewage, as well as the complementary and related activities thereto; specifically the administration, operation, maintenance and investments of the water supply and sewage systems of the Municipality of Rionegro, the execution of programs and projects on the environment and the renewable and non-renewable natural resources; promote their sustainable development. Additionally, the company will provide the maintenance service of the public lighting network of the Municipality of Rionegro.	100.00%	100.00%	-	-	09/12/1996
ENSA Servicios S.A.	(9)	Panama	Rendering of technical, commercial and any other service complementary to the rendering of the electric power service, without limiting the remaining analogous, related and/or compatible services that constitute an added value to the described activities.	51.16%	51.16%	48.84%	48.84%	29/11/2017

<sup>(1)</sup> In November 2017, EPM capitalized Aguas Nacionales EPM S.A. E.S.P. for \$ 259,999.

<sup>(2)</sup> In November 2017, EPM capitalized Aguas de Malambo S.A. E.S.P. for \$ 12,499.

<sup>(3)</sup> As of June 30, 2017, EPM Latam recognized and classified as an investment in associate, the shareholding participation of 49%, equivalent to USD \$25,525.35 contributed as capital to the company VE Servicios de Eficiencia Energética S.A.S., constituted entity in February 2017

- (4) In June 2017, EPM capitalized EPM Capital México S.A. of C.V. in \$ 23,999,907.55 Mexican pesos.
- (5) In August 2017, EPM capitalized EPM Chile S.A for \$ 10,703.
- (6) In June 2017, EPM Capital México S.A. of C.V. capitalized Tecnología Intercontinental S.A. of C.V. TICSA in \$ 24,000,000 Mexican pesos.
- (7) Subsidiary constituted on February 2, 2017 in the Republic of Chile, according to repertoire No. 4359-2017 of the twenty-seventh Public Notary of Santiago, Chile. In August 2017, it was capitalized by EPM Chile S.A. in \$ 10,703.
- (8) Subsidiary acquired by EPM through a purchase and sale transaction of shares perfected on October 31, 2017 (see note 9 - Business combinations). Subsequently, it was capitalized in November 2017 for \$ 14,235. Through Act No. 54 from 14 March 2018, the company was transformed into a simplified joint stock company, as a result, its corporate name changed to Empresas Públicas de Rionegro S.A.S. E.S.P. - EP RIO, this change being recorded in the Oriente Antioqueño Chamber of Commerce's business register on April 10, 2018.
- (9) Subsidiary constituted on November 29, 2017 in the Republic of Panama, according to public deed No. 19,2017 of the Fifth Public Notary of the notarial circuit of Panama.
- (10) On July 31, 2018, EPM's Board of Directors approved the disposal of the Group's holdings in these companies. At the date of the reporting period, this process is under development. EPM will be accompanied by investment banks, with which it will present the information on the companies to be sold, to be made available to interested parties. It will make the invitation to present the Non-Binding Offers (NBOs), and subsequently, the invitation to present the Binding Offers (BOs).

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

2018	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period	Other comprehensive income	Total comprehensive income	Cash flows
						Continuing Operations			
Elektra Noreste S.A. (ENSA)	562,700	1,669,896	1,101,095	650,061	1,457,346	69,697	129,134	198,831	16,932
Empresa Eléctrica de Guatemala S.A. (EEGSA)	411,667	1,347,030	335,810	613,224	1,217,738	104,882	(36,733)	68,149	18,455
Electrificadora de Santander S.A. E.S.P. (ESSA)	232,175	1,374,700	369,465	635,381	823,002	105,992	-	105,992	72,853
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	178,663	869,041	182,036	629,695	515,414	46,854	-	46,854	31,121
Distribuidora Eléctrica del Sur S.A. de C.V. (DELSUR)	192,589	320,140	177,284	211,424	637,757	34,708	285	34,993	11,294
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	187,824	855,470	146,107	365,513	505,053	86,680	(499)	86,181	32,633
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	84,500	551	30,881	69	202,088	2,681	(2,810)	(129)	14,745
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	62,387	188,240	46,727	43,401	173,425	25,710	(18)	25,692	20,654
Tecnología Intercontinental S.A. de C.V. (TICSA)	165,261	412,769	252,011	89,846	102,322	25,198	7,944	33,142	18,132
Transportista Eléctrica Centroamericana S.A. (TRELEC)	142,625	649,060	386,804	650	64,140	18,587	(20,343)	(1,756)	1,339
Aguas Regionales EPM S.A. E.S.P.	23,440	109,757	15,842	25,375	38,955	7,683	-	7,683	6,149
Other uncontrolled shares <sup>(1)</sup>	681,076	3,959,210	424,704	1,062,680	365,473	202,866	27,819	230,685	216,743

- Amounts expressed in million of Colombian pesos -

2017	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Rendering of services	Result for the period	Other comprehensive income	Total comprehensive income	Cash flows
						Continuing Operations			
Elektra Noreste S.A. (ENSA)	479,239	1,617,560	1,002,947	619,404	1,875,827	84,788	(2,695)	82,093	13,602
Empresa Eléctrica de Guatemala S.A. (EEGSA)	425,320	1,397,928	448,446	516,828	1,642,887	176,436	(6,011)	170,425	15,402
Electrificadora de Santander S.A. E.S.P. (ESSA)	256,755	1,277,097	282,117	669,520	1,034,530	95,754	(3,151)	92,603	104,144
Distribuidora Eléctrica del Sur S.A. de C.V. (DELSUR)	146,202	323,963	145,456	203,618	798,968	32,930	(2,659)	30,271	11,573
Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC)	236,067	840,980	164,082	382,867	653,603	79,862	(614)	79,248	58,176
Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS)	185,507	839,297	222,315	594,082	615,993	17,653	(2,284)	15,369	35,570
Comercializadora Eléctrica de Guatemala S.A. (COMEGSA)	86,362	634	23,478	73	253,038	12,926	(534)	12,392	5,261
Empresa de Energía del Quindío S.A. E.S.P. (EDEQ)	56,985	183,318	41,977	40,663	218,959	24,821	(596)	24,225	14,638
Tecnología Intercontinental S.A. de C.V. (TICSA)	130,836	368,402	210,624	85,584	74,350	11,976	812,406	824,382	19,979
Transportista Eléctrica Centroamericana S.A. (TRELEC)	105,706	607,481	298,576	685	84,935	41,606	5,067	46,673	349
Aguas Regionales EPM S.A. E.S.P.	24,982	104,149	23,670	21,165	48,209	7,859	-	7,859	11,313
Other uncontrolled shares <sup>(1)</sup>	911,678	3,797,409	554,543	1,070,701	476,679	164,887	2,407	167,294	393,129

- Amounts expressed in millions of Colombian pesos -

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

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

Non-controlling interests	2018				2017			
	Equity	Result of the period	Other comprehensive income	Dividends paid	Equity	Result of the period	Other comprehensive income	Dividends paid
Elektra Noreste S.A. (ENSA)	235,514	34,489	-	30,240	231,702	41,407	(249)	22,426
Electrificadora de Santander S.A. E.S.P. (ESSA)	156,245	27,508	-	22,353	151,103	24,851	(818)	20,398
Empresa Electrica de Guatemala S.A. (EEGSA)	154,629	20,030	411	22,242	163,855	33,696	312	17,715
Central Hidroelectrica de Caldas S.A. E.S.P. (CHEC)	105,799	17,249	(99)	16,836	105,485	15,892	(122)	10,457
Transportista Electrica Centroamericana S.A. (TRELEC)	77,200	3,550	-	1,516	79,051	7,946	-	1,067
Tecnologia Intercontinental S.A. de C.V. (TICSA)	33,439	4,082	(255)	-	28,331	(571)	11	-
Centrales Electricas del Norte de Santander S.A. E.S.P.	20,013	3,974	-	1,636	17,675	1,497	(194)	2,625
Distribuidora de Electricidad del Sur S.A. de C.V. (DELSUR)	16,849	4,712	-	4,358	16,457	4,476	(129)	4,803
Aguas Regionales S.A. E.S.P.	27,814	2,323	-	-	25,491	2,376	-	-
Comercializadora Electrica de Guatemala S.A. (COMEGSA)	10,332	512	-	1,760	12,117	2,469	-	457
Empresa de Energia del Quindio S.A. E.S.P. (EDEQ)	11,468	1,837	(1)	1,633	11,265	1,774	(43)	2,289
Other uncontrolled shares <sup>(1)</sup>	14,689	4,240	1	4,383	15,123	4,987	(6)	4,091

- Amounts expressed in millions of Colombian pesos -

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

### 8.1 Changes in participation in subsidiaries that did not result in a loss of control

As of September 30, 2018 and December 31, 2017, the Group did not dispose of its participation in any subsidiary that did not result in a loss of control.

### 8.2 Significant restrictions

As of September 30, 2018 and December 31, 2017, the Group does not have significant restrictions to access or use the assets, liquidate liabilities of the Group; the uncontrolled interests do not have either protective rights that could restrict the Group's capacity to access or use the assets and liquidate the liabilities of subsidiaries or restrict the dividends and other capital distributions.

### 8.3 Consolidated structured entities

As of September 30, 2018 and December 31, 2017, the Group owns as structured entity consolidated to the Stand-Alone Trust Financiación Social. The interest in that entity is of 100%, the value of total assets amounts to \$139,789 (2017: \$144,112), total liabilities are \$7,524 (2017: \$9,911) and the net profit and loss of the period is \$13,063 (2017: \$13,871).

The Group does not have obligation to provide financial support to the Entity.

### 8.4 Loss of control of a subsidiary

On December 15, 2017, the subsidiary TICSA celebrated a purchase contract of shares, where it sells and transfers 571,673 shares that possessed in the company Aquasol Pachuca S.A. of C.V. to the company Ecosistema de Sonora S.A.P.I. of C.V., this transaction generated a profit on the sale of shares of MXP \$ 72,000 (COP \$ 11).

## Note 9. Business combinations

The detail of the business combinations made by the Group as of the date of the reporting periods is as follows:

Year	Entity	Activity	Transaction Date	Participation Acquired
2017	Empresas Públicas de Rionegro S.A. E.S.P. - EP RIO	Rendering of domiciliary public utilities, among them water supply and sewage, as well as the complementary and related activities thereto; specifically the administration, operation, maintenance and investments of the water supply and sewage systems of the Municipality of Rionegro, the execution of programs and projects on the environment and the renewable and non-renewable natural resources; promote their sustainable development. Additionally, the company will render the maintenance service of the public lighting network of the Municipality of Rionegro.	31/10/2017	100%

### Empresas Públicas de Rionegro S.A. E.S.P. - EP RIO:

On October 6, 2017, EPM signed an inter-administrative agreement for the purchase of 100% of the shares of Empresas Publicas de Rionegro S.A. E.S.P., formalizing the transaction on October 31, 2017 and acquiring the control of that company as of November 1, 2017.

Empresas Publicas de Rionegro S.A. E.S.P. is a joint stock company incorporated on December 9, 1996, with domiciled established in the municipality of Rionegro, Department of Antioquia, Republic of Colombia, and with commercial registration No. 4558 of book IX from the Chamber of Commerce of Eastern Antioquia. Its corporate object is the rendering of domiciliary public utilities, among them water supply and sewage, as well as the activities that are complementary or related thereto; specifically the administration, operation, maintenance and investments of the water supply and sewage systems of the Municipality of Rionegro, the performance of programs and projects on the environment and renewable and non-renewable natural resources, and to seek their sustainable development. Additionally, the company will provide the maintenance service of the public lighting network of the Municipality of Rionegro.

The Group acquired the control of that company mainly for the following factors:

- For the NPD (National Planning Department) the Medellin-Rionegro axis will be by 2035 one of the ten (10) city axis that will lead the economic development of Colombia. Rionegro, one of the 17 municipalities category 1 of the country and the most important one of Eastern Antioquia.
- According to CAMACOL (Colombian Construction Chamber), the Near East of Antioquia is one of the zones with the highest growth in sales of new homes.
- The Valley of San Nicolas is almost three (3) times, in size, the Valley of Aburra and its entry to Rionegro would permit to consolidate EPM as provider of public utilities of water supply and sewage, where currently it provides energy and gas services.
- An adequate provision of the public utilities of water supply and sewage in the municipality would promote its development, resulting in higher income for the EPM Group with the offer of a wide service portfolio.
- EPM would contribute to the environmental sustainability of the region, particularly, by the investment in wastewater treatment that point to the protection of the water resources. In this respect EPM would make an important contribution to the current problems of the Guatapé dam in the short and medium term.
- Consolidate the social and political legitimacy of the EPM presence in this region.
- The competitive advantage because of the closeness of the Jose María Córdoba Airport would lead to the migration of large companies to this municipality, which would consolidate the industrial zone that it has today.
- The Municipality faces pressures on the increase of the population density and boom in home construction, generating great pressure from all actors to make viable the region's development and demanding investments in infrastructure.
- The current high water supply and sewerage rates, that do not have the capacity to serve the growth needs, at least in the short term.
- Limitation of partners to capitalize the company, in order to take care of the investment requirements.
- There is no availability of non-recoverable resources - that do not go to the rate - to make the investments. Rionegro does not form part of the PDA (Department Water Plan) and its NPD rating does not allow it to access this source of funds.
- Insufficient water sources to take care of the future demand, which generated great pressure to the mayor, added to the difficulties with the quality of the current sources (highly contaminated).
- EP RIO presents a serious of environmental nonfulfillment that affect the community and its environment, with the financial consequences that these aspects may bring

The detail of the fair value of the net assets acquired as at October 31, 2017 and the results by business combination is the following:

Item	Fair Value
Property, plant and equipment	42.381
Intangibles	504
Other current assets	1.715
Accounts receivable <sup>(1)</sup>	4.949
Inventories	515
Cash and cash equivalents	19.234
<b>Identifiable assets</b>	<b>69.298</b>
Credits and loans	10.505
Accounts payable	965
Taxes, contributions and rates	3.156
Contingent liabilities <sup>(2)</sup>	16.572
Employee benefits	492
Other current liabilities	3.685
Deferred tax liability	1.254
<b>Assumed liabilities</b>	<b>36.629</b>
<b>Total net identifiable assets at fair value</b>	<b>32.669</b>
<b>Total fair value of the consideration transferred consideration v</b>	<b>-</b>
<b>Result by business combination<sup>(3)</sup></b>	<b>32.669</b>

- Amount in millions of Colombian pesos -

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

	Fair Value	Gross contractual amounts receivable
Trade accounts receivable and other accounts receivable	4.949	4.552
<b>Total cuentas por cobrar</b>	<b>4.949</b>	<b>4.552</b>

- Amount in millions of Colombian pesos -

As of the date of the transaction there was an impairment of receivables for \$2,744 corresponding to contractual cash flows that were not expected to be collected.

- (2) It corresponds to all litigations and contingencies resulting from legal actions against EP Rio originated in the performance of its operations. These will be resolved once their final decision is issued by the competent authorities. As of the date of presentation the fair value of these liabilities is \$16,765, of which \$1,578 have been rated as probable.

Costs were recognized for the transaction for \$552 that had been recognized as expenses of the period and included in the line of fee expenses in the income statement.

The revenues from ordinary activities and resulting from EP Rio included in the consolidated financial statements are:

	2017
<b>From the acquisition date up to the reporting period</b>	
Income from ordinary activities	5.232
Profit	1.928
<b>From the beginning of the annual reporting period up to the reporting period</b>	
Income from ordinary activities	21.698
Profit	3.576

- Amount in millions of Colombian pesos -

- (3) During the period a result for business combination for \$32,669 was recognized included in the line of effect by participation in equity investments in the Comprehensive income statement, originated by the difference between the consideration transferred and the fair value of the identifiable net assets acquired<sup>3</sup>.

The consideration transferred was established based on the valuation of the company that considers the forward investments (investments in capital goods - capex - that are performed when a business invests in the purchase of a fixed asset or to add value to an existing asset) that must be made to guarantee their viability and an adequate rendering of public services; that generates a negative value thereof.

The analysis of cash flows of the acquisition of EP Rio is:

	2017
Consideration transferred	-
Costs of acquisition transaction (including cash flows for operating activities)	(552)
Net cash acquired from subsidiary (including cash flow from investment activities )	19.234
<b>Net cash flow at the acquisition date</b>	<b>18.682</b>

- Amount in millions of Colombian pesos -

<sup>3</sup> Established based on IFRS 13 fair value measurement.

## Note 10. Credits and loans

The following is the detail of carrying amount of credits and loans:

Credits and Loans	2018	2017
<b>Non current</b>		
Other bonds and securities issued	6,270,526	7,785,051
Commercial banks loans	2,360,219	3,845,655
Multilateral banks loans	2,044,514	1,093,597
Development banks loans	1,611,003	802,370
Bonds and securities issued	588,152	589,570
<b>Total other credits and loans non current</b>	<b>12,874,414</b>	<b>14,116,243</b>
<b>Current</b>		
Commercial banks loans	3,166,979	1,210,946
Other bonds and securities issued	1,862,661	455,148
Bonds and securities issued	664,936	484,163
Multilateral banks loans	269,373	574,671
Development banks loans	156,699	117,552
Other loans	115,350	-
<b>Total other credits and loans current</b>	<b>6,235,998</b>	<b>2,842,480</b>
<b>Total other credits and loans</b>	<b>19,110,412</b>	<b>16,958,723</b>

- Figures in millions of Colombian pesos -

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

Entity	Entity or loan	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018				December 31, 2018			
						IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount
AGUAS DE ANTOFAGASTA	Banco del Estado	CLP	2014/10/23	5.00	UF + 1.9%	1.04%	13,782	111	13,892	1.04%	19,283	64	19,347
AGUAS DE ANTOFAGASTA	Banco del Estado	CLP	2015/01/14	10.00	UF + 2.9%	1.51%	144,357	900	145,258	1.51%	173,169	2,404	175,573
AGUAS DE ANTOFAGASTA	Banco del Estado	CLP	2016/12/28	2.00	TAB + 0.25%	4.64%	615,119	2,011	617,130	4.64%	662,372	1,528	663,901
AGUAS DE ANTOFAGASTA	Scotiabank	CLP	2016/12/28	2.00	TAB + 0.25%	4.51%	615,119	2,011	617,130	4.51%	662,372	1,528	663,901
AGUAS DE ANTOFAGASTA	Credit card - Banco BICE Pesos	CLP	2018/01/1	1.00	+ 0%	0.00%	0.14	-	0.14	0.00%	-	-	-
AGUAS DE ANTOFAGASTA	Credit card - Banco BICE Dolar	CLP	2018/01/1	1.00	+ 0%	0.00%	11	-	11	0.00%	-	-	-
AGUAS REGIONALES	HELM	COP	2012/03/16	12.00	DTF -1%	2.60%	4,534	109	4,644	3.24%	5,153	146	5,298
AGUAS REGIONALES	Popular	COP	2012/09/24	12.00	DTF + 3.45%	7.50%	-	-	-	8.04%	1,013	28	1,040
AGUAS REGIONALES	Popular	COP	2012/10/19	12.00	DTF + 3.45%	7.48%	-	-	-	8.02%	245	11	256
AGUAS REGIONALES	Popular	COP	2012/11/27	12.00	DTF + 3.45%	7.66%	-	-	-	8.21%	490	14	504
AGUAS REGIONALES	Popular	COP	2012/12/26	12.00	DTF + 3.45%	7.54%	-	-	-	8.07%	560	15	575
AGUAS REGIONALES	Popular	COP	2013/04/12	12.00	DTF + 3.45%	7.50%	-	-	-	8.04%	499	23	522
AGUAS REGIONALES	Popular	COP	2013/04/25	12.00	DTF + 3.45%	7.58%	-	-	-	8.12%	390	16	406
AGUAS REGIONALES	Popular	COP	2013/05/10	12.00	DTF + 3.45%	7.49%	-	-	-	8.04%	462	18	481
AGUAS REGIONALES	Popular	COP	2013/07/26	12.00	DTF + 3.45%	7.66%	-	-	-	8.20%	388	15	402
AGUAS REGIONALES	Popular	COP	2013/09/20	12.00	DTF + 3.45%	7.53%	-	-	-	8.07%	839	25	864
AGUAS REGIONALES	Bancolombia	COP	2013/10/17	10.00	DTF + 2.75%	6.74%	-	-	-	7.28%	2,250	87	2,337
AGUAS REGIONALES	Popular	COP	2013/12/4	12.00	DTF + 3.45%	7.64%	-	-	-	8.17%	760	24	784
AGUAS REGIONALES	Popular	COP	2013/12/13	12.00	DTF + 3.45%	7.58%	-	-	-	8.12%	1,533	47	1,580
AGUAS REGIONALES	Popular	COP	2014/02/26	10.00	DTF + 2.75%	6.87%	-	-	-	7.41%	2,344	65	2,409
AGUAS REGIONALES	Popular	COP	2014/05/2	10.00	DTF + 2.75%	7.06%	-	-	-	7.58%	1,381	41	1,422
AGUAS REGIONALES	Bbva	COP	2014/05/20	10.00	DTF -0.7%	3.23%	719	13	732	3.88%	813	18	831
AGUAS REGIONALES	Bbva	COP	2014/07/23	10.00	IPC + 4.9%	6.81%	-	-	-	7.76%	591	32	623
AGUAS REGIONALES	Bbva	COP	2014/08/19	10.00	IPC + 4.9%	6.90%	-	-	-	7.85%	338	18	355
AGUAS REGIONALES	Bbva	COP	2014/10/28	10.00	IPC + 4.9%	6.93%	-	-	-	7.88%	338	17	355
AGUAS REGIONALES	Popular	COP	2014/10/30	10.00	DTF + 2.75%	7.33%	-	-	-	7.86%	455	11	466
AGUAS REGIONALES	Bbva	COP	2014/12/19	10.00	DTF -0.7%	3.51%	1,076	9	1,085	4.16%	1,205	13	1,218
AGUAS REGIONALES	Bbva	COP	2015/03/16	10.00	IPC + 4.9%	7.61%	-	-	-	8.58%	717	24	741
AGUAS REGIONALES	Bogotá	COP	2015/10/28	10.00	DTF + 2.6%	7.24%	616	9	625	8.32%	680	10	690
AGUAS REGIONALES	Davivienda	COP	2018/02/19	10.00	IPC + 4.8%	8.05%	5,000	43	5,043	0.00%	-	-	-
AGUAS REGIONALES	Popular	COP	2018/06/1	7.00	IBR + 3%	7.42%	14,084	85	14,169	0.00%	-	-	-
CENS	Bogotá	COP	2012/09/4	7.00	IBR + 1.88%	5.85%	6,000	37	6,037	6.18%	12,000	319	12,319
CENS	Bogotá	COP	2014/05/15	7.00	IBR + 1.88%	6.33%	6,000	120	6,120	6.69%	7,000	47	7,047
CENS	Agrario	COP	2015/09/30	2.50	IBR + 1.88%	0.00%	-	-	-	7.52%	5,000	87	5,087
CENS	Bogotá	COP	2015/12/18	7.00	IBR + 1.88%	7.98%	9,000	84	9,084	8.20%	10,000	(156)	9,844
CENS	Davivienda	COP	2016/06/16	10.00	DTF + 1.6%	0.00%	-	-	-	10.07%	40,000	(302)	39,698
CENS	BBVA	COP	2016/07/13	10.00	IBR + 1.88%	0.00%	-	-	-	12.40%	1,133	56	1,189
CENS	Davivienda	COP	2016/07/15	10.00	IBR + 4.89%	0.00%	-	-	-	10.10%	5,488	195	5,683
CENS	BBVA	COP	2016/08/17	10.00	IBR + 4.89%	0.00%	-	-	-	10.17%	1,309	30	1,339

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CENS	Davivienda	COP	2016/08/18	10.00	IBR + 4.89%	0.00%	-	-	-	10.18%	6,198	141	6,339
CENS	BBVA	COP	2016/09/15	10.00	IBR + 4.89%	0.00%	-	-	-	10.13%	4,722	78	4,800
CENS	Davivienda	COP	2016/09/16	10.00	IBR + 4.89%	0.00%	-	-	-	10.17%	5,156	77	5,233
CENS	BBVA	COP	2016/10/3	10.00	IBR + 4.89%	0.00%	-	-	-	10.12%	5,000	59	5,059
CENS	Davivienda	COP	2016/10/14	10.00	IBR + 4.89%	0.00%	-	-	-	10.10%	4,851	46	4,897
CENS	BBVA	COP	2016/10/14	10.00	IBR + 4.89%	0.00%	-	-	-	10.07%	2,496	27	2,523
CENS	BBVA	COP	2016/10/24	10.00	IBR + 4.89%	0.00%	-	-	-	10.00%	6,140	62	6,202
CENS	Davivienda	COP	2016/11/17	10.00	IBR + 4.89%	0.00%	-	-	-	9.97%	3,877	14	3,891
CENS	Davivienda	COP	2016/11/24	10.00	IBR + 4.89%	0.00%	-	-	-	9.90%	11,020	41	11,061
CENS	Davivienda	COP	2016/12/5	10.00	IBR + 4.89%	0.00%	-	-	-	9.95%	14,210	(25)	14,185
CENS	Davivienda	COP	2016/12/16	10.00	IBR + 4.89%	0.00%	-	-	-	9.94%	15,232	(59)	15,173
CENS	Davivienda	COP	2017/01/13	10.00	IBR + 4.89%	0.00%	-	-	-	9.92%	11,000	462	11,462
CENS	Popular	COP	2017/05/15	10.00	IBR + 3.35%	7.62%	37,241	1,102	38,342	8.92%	37,241	351	37,591
CENS	Popular	COP	2017/05/26	10.00	IBR + 3.35%	7.62%	8,540	237	8,777	8.90%	8,540	57	8,597
CENS	Popular	COP	2017/06/23	10.00	IBR + 3.35%	7.63%	6,505	141	6,646	8.93%	6,505	(8)	6,497
CENS	Popular	COP	2017/06/29	10.00	IBR + 3.35%	7.61%	10,162	219	10,381	8.90%	10,162	(13)	10,149
CENS	Popular	COP	2017/07/18	10.00	IBR + 3.35%	7.58%	14,951	275	15,226	8.95%	14,951	621	15,572
CENS	Popular	COP	2017/07/27	10.00	IBR + 3.35%	7.59%	6,500	106	6,606	8.95%	6,500	255	6,755
CENS	Popular	COP	2017/08/23	10.00	IBR + 3.35%	7.70%	6,000	40	6,040	8.94%	6,000	192	6,192
CENS	Popular	COP	2017/09/15	10.00	IBR + 3.35%	7.67%	6,442	21	6,463	8.93%	6,442	168	6,610
CENS	Popular	COP	2017/09/19	12.00	IBR -1.8%	3.16%	5,923	32	5,955	3.24%	5,923	54	5,977
CENS	Popular	COP	2017/09/19	10.00	IBR + 4.45%	9.53%	11,846	72	11,918	9.62%	11,846	305	12,151
CENS	Popular	COP	2017/11/17	10.00	IBR + 3.35%	7.59%	9,659	295	9,954	8.88%	9,659	100	9,759
CENS	Popular	COP	2017/11/17	12.00	IBR -1.8%	2.97%	4,077	44	4,121	2.97%	4,077	14	4,091
CENS	Popular	COP	2017/11/17	10.00	IBR + 4.45%	9.57%	8,154	286	8,440	9.59%	8,154	90	8,244
CENS	Popular	COP	2017/12/18	10.00	IBR + 3.35%	7.57%	20,000	505	20,505	8.85%	20,000	61	20,061
CENS	Popular	COP	2018/01/18	10.00	IBR + 3.35%	7.56%	37,000	726	37,726	0.00%	-	-	-
CENS	Bancolombia	COP	2018/01/31	1.00	IBR + 1.86%	6.20%	7,000	71	7,071	0.00%	-	-	-
CENS	Bogotá	COP	2018/02/16	9.00	IBR + 2.98%	7.39%	137,832	1,060	138,892	0.00%	-	-	-
CENS	BBVA	COP	2018/09/28	1.00	IPC + 2.6%	5.78%	15,000	5	15,005	0.00%	-	-	-
CHEC	BBVA	COP	2014/08/22	10.00	IPC + 3.5%	6.48%	50,250	643	50,893	7.49%	56,531	866	57,397
CHEC	Corpbanca	COP	2014/08/22	10.00	IPC + 3.5%	6.48%	38,250	494	38,744	7.49%	43,031	661	43,692
CHEC	BBVA	COP	2015/12/28	10.00	DTF + 2.35%	7.73%	44,391	78	44,469	7.51%	60,000	119	60,119
CHEC	Agrario	COP	2016/01/6	10.00	DTF + 2.99%	0.00%	-	-	-	8.17%	65,000	1,327	66,327
CHEC	Bancolombia	COP	2018/02/9	8.00	IBR + 2.29%	6.70%	60,938	879	61,816	0.00%	-	-	-
DEL SUR	Bonos	USD	2010/08/16	10.00	LIBOR 6M + 3%	1.52%	62,416	383	62,798	1.52%	62,664	327	62,991
DEL SUR	Davivienda	USD	2013/08/26	10.00	LIBOR 3M + 3.7%	1.02%	52,013	248	52,261	1.02%	57,815	7	57,822
DEL SUR	Davivienda	USD	2015/10/7	10.00	LIBOR 3M + 4.2%	1.02%	41,239	508	41,747	1.02%	44,760	671	45,431
DEL SUR	Reporto	USD	2018/09/27	0.02	5.1%	0.00%	3,760	-	3,760	0.00%	-	-	-
DEL SUR	Banco América Central	USD	2018/09/28	0.03	5%	0.00%	10,403	17	10,420	0.00%	-	-	-

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EDEQ	AGRARIO	COP	2015/06/25	3.25	DTF + 1.65%	0.00%	-	-	-	5.96%	2,475	13	2,488
EDEQ	DAVIVIENDA	COP	2015/11/12	7.00	DTF + 2.66%	8.36%	6,242	(51)	6,191	2.83%	7,344	5	7,349
EDEQ	AV VILLAS	COP	2016/06/23	7.00	IBR + 3.1%	10.67%	2,849	20	2,869	10.67%	2,999	25	3,024
EDEQ	AV VILLAS	COP	2017/09/15	7.00	IBR + 3.1%	7.47%	6,000	11	6,011	7.85%	6,000	16	6,016
EDEQ	Bancolombia	COP	2018/05/4	1.00	IBR + 1.86%	6.14%	11,000	102	11,102	0.00%	-	-	-
ENSA	Bonos	USD	2006/07/10	15.00	7.6%	8.16%	297,218	1,808	299,026	8.16%	298,400	6,813	305,213
ENSA	Bonos	USD	2012/12/13	15.00	4.73%	3.46%	237,774	434	238,208	3.46%	238,720	(2,561)	236,159
ENSA	Banco Davivienda	USD	2016/12/21	0.08	LIBOR + 1.4%	0.00%	-	-	-	2.00%	53,712	485	54,197
ENSA	Banco Davivienda	USD	2017/06/21	0.58	LIBOR + 2.00%	0.00%	-	-	-	0.00%	5,968	54	6,022
ENSA	Citibank	USD	2017/08/7	0.49	LIBOR + 2.00%	0.00%	-	-	-	2.00%	38,792	58	38,850
ENSA	Scotiabank	USD	2017/10/9	0.41	LIBOR + 1.89%	0.00%	-	-	-	1.89%	59,680	63	59,743
ENSA	Citibank	USD	2017/11/8	0.49	LIBOR + 1.94%	0.00%	-	-	-	1.94%	35,808	39	35,847
ENSA	Banco Latinoamericano de Comercio Exterior, S.A.	USD	2017/12/5	0.17	LIBOR + 1.65%	0.00%	-	-	-	1.65%	38,792	44	38,836
ENSA	Scotiabank	USD	2018/03/9	0.58	LIBOR + 2.5%	2.50%	29,722	40	29,762	1.95%	14,920	16	14,936
ENSA	Scotiabank	USD	2018/03/12	0.58	LIBOR + 2.5%	2.50%	29,722	36	29,758	1.98%	59,680	43	59,723
ENSA	Scotiabank	USD	2018/04/6	0.50	LIBOR + 2.81%	2.81%	29,722	53	29,775	0.00%	-	-	-
ENSA	Scotiabank	USD	2018/04/9	0.50	LIBOR + 2.81%	2.81%	29,722	46	29,768	0.00%	-	-	-
ENSA	Scotiabank	USD	2018/06/7	0.33	LIBOR + 2.55%	2.55%	41,611	59	41,669	0.00%	-	-	-
ENSA	Scotiabank	USD	2018/07/5	0.25	LIBOR + 2.55%	2.55%	44,583	73	44,656	1.95%	44,760	61	44,821
ENSA	Davivienda	USD	2018/07/5	0.42	LIBOR + 3.6%	3.60%	5,944	93	6,037	0.00%	-	-	-
ENSA	Scotiabank	USD	2018/08/6	0.17	LIBOR + 2.55%	2.55%	17,833	30	17,863	0.00%	-	-	-
ENSA	Citibank	USD	2018/08/31	0.16	LIBOR + 2.43%	2.43%	35,666	5	35,671	0.00%	-	-	-
ENSA	Citibank	USD	2018/09/4	0.08	LIBOR + 2.46%	2.46%	38,638	69	38,707	0.00%	-	-	-
ENSA	Bladex	USD	2018/09/12	0.08	LIBOR + 2.83894%	2.84%	41,611	8	41,618	0.00%	-	-	-
ENSA	Banco América Central	USD	2018/09/12	0.08	LIBOR + 3%	3.00%	17,833	27	17,860	0.00%	-	-	-
ENSA	Bladex	USD	09/11/2008	0.08	LIBOR + 2.831%	2.83%	29,722	6	29,728	2.00%	29,840	28	29,868
EP RIO	Bogotá	COP	2015/10/19	10.00	DTF + 5%	10.27%	2,656	(14)	2,642	11.01%	2,897	26	2,923
EP RIO	Bogotá	COP	2016/02/28	10.00	DTF + 5%	10.32%	927	(10)	917	11.02%	1,000	(10)	990
EP RIO	Bogotá	COP	2016/06/15	10.00	DTF + 5%	10.29%	2,422	(13)	2,409	11.03%	2,500	(14)	2,486
EP RIO	Bogotá	COP	2016/07/27	10.00	DTF + 5%	10.25%	3,917	(29)	3,887	10.98%	4,000	54	4,054
EPM	9999 COMISIONES CREDITOS NO DESEMBOLSADOS	USD	1900/01/0	-	+ 0%	0.00%	-	(30,960)	(30,960)	0.00%	-	(13,260)	(13,260)
EPM	2218 BID 800 - RELIQUIDADO	USD	1994/07/14	25.00	LIBOR + 1.43%	2.25%	24,064	609	24,674	2.29%	48,320	1,671	49,992
EPM	1665 BID-1664-1	COP	2005/12/9	20.00	7.8%	9.42%	355,962	11,854	367,816	9.46%	379,692	3,935	383,627
EPM	2179 BANK OF TOKYO-MITSUB	USD	2008/09/29	15.00	LIBOR + 0.95%	1.84%	247,654	11,813	259,467	1.17%	298,376	16,760	315,136
EPM	1256 BONOS TASA FIJA	COP	2008/11/20	10.00	13.8%	13.79%	58,000	6,823	64,823	13.79%	58,000	853	58,853
EPM	1254 BONOS IPC	COP	2008/11/20	10.00	IPC + 5.37%	9.07%	174,410	2,263	176,673	10.49%	174,410	3,563	177,973
EPM	1257 BONOS IPC II TRAMO	COP	2009/01/22	10.00	IPC + 5.8%	8.97%	138,600	2,370	140,970	10.25%	138,600	2,447	141,047
EPM	1259 BONOS TF II TRAMO	COP	2009/01/22	10.00	10.8%	10.79%	74,700	5,460	80,160	10.79%	74,700	7,564	82,264
EPM	1220 BID 2120	USD	2009/03/25	25.00	LIBOR + 0%	3.35%	341,878	(4,526)	337,352	3.33%	111,903	(55)	111,848

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EPM	2021 BID 2120-1	COP	2009/03/25	25.00	6.272%	7.25%	190,295	(5,875)	184,421	7.05%	190,295	(1,892)	188,403
EPM	2022 BID 2120-2	COP	2009/03/25	25.00	7.5%	8.20%	388,096	(5,917)	382,179	8.04%	413,134	4,607	417,741
EPM	2023 BID 2120-3	COP	2009/03/25	25.00	6.265%	6.68%	193,216	(968)	192,247	6.56%	205,681	826	206,507
EPM	1261 BONOS IPC III TRAMO	COP	2009/04/21	15.00	IPC + 6.24%	9.44%	198,400	4,248	202,648	10.55%	198,400	4,374	202,774
EPM	1262 BONOS INTERNACIONALE	USD	2009/07/29	10.00	7.625%	8.17%	1,486,090	14,795	1,500,885	8.17%	1,492,000	39,894	1,531,894
EPM	1264 BONOS IPC IV TRAM 2	COP	2010/12/14	12.00	IPC + 4.2%	7.67%	119,900	493	120,393	8.74%	119,900	113	120,013
EPM	1265 BONOS IPC IV TRAM 3	COP	2010/12/14	20.00	IPC + 4.94%	8.28%	267,400	474	267,874	9.37%	267,400	(57)	267,343
EPM	1266 GLOBAL 2021 COP	COP	2011/01/31	10.00	8.375%	8.69%	1,250,000	60,358	1,310,358	8.69%	1,250,000	85,144	1,335,144
EPM	1013 AFD	USD	2012/08/10	14.00	4.311%	4.47%	753,882	4,019	757,902	4.47%	840,978	13,693	854,672
EPM	1267 BONOS IPC V TRAMO I	COP	2013/12/4	5.00	IPC + 3.82%	7.20%	41,880	192	42,072	8.55%	41,880	83	41,963
EPM	1268 BONOS IPC V TRAMO II	COP	2013/12/4	10.00	IPC + 4.52%	7.98%	96,210	(349)	95,861	9.10%	96,210	(529)	95,681
EPM	1269 BONOS IPC V TRAM III	COP	2013/12/4	20.00	IPC + 5.03%	8.44%	229,190	(1,573)	227,617	9.54%	229,190	(1,819)	227,371
EPM	5765 AGRARIO	COP	2014/05/20	16.00	IPC + 4.7%	8.20%	116,000	949	116,949	9.22%	116,000	(1,098)	114,902
EPM	1270 BONOS IPC VI TRAMO I	COP	2014/07/29	6.00	IPC + 3.57%	7.18%	125,000	608	125,608	8.31%	125,000	322	125,322
EPM	1271 BONOS IPC VI TRAMO II	COP	2014/07/29	12.00	IPC + 4.17%	7.60%	125,000	107	125,107	8.70%	125,000	42	125,042
EPM	1272 BONOS IPC VI TRAM III	COP	2014/07/29	20.00	IPC + 4.5%	7.90%	250,000	(179)	249,821	8.99%	250,000	(191)	249,809
EPM	1273 GLOBAL 2024 COP	COP	2014/09/3	10.00	7.625%	7.73%	965,745	(1,031)	964,714	7.73%	965,745	16,659	982,404
EPM	1274 BONOS IPC V TRAM IV	COP	2015/03/20	10.00	IPC + 3.65%	7.83%	130,000	343	130,343	8.94%	130,000	192	130,192
EPM	1275 BONOS IPC VII TRAMO I	COP	2015/03/20	5.00	IPC + 2.72%	5.94%	120,000	140	120,140	7.11%	120,000	(102)	119,898
EPM	1276 BONOS IPC VII TRAMO II	COP	2015/03/20	12.00	IPC + 3.92%	7.16%	120,000	126	120,126	8.25%	120,000	(67)	119,933
EPM	1277 BONOS IPC VII TRAM III	COP	2015/03/20	20.00	IPC + 4.43%	7.65%	260,000	905	260,905	8.86%	260,000	367	260,367
EPM	2015 CLUB DEAL BANK OF TOKYO	USD	2015/12/29	5.00	LIBOR + 1.4%	4.71%	698,462	(2,493)	695,969	4.00%	701,240	(3,567)	697,673
EPM	2016 BNDES	USD	2016/04/26	23.50	4.887%	5.31%	121,198	(2,049)	119,149	5.22%	76,971	(3,092)	73,879
EPM	1014 EDC	USD	2016/08/4	6.00	LIBOR + 1.4%	4.41%	891,654	(1,003)	890,651	0.00%	-	-	-
EPM	1015 CAF	USD	2016/10/3	18.00	LIBOR + 3.1%	6.20%	594,436	2,566	597,002	0.00%	-	-	-
EPM	8858 EMVARIAS	COP	2017/07/6	1.00	DTF + 2.44%	7.93%	-	-	-	-	-	-	-
EPM	1278 GLOBAL 2027 COP	COP	2017/10/31	10.00	8.375%	8.46%	2,300,000	158,787	2,458,787	8.46%	2,300,000	13,925	2,313,925
EPM	6015 COLPATRIA	COP	2017/12/12	1.00	IBR + 1.65%	6.38%	100,000	256	100,256	6.38%	100,000	324	100,324
EPM	6016 COLPATRIA	COP	2017/12/21	1.00	IBR + 1.65%	6.36%	100,000	170	100,170	6.36%	100,000	170	100,170
EPM	6014 POPULAR	COP	2017/12/26	1.00	IBR + 1.8%	6.47%	100,000	104	100,104	6.47%	100,000	87	100,087
EPM	6017 POPULAR	COP	2018/01/15	1.00	IBR + 1.8%	6.38%	100,000	1,298	101,298	0.00%	-	-	-
EPM	6018 Bancolombia	COP	2018/01/22	1.00	IBR + 1.59%	6.16%	100,000	1,155	101,155	0.00%	-	-	-
EPM	6019 Bancolombia	COP	2018/01/29	1.00	IBR + 1.59%	6.16%	70,000	727	70,727	0.00%	-	-	-
EPM	6020 Bancolombia	COP	2018/02/19	1.00	IBR + 1.59%	6.04%	130,000	884	130,884	0.00%	-	-	-
ESSA	Bogotá	COP	2013/02/26	7.00	IBR + 1.88%	5.84%	33,600	265	33,865	6.17%	50,400	512	50,912
ESSA	Bogotá	COP	2013/04/11	7.00	IBR + 1.88%	5.90%	12,775	191	12,966	6.27%	18,250	337	18,587
ESSA	Bogotá	COP	2013/05/20	7.00	IBR + 1.88%	5.72%	2,450	25	2,475	6.07%	3,500	46	3,546
ESSA	Bogotá	COP	2014/04/10	7.00	IBR + 1.88%	5.93%	9,900	156	10,056	6.31%	12,600	242	12,842
ESSA	Bogotá	COP	2014/04/16	7.00	IBR + 1.88%	5.98%	5,500	78	5,578	6.36%	7,000	122	7,122

Entity	Entity or loan	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018			December 31, 2018				
						IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount
ESSA	Bogotá	COP	2015/04/30	7.00	IBR + 1.88%	6.16%	9,750	95	9,845	6.53%	11,700	143	11,843
ESSA	Bogotá	COP	2016/01/27	7.00	IBR + 1.88%	6.24%	13,500	117	13,617	6.62%	15,000	162	15,162
ESSA	Bogotá	COP	2016/02/16	7.00	IBR + 1.88%	6.25%	11,700	60	11,760	6.68%	13,000	105	13,105
ESSA	Bogotá	COP	2016/03/28	7.00	IBR + 1.88%	6.01%	6,300	19	6,319	6.38%	7,000	32	7,032
ESSA	Bogotá	COP	2016/04/14	7.00	IBR + 1.88%	6.28%	8,075	81	8,156	6.66%	8,500	103	8,603
ESSA	Bogotá	COP	2016/07/1	12.00	IBR + 3.15%	7.58%	20,000	283	20,283	9.41%	20,000	404	20,404
ESSA	Bogotá	COP	2016/08/19	12.00	IBR + 3.15%	7.53%	8,000	52	8,052	9.35%	8,000	74	8,074
ESSA	Bogotá	COP	2016/10/13	12.00	IBR + 3.15%	7.58%	9,000	103	9,103	9.42%	9,000	149	9,149
ESSA	Bogotá	COP	2016/11/11	12.00	IBR + 3.15%	7.62%	35,000	154	35,154	9.42%	35,000	298	35,298
ESSA	Bogotá	COP	2016/12/5	12.00	IBR + 3.15%	7.59%	8,000	6	8,006	9.42%	8,000	16	8,016
ESSA	Bogotá	COP	2016/12/14	12.00	IBR + 3.15%	7.57%	15,000	(5)	14,995	9.42%	15,000	11	15,011
ESSA	Bogotá	COP	2017/01/11	12.00	IBR + 3.15%	7.58%	14,994	179	15,173	9.42%	15,000	258	15,258
ESSA	Bogotá	COP	2017/01/16	12.00	IBR + 3.15%	7.57%	9,994	114	10,108	9.42%	10,000	158	10,158
ESSA	Bogotá	COP	2017/05/15	12.00	IBR + 3.15%	7.57%	10,000	53	10,053	9.36%	10,000	100	10,100
ESSA	BBVA	COP	2017/06/14	12.00	IBR + 3.56%	8.08%	10,000	14	10,014	8.47%	10,000	22	10,022
ESSA	BBVA	COP	2017/06/29	12.00	IBR + 3.56%	7.93%	8,000	35	8,035	8.32%	8,000	47	8,047
ESSA	BBVA	COP	2017/07/13	12.00	IBR + 3.56%	8.07%	10,000	150	10,150	8.48%	10,000	174	10,174
ESSA	BBVA	COP	2017/09/28	12.00	IBR + 3.56%	8.07%	15,000	(19)	14,981	8.46%	15,000	(5)	14,995
ESSA	BBVA	COP	2017/10/12	12.00	IBR + 3.56%	8.06%	5,000	78	5,078	8.47%	5,000	90	5,090
ESSA	BBVA	COP	2017/10/30	12.00	IBR + 3.56%	8.06%	5,000	58	5,058	8.46%	5,000	69	5,069
ESSA	BBVA	COP	2017/11/29	12.00	IBR + 3.56%	7.90%	7,000	37	7,037	8.29%	7,000	49	7,049
ESSA	BBVA	COP	2017/12/11	12.00	IBR + 3.56%	8.04%	4,000	14	4,014	8.44%	4,000	18	4,018
ESSA	BBVA	COP	2017/12/14	12.00	IBR + 3.56%	8.04%	14,000	40	14,040	8.44%	14,000	53	14,053
ESSA	BBVA	COP	2017/12/26	12.00	IBR + 3.56%	8.05%	90,000	2	90,002	8.44%	90,000	100	90,100
ESSA	Bogotá	COP	2017/12/26	12.00	IBR + 3.15%	7.50%	10,000	(0)	10,000	7.88%	10,000	10	10,010
ESSA	Popular	COP	2018/04/30	1.00	IBR + 1.8%	5.96%	80,000	1,965	81,965	0.00%	-	-	-
ESSA	Popular	COP	2018/05/30	1.00	IBR + 1.8%	6.02%	12,000	239	12,239	0.00%	-	-	-
ESSA	Popular	COP	2018/07/31	1.00	IBR + 1.8%	6.04%	10,000	99	10,099	0.00%	-	-	-
GRUPO DECA	Banco Internacional	GTQ	2011/07/29	10.00	TAPP -6%	7.63%	5,458	(39)	5,418	7.51%	7,661	(36)	7,626
GRUPO DECA	Banco Industrial	GTQ	2012/10/29	10.00	TAPP -6.56%	6.93%	123,193	(859)	122,334	6.95%	144,111	(986)	143,125
GRUPO DECA	Banco G&T Continental	GTQ	2012/10/29	10.00	TAPP -6.56%	6.94%	80,111	(568)	79,543	6.95%	93,687	(649)	93,038
GRUPO DECA	Banco Reformador	GTQ	2012/10/29	10.00	TAPP -6.56%	6.95%	31,004	(205)	30,799	6.78%	36,704	(103)	36,600
GRUPO DECA	Banco Agromercantil	GTQ	2012/10/29	10.00	TAPP -6.56%	6.95%	43,413	(319)	43,094	6.81%	50,784	(184)	50,601
GRUPO DECA	Banco Industrial	USD	2014/11/20	10.00	TAPP -1.56%	4.60%	68,997	260	69,256	4.51%	74,600	52	74,652
GRUPO DECA	Banco América Central	USD	2014/11/20	10.00	TAPP -1.5%	4.67%	27,599	105	27,704	4.58%	29,840	21	29,861
GRUPO DECA	Banco Internacional	USD	2014/12/4	10.00	TAPP -1.5%	4.67%	8,280	31	8,311	4.58%	8,952	7	8,959
GRUPO DECA	Banco de Desarrollo Rural	USD	2014/12/14	5.00	TAPP -1.2%	4.98%	27,599	104	27,702	4.89%	29,840	21	29,861
GRUPO DECA	Banco G&T Continental	USD	2017/04/27	3.00	TAPP -1.5%	0.00%	-	-	-	4.55%	41,776	(0)	41,776
GRUPO DECA	Banco América Central	USD	2017/05/22	3.00	TAPP -1.5%	0.00%	-	-	-	4.55%	29,840	(0)	29,840

Entity	Entity or loan	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018			December 31, 2018				
						IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount
GRUPO DECA	Banco Reformador	USD	2017/08/17	3.00	TAPP -1.5%	0.00%	-	-	-	4.55%	44,760	(0)	44,760
GRUPO DECA	Banco Agrcomercantil	USD	2018/04/27	1.00	LIBOR + 2.03%	4.13%	145,636	-	145,636	0.00%	-	-	-
GRUPO DECA	Bancolombia	USD	2018/07/9	1.00	LIBOR + 2.03%	4.13%	213,996	-	213,996	0.00%	-	-	-
TICSA	Interacciones	MXN	2007/08/1	15.33	TIIE + 3%	7.57%	23,106	808	23,913	7.60%	27,347	(1,155)	26,191
TICSA	Interacciones	MXN	2011/05/1	8.00	TIIE + 3.9%	11.22%	2,774	21	2,795	8.16%	6,084	114	6,198
TICSA	Banco del Bajío	MXN	2013/07/31	14.67	TIIE + 2.75%	8.65%	63,909	(1,055)	62,854	8.73%	64,334	(2,356)	61,978
TICSA	FIDE	MXN	2015/12/9	3.00	8.69%	8.69%	452	(296)	155	8.69%	468	-	468
TICSA	Santander	MXN	2016/06/14	7.00	TIIE + 2.15%	12.11%	37,024	101	37,125	11.45%	40,110	(215)	39,895
TICSA	Santander	MXN	2016/06/14	10.00	TIIE + 2.15%	12.16%	52,160	(251)	51,909	11.34%	52,998	(529)	52,469
TICSA	Santander	MXN	2016/06/14	14.00	TIIE + 2.15%	12.90%	18,359	(2)	18,357	12.02%	18,149	(98)	18,051
TICSA	Bank of America	MXN	2017/11/29	1.00	TIIE + 1.75%	9.87%	3,179	-	3,179	6.11%	1,525	-	1,525
TICSA	Bank of America	MXN	2017/12/8	1.00	TIIE + 1.75%	0.00%	-	-	-	6.11%	7,626	-	7,626
TICSA	Bank of America	MXN	2017/12/8	1.00	TIIE + 1.75%	9.87%	7,947	-	7,947	6.11%	6,101	-	6,101
TICSA	Bank of America	MXN	2018/04/6	1.00	TIIE + 1.75%	9.87%	27,498	-	27,498	6.11%	23,792	-	23,792
TICSA	Bank of America	MXN	2018/04/16	1.00	TIIE + 1.75%	9.87%	9,584	-	9,584	6.11%	9,197	-	9,197
TICSA	Santander	MXN	2018/05/25	1.00	TIIE + 3%	11.12%	4,733	-	4,733	6.76%	4,347	-	4,347
TICSA	Bank of America	USD	2018/07/6	1.00	LIBOR + 2.25%	9.87%	9,269	-	9,269	6.11%	4,575	-	4,575
TICSA	Bank of America	MXN	2018/07/23	1.00	TIIE + 1.75%	9.87%	9,219	-	9,219	6.11%	2,745	-	2,745
TICSA	Bank of America	MXN	2018/09/3	1.00	TIIE + 1.75%	9.87%	11,126	-	11,126	6.11%	4,575	-	4,575
TICSA	Bank of America	USD	2018/09/28	1.00	LIBOR + 2.25%	9.87%	11,362	-	11,362	6.11%	3,050	-	3,050
TICSA	Others						(54)	-	(54)				
<b>Total</b>							<b>18,853,035</b>	<b>257,377</b>	<b>19,110,412</b>	<b>-</b>	<b>16,750,111</b>	<b>208,612</b>	<b>16,958,723</b>

Amounts expressed in millions of Colombian pesos -

Interests paid for credit operations as of September 30, 2018 were \$808,680 (2017: \$ 1,013,853).

The difference in net change (profit) as of September 30, 2018 assumed associated with the debt was for \$ 43,945 (2017: \$ 59,730).

The information on the bonds issued is as follows:

Subseries	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018				December 31, 2017				Amount										
					IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount	Amount 2017	Amount 2016	Amount 2015	Amount 2014	Amount 2013	Amount 2012	Amount 2011	Amount 2010	Amount 2009	Amount 2008	
A10a	COP	2008/11/20	10	IPC + 5.37%	9.07%	174,410	2,263	176,673	10.49%	174,410	3,563	177,973	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	141,450
A10a	COP	2009/01/22	10	IPC + 5.8%	8.97%	138,600	2,370	140,970	10.25%	138,600	2,447	141,047	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	-
A10a	COP	2013/12/4	10	IPC + 4.52%	7.98%	96,210	-349	95,861	9.10%	96,210	(529)	95,681	96,210	96,210	96,210	96,210	96,210	-	-	-	-	-	-
A10a	COP	2015/03/20	10	IPC + 3.65%	7.83%	130,000	343	130,343	8.94%	130,000	192	130,192	130,000	130,000	130,000	130,000	130,000	-	-	-	-	-	-
A12a	COP	2010/12/14	12	IPC + 4.2%	7.67%	119,900	493	120,393	8.74%	119,900	113	120,013	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	-
A12a	COP	2014/07/29	12	IPC + 4.17%	7.60%	125,000	107	125,107	8.70%	125,000	42	125,042	125,000	125,000	125,000	125,000	125,000	-	-	-	-	-	-
A12a	COP	2015/03/20	12	IPC + 3.92%	7.16%	120,000	126	120,126	8.25%	120,000	(67)	119,933	120,000	120,000	120,000	120,000	120,000	-	-	-	-	-	-
A15a	COP	2009/04/21	15	IPC + 6.24%	9.44%	198,400	4,248	202,648	10.55%	198,400	4,374	202,774	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	-
A20a	COP	2010/12/14	20	IPC + 4.94%	8.28%	267,400	474	267,874	9.37%	267,400	(57)	267,343	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	-
A20a	COP	2013/12/4	20	IPC + 5.03%	8.44%	229,190	-1,573	227,617	9.54%	229,190	(1,819)	227,371	229,190	229,190	229,190	229,190	229,190	229,190	-	-	-	-	-
A20a	COP	2014/07/29	20	IPC + 4.5%	7.90%	250,000	-179	249,821	8.99%	250,000	(191)	249,809	250,000	250,000	250,000	250,000	250,000	-	-	-	-	-	-
A20a	COP	2015/03/20	20	IPC + 4.43%	7.65%	260,000	905	260,905	8.86%	260,000	367	260,367	260,000	260,000	260,000	260,000	260,000	-	-	-	-	-	-
A5a	COP	2013/12/4	5	IPC + 3.82%	7.20%	41,880	192	42,072	8.55%	41,880	83	41,963	41,880	41,880	41,880	41,880	41,880	-	-	-	-	-	-
A5a	COP	2015/03/20	5	IPC + 2.72%	5.94%	120,000	140	120,140	7.11%	120,000	(102)	119,898	120,000	120,000	120,000	120,000	120,000	-	-	-	-	-	-
A6a	COP	2014/07/29	6	IPC + 3.57%	7.18%	125,000	608	125,608	8.31%	125,000	322	125,322	125,000	125,000	125,000	125,000	125,000	-	-	-	-	-	-
C10a	COP	2009/01/22	10	10.8%	10.79%	74,700	5,460	80,160	10.79%	74,700	7,564	82,264	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700
C10a	COP	2008/11/20	10	13.8%	13.79%	58,000	6,823	64,823	13.79%	58,000	853	58,853	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000
International bond	USD	2009/07/29	10	7.625%	8.17%	1,486,090	14,795	1,500,885	8.17%	1,492,000	39,894	1,531,894	1,492,000	1,500,355	1,574,735	1,196,230	963,415	884,115	971,350	956,990	1,022,115	-	-
International bond	COP	2011/01/31	10	6.375%	8.69%	1,250,000	60,358	1,310,358	8.69%	1,250,000	85,144	1,335,144	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	-
International bond	COP	2014/09/3	10	7.625%	7.73%	965,745	-1,031	964,714	7.73%	965,745	16,659	982,404	965,745	965,745	965,745	965,745	965,745	-	-	-	-	-	-
International bond	COP	2017/10/31	10	8.375%	8.46%	2,300,000	158,787	2,458,787	8.46%	2,300,000	13,925	2,313,925	2,300,000	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>						<b>8,530,525</b>	<b>255,363</b>	<b>8,785,888</b>		<b>8,536,435</b>	<b>172,780</b>	<b>8,709,215</b>	<b>8,536,435</b>	<b>6,244,790</b>	<b>6,319,170</b>	<b>5,440,665</b>	<b>3,742,105</b>	<b>3,165,525</b>	<b>3,252,760</b>	<b>1,988,400</b>	<b>1,666,225</b>	<b>199,450</b>	

Amounts expressed in millions of Colombian pesos, the exchange rate used was the TRM at the end of each period

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

Type of bond	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018				December 31, 2017				Amount										
					IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount	Amount 2017	Amount 2016	Amount 2015	Amount 2014	Amount 2013	Amount 2012	Amount 2011	Amount 2010	Amount 2009	Amount 2008	
National bond	COP	2008/11/20	10	IPC + 5.37%	9.07%	174,410	2,263	176,673	10.49%	174,410	3,563	177,973	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	174,410	141,450
National bond	COP	2009/01/22	10	IPC + 5.8%	8.97%	138,600	2,370	140,970	10.25%	138,600	2,447	141,047	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	-
National bond	COP	2013/12/4	10	IPC + 4.52%	7.98%	96,210	-349	95,861	9.10%	96,210	(529)	95,681	96,210	96,210	96,210	96,210	96,210	-	-	-	-	-	-
National bond	COP	2015/03/20	10	IPC + 3.65%	7.83%	130,000	343	130,343	8.94%	130,000	192	130,192	130,000	130,000	130,000	130,000	130,000	-	-	-	-	-	-
National bond	COP	2010/12/14	12	IPC + 4.2%	7.67%	119,900	493	120,393	8.74%	119,900	113	120,013	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	119,900	-
National bond	COP	2014/07/29	12	IPC + 4.17%	7.60%	125,000	107	125,107	8.70%	125,000	42	125,042	125,000	125,000	125,000	125,000	125,000	-	-	-	-	-	-
National bond	COP	2015/03/20	12	IPC + 3.92%	7.16%	120,000	126	120,126	8.25%	120,000	(67)	119,933	120,000	120,000	120,000	120,000	120,000	-	-	-	-	-	-
National bond	COP	2009/04/21	15	IPC + 6.24%	9.44%	198,400	4,248	202,648	10.55%	198,400	4,374	202,774	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	198,400	-
National bond	COP	2010/12/14	20	IPC + 4.94%	8.28%	267,400	474	267,874	9.37%	267,400	(57)	267,343	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	267,400	-
National bond	COP	2013/12/4	20	IPC + 5.03%	8.44%	229,190	-1,573	227,617	9.54%	229,190	(1,819)	227,371	229,190	229,190	229,190	229,190	229,190	229,190	-	-	-	-	-
National bond	COP	2014/07/29	20	IPC + 4.5%	7.90%	250,000	-179	249,821	8.99%	250,000	(191)	249,809	250,000	250,000	250,000	250,000	250,000	-	-	-	-	-	-
National bond	COP	2015/03/20	20	IPC + 4.43%	7.65%	260,000	905	260,905	8.86%	260,000	367	260,367	260,000	260,000	260,000	260,000	260,000	-	-	-	-	-	-
National bond	COP	2013/12/4	5	IPC + 3.82%	7.20%	41,880	192	42,072	8.55%	41,880	83	41,963	41,880	41,880	41,880	41,880	41,880	-	-	-	-	-	-
National bond	COP	2015/03/20	5	IPC + 2.72%	5.94%	120,000	140	120,140	7.11%	120,000	(102)	119,898	120,000	120,000	120,000	120,000	120,000	-	-	-	-	-	-
National bond	COP	2014/07/29	6	IPC + 3.57%	7.18%	125,000	608	125,608	8.31%	125,000	322	125,322	125,000	125,000	125,000	125,000	125,000	-	-	-	-	-	-
National bond	COP	2009/01/22	10	10.8%	10.79%	74,700	5,460	80,160	10.79%	74,700	7,564	82,264	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700	74,700
National bond	COP	2008/11/20	10	13.8%	13.79%	58,000	6,823	64,823	13.79%	58,000	853	58,853	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000
<b>TOTAL</b>						<b>2,528,690</b>	<b>22,453</b>	<b>2,551,143</b>		<b>2,528,690</b>	<b>17,157</b>	<b>2,545,847</b>	<b>2,528,690</b>	<b>2,528,690</b>	<b>2,528,690</b>	<b>2,028,690</b>	<b>1,528,690</b>	<b>1,031,410</b>	<b>1,031,410</b>	<b>1,031,410</b>	<b>644,110</b>	<b>199,450</b>	

Amounts expressed in millions of Colombian pesos.

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

**EPM:**

Type of bond	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018				December 31, 2017				Amount									
					IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount	Amount 2017	Amount 2016	Amount 2015	Amount 2014	Amount 2013	Amount 2012	Amount 2011	Amount 2010	Amount 2009	Amount 2008
International bond	USD	2009/07/29	10	7.625%	8.17%	1,486,090	14,795	1,500,885	8.17%	1,492,000	39,894	1,531,894	1,492,000	1,500,355	1,574,735	1,196,230	963,415	884,115	971,350	956,990	1,022,115	-
International bond	COP	2011/01/31	10	8.375%	8.69%	1,250,000	60,358	1,310,358	8.69%	1,250,000	85,144	1,335,144	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	-	-	-
International bond	COP	2014/09/3	10	7.625%	7.73%	965,745	-1,031	964,714	7.73%	965,745	16,659	982,404	965,745	965,745	965,745	965,745	-	-	-	-	-	-
International bond	COP	2017/10/31	10	8.375%	8.46%	2,300,000	158,787	2,458,787	8.46%	2,300,000	13,925	2,313,925	2,300,000	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>						<b>6,001,835</b>	<b>232,910</b>	<b>6,234,745</b>		<b>6,007,745</b>	<b>155,623</b>	<b>6,163,368</b>	<b>6,007,745</b>	<b>3,716,100</b>	<b>3,790,480</b>	<b>3,411,975</b>	<b>2,213,415</b>	<b>2,134,115</b>	<b>2,221,350</b>	<b>956,990</b>	<b>1,022,115</b>	<b>-</b>

Amounts expressed in millions of Colombian pesos, the exchange rate used was the TRM at the end of each period

**ENSA:**

Type of bond	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018				December 31, 2017				Amount											
					IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount	Amount 2017	Amount 2016	Amount 2015	Amount 2014	Amount 2013	Amount 2012	Amount 2011	Amount 2010	Amount 2009	Amount 2008	Amount 2007	Amount 2006
Preferred bonds	USD	2006/07/10	15	7.6%	8.16%	297,218	1,808	299,026	8.16%	298,400	6,813	305,213	-	-	-	-	-	-	-	-	-	-	-	223,879
Corporate bonds	USD	2012/12/13	15	4.73%	3.46%	237,774	434	238,208	3.46%	238,720	-	236,159	-	-	-	-	-	141,458	-	-	-	-	-	-
<b>TOTAL</b>						<b>534,992</b>	<b>2,242</b>	<b>537,234</b>		<b>537,120</b>	<b>4,252</b>	<b>541,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,458</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223,879</b>

Amounts expressed in millions of Colombian pesos, the exchange rate used was the TRM at the end of each period

**DELSUR:**

Type of bond	Original currency	Initial date	Term	Nominal interest rate	September 30, 2018				December 31, 2017				Amount											
					IRR	Nominal value	Amortized cost value	Total amount	IRR	Nominal value	Amortized cost value	Total amount	Amount 2017	Amount 2016	Amount 2015	Amount 2014	Amount 2013	Amount 2012	Amount 2011	Amount 2010	Amount 2009	Amount 2008		
Investment certificates - CIDELSUR1 (ScotialInversiones, BVES)	USD	2010/08/16	10	LIBOR 6M + 3%	1.52%	62,416	383	62,798	1.52%	62,664	327	62,991	-	-	-	-	-	-	-	-	-	-	-	40,194
<b>TOTAL</b>						<b>62,416</b>	<b>383</b>	<b>62,798</b>		<b>62,664</b>	<b>327</b>	<b>62,991</b>	<b>-</b>	<b>-</b>	<b>40,194</b>									

Amounts expressed in millions of Colombian pesos, the exchange rate used was the TRM at the end of each period

**As of September 30, 2018, the following credit-related news were presented to the EPM Group:**

**EPM Parent Company:**

In January 2018, long-term credit disbursement of with Export Development Canada (EDC) was introduced for USD 110 million, at a Libor rate of + 1.40% and a 6-year term.

In January 2018, the company obtained short-term loans with Bancolombia for COP 170,000 at an IBR+1.59% rate and Banco Popular for COP 100,000 at a rate of IBR + 1.80%. Both for a 1-year term.

In February 2018, the company obtained a COP 130,000 short-term loan with Bancolombia for at an IBR+1.59% rate and a 1-year term.

In February 2018, a long-term credit disbursement with Banco Nacional de Desarrollo Económico y Social [National Bank for Economic and Social Development (BNDES)] for USD 11 million was presented, at a + 4.89% fixed rate with a 23.5-year maturity.

In March 2018, a long-term credit disbursement with Banco Nacional de Desarrollo Económico y Social (BNDES) for USD 4 million was presented, with a fixed rate + 4.89% with a 23.5-year maturity.

In April 2018, long-term credit disbursement with Export Development Canada (EDC) was introduced for USD100 million, at a + 1.40% Libor rate over a 6-year term.

In May 2018, a long-term credit disbursement of with Export Development Canada (EDC) was introduced for USD90 million, at a + 1.40% Libor rate over a 6-year term.

In May 2018, a long-term credit disbursement with IDB for USD23 million was presented, at a + 0% Libor rate with a 25-year maturity.

In June 2018, a long-term disbursement of credit with CAF (*Corporación Andina de Fomento*, Andean Development Corporation) was introduced for USD100 million, at a + 3.1% Libor rate over an 18-year term.

In August 2018, a credit disbursement with La Corporación Andina de Fomento [Andean Development Corporation (CAF)] for USD 100 million was presented, at a + 3.1% Libor rate with an 18-year maturity.

In August 2018, a credit disbursement with the IDB for USD 9 million was presented, at a Libor rate with a 25-year maturity.

In September 2018, a credit disbursement with the IDB for USD 48 million was presented, at a Libor rate with a 25-year maturity.

**Aguas Regionales EPM S.A. E.S.P.:**

On February 19, 2018, a long-term credit disbursement with Banco Davivienda for COP 2,500, for a 10-year term at an IBR+ 4.8% rate was introduced.

On June 1, 2018, a credit disbursement was introduced with Banco Popular for COP 14,606, at a + 3% IBR for a 7-year term.

**Centrales Eléctricas del Norte de Santander S.A. E.S.P. (CENS):**

On January 18, 2018, a long-term credit disbursement with Banco Popular for COP 37,000, for a 10-year term at an IBR+ 3.35% rate was introduced. On January 31, 2018, a short-term credit disbursement with Bancolombia for COP 7,000, for a 12-year term at an IBR+ 1.86% rate was introduced. On February 16, 2018, a long-term credit disbursement with Banco de Bogotá for COP 137,832, for a 9-year term at an IBR+ 2.98% rate was introduced.

On September 28, 2018, a treasury credit disbursement with BBVA for COP 15,000 was presented, at a + 2.6% CPI rate with a 1-year maturity.

**Central Hidroeléctrica de Caldas S.A. E.S.P. (CHEC):**

On February 9, 2018 a long-term credit disbursement with Bancolombia for COP 65,000, for an 8-year term at an IBR+ 2.29% rate was introduced.

On April 26, 2018, a credit disbursement was introduced with ITAU for COP 7,300, at a + 1.83% IBR for a 1-year term.

**Empresas de Energía del Quindío S.A. E.S.P. (EDEQ):**

On May 4, 2018 a credit disbursement was introduced with Bancolombia for COP 11,000, at a + 1.86% IBR for an 1-year term.

**Electrificadora de Santander S.A. E.S.P. (ESSA):**

On April 30, 2018, a credit disbursement was introduced with Banco Popular for COP 80,000, at a + 1.8% IBR for a 1-year term.

On May 30, 2018, a credit disbursement was introduced with Banco Popular for COP 12,000, at a + 1.8% IBR for a 1-year term.

On July 31, 2018, a transitory credit disbursement with Popular for COP 10,000 was presented, at a + 1.8% RBI rate with a 1-year maturity.

**Elektra Noreste S.A. (ENSA):**

On January 2, 2018 the long-term credit disbursement with Davivienda for USD 5 million, for a 0.49-year term at a +2.1% libor rate was introduced; on January 4, 2018, a credit disbursement with Davivienda for USD 18 million, for a 0.49-year term at a +2.1% libor rate was introduced; on January 5, 2018, a credit disbursement with Davivienda for USD 2 million, for a 0.49-year term at a + 2.1% libor rate was introduced; on March 9, 2018, a credit disbursement with Scotiabank for USD 10 million, for a 0.49-year term at a + 2.5% libor rate was introduced; on January 2, 2018, a credit disbursement with Scotiabank for USD 15 million, for a 0.5-year term at a + 2.1% libor rate was introduced; on March 12, 2018, a credit disbursement with Scotiabank for USD 10 million, for a 0.49-year term at a + 1.89% libor rate was introduced; on March 8, 2018, a credit disbursement with Citibank for USD 13 million, for a 0.09-year term at a + 1.94% libor rate was introduced; on February 15, 2018, a credit disbursement with Banco America Central for USD 4 million, for a 0.16-year term at a + 2% libor rate was introduced.

On June 7, 2018 a credit disbursement was introduced with Scotiabank for USD20 million, at a + 2.46% Libor rate for a term of 0.17 years; on April 6, 2018, a credit disbursement was introduced with Scotiabank for USD10 million, at a + 2.81% Libor rate for a term of 0.5 years; on April 9, 2018, a credit disbursement was introduced with Scotiabank for USD10 million, at a + 2.81% Libor rate for a term of 0.5 years; on June 6, 2018 a credit disbursement was introduced with Citibank for USD12 million at a + 2.47% Libor rate for a period of 0.17 years; on May 14, 2018 a credit disbursement was introduced with Banco América Central for USD6 million, at a + 2.65% Libor rate for a period of 0.25 years.

On July 5, 2018, a treasury credit disbursement with Scotiabank for USD 15 million was presented at a + 2.55% Libor rate with a 0.25-year maturity.

On July 5, 2018, a treasury credit disbursement with Davivienda for USD2 million was presented, at a + 3.6% Libor rate with a 0.42-year maturity.

On August 6, 2018, a treasury credit disbursement with Scotiabank for USD6 million was presented at a + 2.55% Libor rate with a 0.17-year maturity.

On August 31, 2018, a treasury credit disbursement Citibank was presented for USD12 million, at a + 2.43% Libor rate with a 0.16-year maturity.

On September 4, 2018, a treasury credit disbursement with Citibank for USD13 million was presented, at a + 2.46% Libor rate with a 0.08-year maturity.

On September 12, 2018, a treasury credit disbursement with Bladex for USD14 million was presented, at a + 2.84% Libor rate with a 0.08-year maturity.

On September 12, 2018, a treasury credit disbursement with Banco América Central for USD6 million was presented at a + 3% Libor rate with a 0.08-year maturity.

#### **Transportista Eléctrica Centroamericana S.A. (TRELEC):**

On April 27, 2018, a credit disbursement was introduced with Banco Agromercantil for USD49 million, at a + 2.03% Libor rate for a 1-year term.

On July 9, 2018, a transitory credit disbursement with Bancolombia for USD 72 million was presented at a + 2.03% Libor rate with a 1-year maturity.

#### **Tecnología Intercontinental S.A. de C.V. (TICSA):**

On May 25, 2018, a credit disbursement was introduced with Santander for MXN30 million, at a + 3% TIE rate for a 1-year term, on April 6, 2018, a credit disbursement was introduced with Bank of America for MXN173 million, at a + 1.75% TIE rate for a 1-year term; on April 16, 2018, a credit disbursement with Bank of America for MXN60 million, at a + 1.75% TIE Rate for a 1-year term.

On July 6, 2018, a treasury credit disbursement with Bank of America for USD 3.1 million was presented at a + 2.25% Libor rate with a 1-year maturity.

On July 23, 2018, a treasury credit disbursement with Bank of America for MXN 58 million was presented at a + 1.75% TIE rate with a 1-year maturity.

On September 3, 2018, a treasury credit disbursement with Bank of America for MXN 70 million was presented at a + 1.75% TIE rate with a 1-year maturity.

On September 28, 2018, a treasury credit disbursement with Bank of America for USD 3.8 million was presented at a + 2.25% Libor rate with a 1-year maturity.

#### **Covenant debt/ EBITDA**

EPM has a financial commitment (covenant), measured in long-term financial debt to EBITDA, calculated based on the EPM Group's consolidated figures, maximum 3.5 times, in loan agreements: French Development Agency - AFD, International Development Bank - IDB 1664 and Guaranty of Japan Bank for International Cooperation - JBIC at a loan with a Japanese commercial bank. Furthermore it is agreed upon, but inactive, as it has a degree of investment, in the international issue of bonds with maturity dates in 2019.

As of September 30, 2018, the indicator's results are 3.38 times. EPM must report compliance with this indicator as follows: to Japan Bank for International Cooperation-JBIC-, quarterly, to the French Development Agency -FDA- twice annually, and to the Inter-American Development Bank-IDB, annually.

#### **Non-compliance**

During the accounting period, the EPM Group has not failed the payment of the principal and the interest of its loans.

## Note 11. Provisions, contingent assets and liabilities

### 11.1. Provisions:

As of September 30, 2018, the Group provisions balance showed a 20% net increase. This variation originates mainly in EPM Parent Company by:

- Provision for guarantee No. 10090002278 - Reliability Charge in the amount of USD 41.5 million (COP \$123,350). In accordance with CREG (Energy and Gas Regulatory Commission) Resolution 061 from 2017, guarantees of warranty charged to reliability for the inclusion of new power plant projects are valid when the start of commercial plant operation is delayed for more than a year. Contingencies presented for the detour tunnel cause this type of delay to the Ituango Hydroelectric Project and, therefore, under current regulations, the execution of this warranty is applicable. EPM is lobbying the CREG and the Government in general, for a change to the warranty guarantees charged to reliability regulation that provides some opportunity to continue with the stable energy obligations and, in turn, avoid the implementation of the guarantee in this case. The main actions are: (a) to ensure the viability of various annual reconfiguration charge auctions, (b) Find support in other generation assets, such as generation with the Termo Sierra Plant and (c) looking for new plants that increase the energy supply in the country.

In the event that the regulatory actions are not be able to change the rules regarding warranty guarantees charged to reliability, EPM shall incur the disbursement that would be given in April of the following year.

- Provision for \$81,794 to continue to care for those affected and evacuated as a result of the Ituango Hydroelectric Project's contingency occurring on April 28, 2018.

In addition to the above, the acknowledged net effect on other Group's subsidiaries through additions, uses and unused fund reversions, contribute to the increase in provision balance.

### 11.2 Contingent liabilities and assets:

As of September 30, 2018, the breakdown of liabilities and contingent assets is as follows:

Type of contingency	Contingent liabilities	Contingent assets
Litigation	860,293	333,920
Guarantee	250,965	131
Others	448,038	-
<b>Total</b>	<b>1,559,296</b>	<b>334,051</b>

- Amounts expressed in millions of Colombian pesos -

With regard to the figures revealed prior to December 31, 2017; contingent liabilities show a net decrease of 9% that originates mainly from EPM Parent Company as a result of the rectification of administrative litigation pretense, and with entry of a new lawsuit with ISAGEN, and in general, from the influx of new administrative litigation, civil and/or work in other Group subsidiaries; in terms of contingent assets, no significant variation is noticeable.

Furthermore, EPM Parent Company is backed by guarantee No. 10090002218 related to their connection to the Ituango project. This guarantee supports the start of the Project's first unit in commercial operation with at least 90% capacity, November 30, 2018 at the latest and with this ensure the construction of energy lines and substations that connect the power plant with the Sistema Nacional Interconectado (National Interconnected System). This guarantee does not carry a short-term risk of entry because the rules in force regarding this field allow for the extension of the deadline for entry into operation of the project without the guarantee in force.

## Note 12. Revenues from ordinary activities

The detail of revenues from ordinary activities is as follows:

Income from ordinary activities	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
<b>Sale of goods</b>	<b>33,113</b>	<b>13,658</b>	<b>16,239</b>	<b>4,869</b>
<b>Provision of services</b>				
Energy service <sup>(1)</sup>	9,638,979	8,955,913	3,377,211	3,049,521
Fuel Gas Service <sup>(2)</sup>	621,557	538,599	225,532	182,114
Sanitation service	439,485	420,158	154,551	145,958
Aqueduct service <sup>(3)</sup>	797,604	702,679	271,970	243,022
Toilet service <sup>(4)</sup>	164,822	144,693	56,138	49,207
Insurance and reinsurance services	7,043	6,084	2,867	2,106
Computer Services	421	195	166	2
Construction contracts	69,991	40,877	26,490	10,896
Other services	108,986	83,480	37,461	24,732
Returns	(177,374)	(170,419)	(99,810)	(61,610)
<b>Total provision of services</b>	<b>11,671,514</b>	<b>10,722,259</b>	<b>4,052,576</b>	<b>3,645,948</b>
Leases	60,367	55,422	21,209	18,997
Income from sale of assets	2,736	1,070	465	692
<b>Total</b>	<b>11,767,730</b>	<b>10,792,409</b>	<b>4,090,489</b>	<b>3,670,506</b>

Amounts expressed in millions of Colombian pesos -

- (1) Includes in EPM, largest sales to largest clients, increase in quantities, mainly due to the new demand by Ecopetrol Rubiales, Grupo Femsa, Corona and Grupo Éxito. Also increase in prices and quantities in subsidiaries such as: CHEC, COMEGSA, DELSUR, ENSA, ESSA and CENS, which registered the highest sales on the stock exchange, especially those made to Enertolima.
- (2) The increase is mainly due to higher secondary market sales at EPM to Drummond and Cartón Colombia in Barranquilla and higher customer connections.
- (3) The increase basically corresponds to EPM due to construction contracts, part of the agreement with the Municipality of Medellín for the urban development works of the Galería Bolívar Project; in the subsidiary ADASA. This is due to the higher number of clients, higher consumption and higher average selling price in the non-regulated market, and due to the integration to the consolidated income of EPRio, a subsidiary that was not part of the EPM Group as of September 30, 2017.
- (4) Increase originating in the subsidiary EMVARIAS, basically due to a greater number of kilometers swept and tons placed in the landfill. In addition, due to the increase in the rate for the legal monthly minimum wage in force.

The Group does not have ordinary income encumbered, contingencies that have not been recognized affecting the income or firm commitments with the customers for the rendering of future services from which it is estimated that losses will be generated.

## Note 13. Other revenues

The detail of other revenues is as follows:

Other income	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
Recoveries	81,928	71,438	26,543	27,041
Indemnities <sup>(1)</sup>	74,446	13,621	17,226	8,133
Other ordinary income	44,426	23,505	18,303	7,841
Reversal loss due to impairment of accounts receivable <sup>(2)</sup>	40,665	35,582	5,326	6,511
Commissions	24,395	23,735	7,545	7,976
Achievements	5,590	5,914	1,594	2,159
Sale of sheets	2,559	548	1,739	190
Government grants	1,840	693	237	234
Fees	1,571	(191)	1,485	94
Margin in the commercialization of goods and services	1,547	1,737	497	565
Leftovers	168	93	67	81
Contracts for the management of public services	67	246	22	246
Photocopies	4	-	4	-
Leases of Investment Property	2	4	-	-
<b>Total</b>	<b>279,208</b>	<b>176,925</b>	<b>80,588</b>	<b>61,071</b>

*Amounts expressed in millions of Colombian pesos -*

- (1) Includes \$67,966 recognized in EPM for compensation received for the loss occurred in 2017 at the Playas Hydroelectric Power Plant; for damages to the transport of some equipment of the Ituango Project in 2016, and for damages to the Porce Hydroelectric Power Plant.
- (2) Relates to the reversal of the impairment for the expected credit loss value measurement's implementation.

## Note 14. Costs of sales

The detail of the costs of sales is as follows:

Costs for service provision	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
Cost of public goods and services for sale <sup>(1)</sup>	5,225,972	4,681,392	1,845,194	1,604,039
Payroll expenses	591,298	519,552	190,533	172,647
Depreciations	571,313	534,011	197,683	181,480
Orders and contracts for other services	471,847	428,482	169,920	153,522
Orders and contracts of maintenance and repairs	214,609	233,154	79,718	83,203
Materials and other operating costs	131,511	120,717	52,107	45,010
Amortization	106,269	68,735	34,429	21,119
Licenses, contributions and royalties	101,668	116,382	34,868	38,829
Insurance	72,367	72,459	24,752	23,492
General	69,009	70,271	26,100	26,112
Fees	62,548	55,439	21,273	19,644
Consumption of direct inputs	56,157	60,275	18,961	18,958
Taxes and rates	53,286	46,264	17,388	11,401
Leases	43,320	39,397	15,159	13,472
Public services	16,446	16,952	6,209	5,748
Commercialized goods	12,903	15,436	5,436	5,265
Exhaustion	6,938	5,700	1,685	1,631
Loss cost in aqueduct service provision	875	9,755	222	1,350
Impairment of property, plant and equipment	127	56,619	5	-
Value reduction inventories	87	543	(81)	387
For insurance and reinsurance	7	247	-	-
Impairment of intangible assets	-	5,117	-	-
<b>Total</b>	<b>7,808,557</b>	<b>7,156,899</b>	<b>2,741,561</b>	<b>2,427,309</b>

Amounts expressed in millions of Colombian pesos -

- (1) Includes the value energy purchases in block and in the energy exchange, cost for connection, use of network lines and ducts, commercialization and distribution cost of natural gas, among other costs. The increase with respect to the previous term at EPM is due mainly to the use of large-sale networks to larger clients, greater energy purchases in the energy exchange and in the long term; increased sales of gas on the secondary market; and in the other subsidiaries such as: ENSA, CENS, COMEGSA, DELSUR and CURUROS, due to greater energy purchases; ESSA due to greater restrictions due to the unavailability of the system due to the attacks on the Porce III - Cerrmatoso and Copey - Ocaña lines; and due to the integration to the consolidated costs of EPRio, a subsidiary that was not part of the EPM Group as of September 30, 2017.

## Note 15. Administration expenses

The detail of administration expenses is as follows:

Administration expenses	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
<b>Personnel expenses</b>				
Wages and salaries	299,066	281,806	90,072	91,127
Social security expenses	73,025	73,439	23,732	25,353
Pension expenditure	33,596	32,678	11,322	10,887
Employee interest rate benefits	6,092	4,766	2,118	1,576
Other post-employment benefit plans other than pensions	3,970	4,294	1,245	1,366
Termination benefits	2,796	1,470	1,045	549
Other long-term benefits	2,729	2,506	897	826
<b>Total personnel expenses</b>	<b>421,274</b>	<b>400,959</b>	<b>130,431</b>	<b>131,684</b>
<b>General expenses</b>				
Other miscellaneous provisions <sup>(1)</sup>	135,605	32,018	5,927	1,015
Taxes, contributions and fees <sup>(2)</sup>	121,181	151,526	35,680	35,754
Provision for contingencies <sup>(3)</sup>	96,971	19,943	24,413	4,227
Commissions, fees and services	78,739	80,305	25,111	34,743
Depreciation of property, plant and equipment	40,898	59,040	13,858	21,910
Maintenance	40,251	38,822	14,373	13,914
Intangibles	22,839	19,412	8,691	6,750
Amortization of intangibles	16,312	32,361	5,534	10,986
Vigilance and security	13,353	12,570	4,138	4,296
Other general expenses	12,034	12,105	4,993	2,938
General Insurance	11,168	9,040	4,228	3,507
Studies and projects	10,117	10,125	4,286	5,457
Publicity and advertising	9,856	10,820	3,494	4,669
Public services	8,411	8,250	2,295	3,400
Toilet, cafeteria, restaurant and laundry services	7,900	7,213	2,533	2,516
Leases	7,799	8,091	2,689	1,888
Promotion and dissemination	7,073	10,063	2,345	3,942
Communications and transportation	6,951	6,359	2,525	2,269
Christmas lighting	6,390	6,358	2,064	3,262
Licenses and safe-conducts	6,084	5,753	758	401
Learning contracts	3,801	3,304	1,271	1,150
Legal expenses	2,788	2,062	981	696
Materials and supplies	2,705	2,935	823	1,219
Printed, publications, subscriptions and affiliations	2,613	3,203	639	1,122
Information processing	1,767	1,691	457	519
Management contracts	1,496	1,316	511	604
Fuels and lubricants	1,453	624	547	226
Photocopies	1,356	1,455	374	513
Onerous contracts provision	1,104	467	907	161
Court costs	1,068	331	287	50
Travel expenses	1,047	1,329	333	606
Elements of cleaning, laundry and cafeteria	1,034	1,272	387	425
Event organization	772	1,252	222	521
Cultural events	713	1,240	216	1,092
Repairs	675	614	325	173
Designs and studies	345	46	35	-
Consultation of risk centers	257	141	101	79
Dismantling, retirement and rehabilitation provision	249	507	49	(81)
Social assets	226	838	-	448
Other <sup>(4)</sup>	574	792	170	278
<b>Total general expenses</b>	<b>685,975</b>	<b>565,593</b>	<b>178,570</b>	<b>177,645</b>
<b>Total</b>	<b>1,107,249</b>	<b>966,552</b>	<b>309,001</b>	<b>309,329</b>

Amounts expressed in millions of Colombian pesos -

- (1) Includes \$123,350 provision recognized at EPM as deposit backing construction and commissioning of the Ituango-Pescadero Hydroelectric Plant.
- (2) The decrease is explained by the lower wealth tax on national subsidiaries due to the last assessment being recorded in 2017.
- (3) Includes \$81,794 provision recognized at EPM to continue to care for those affected and evacuated as a result of the Ituango Hydroelectric Project's contingency occurring on April 28, 2018.
- (4) Includes expenses in the amount of industrial safety, industrial safety equipment, public relations, warehousing, videos, loss for construction contracts, organization and start-up expenses, expenses for quality control.

## Note 16. Other expenses

The detail of other expenses is as follows:

Other expenses	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
Other ordinary expenses <sup>(1)</sup>	56,693	12,422	3,581	2,118
Contributions in non-corporate entities	14,678	14,197	3,743	6,296
Arbitral awards and extrajudicial conciliation <sup>(2)</sup>	14,039	1,417	685	458
Loss on asset retirement	6,580	25,466	2,762	17,631
Loss on sale of assets	2,985	2,501	1,259	991
Donations	152	381	37	106
Judgments	80	5	80	-
Taxes assumed	-	44	-	-
<b>Total</b>	<b>95,207</b>	<b>56,433</b>	<b>12,147</b>	<b>27,600</b>

Amounts expressed in millions of Colombian pesos -

- (1) Includes \$46,061 recognized at EPM as being for caring for the community affected by the Ituango Hydroelectric Project's contingency.
- (2) Includes \$10,017 recognized at EPM for arbitral award in the case of Energía del Rio Piedras S.A. E.S.P.

## Note 17. Financial income and expenses

### 17.1 Financial income

The detail of financial income is as follows:

Financial income	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
<b>Interest income:</b>				
Interest of debtors and arrears	126,064	101,352	42,090	37,226
Bank deposits	23,714	30,880	10,512	7,033
Interest income from financial assets at amortized cost	20	694	(22)	6
Valuation benefit of financial instruments at fair value	37,035	23,561	25,032	11,350
Profit from trust rights	18,372	28,526	5,891	6,394
Other financial income	7,874	5,822	1,685	1,721
Valuation of financial instruments at amortized cost	16	7,519	7	2,722
Monetary readjustment performance	9	3	4	1
<b>Total financial income</b>	<b>213,104</b>	<b>198,357</b>	<b>85,199</b>	<b>66,453</b>

Amounts expressed in millions of Colombian pesos -

### 17.2 Financial expenses

The detail of financial expenses is as follows:

Financial expenses	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
<b>Interest expense:</b>				
Interest on obligations under financial leasing	28,320	26,801	9,434	8,928
Other interest expense	12,781	40,385	(18,384)	10,832
<b>Total interests</b>	<b>41,101</b>	<b>67,186</b>	<b>(8,950)</b>	<b>19,760</b>
Total interest expense on financial liabilities that are not measured at fair value through profit or loss	643,291	554,719	246,248	186,932
<b>Other financial costs:</b>				
Commissions	6,842	5,763	2,738	1,883
Other financial expenses	81,336	114,085	27,164	57,220
<b>Total financial expenses</b>	<b>772,570</b>	<b>741,753</b>	<b>267,200</b>	<b>265,795</b>

Amounts expressed in millions of Colombian pesos -

## Note 18. Exchange difference, net

The effect of transactions in foreign currency is the following:

Difference, net	September 30, 2018	September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017
<b>Income for difference in exchange</b>				
<u>Own position</u>				
For goods and services and others	4,948	6,189	(3,604)	4,507
By liquidity	18,027	25,676	5,723	(19,120)
Accounts receivable	97,445	55,519	(3,960)	(19,012)
Other adjustments for difference in exchange	12,841	80,214	3,099	58,972
<u>Financial services</u>				
Gross income	88,495	60,631	(20,933)	60,137
<b>Total income for difference in exchange</b>	<b>221,756</b>	<b>228,229</b>	<b>(19,675)</b>	<b>85,484</b>
<b>Expense for exchange difference</b>				
<u>Own position</u>				
For goods and services and others	(2,304)	(5,811)	(458)	1,768
By liquidity	(6,730)	(5,403)	(3,346)	(1,272)
Accounts receivable	(147,723)	(56,863)	13,987	(53,497)
Other adjustments for difference in exchange	(55,279)	(9,270)	(26,806)	(4,917)
<u>Financial services</u>				
Gross expenditure	(84,182)	(9,948)	(3,275)	42,476
<b>Total expense for difference in exchange</b>	<b>(296,218)</b>	<b>(87,295)</b>	<b>(19,898)</b>	<b>(15,442)</b>
<b>Difference, net</b>	<b>(74,462)</b>	<b>140,934</b>	<b>(39,573)</b>	<b>70,042</b>

Amounts expressed in millions of dollars -

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

Currency	Currency type	Direct USD conversion at September 30		Closing exchange rate as of September 30		Average exchange rate as of September 30	
		2018	2017	2018	2017	2018	2017
United States dollar	USD	-	-	2,972.18	3,038.26	3,033.77	2,957.10
Quetzal	GTQ	7.70	7.34	385.89	414.20	396.35	402.66
Mexican peso	MXP	18.70	18.10	158.95	167.86	159.70	163.03
Chilean peso	CLP	659.60	664.73	4.51	4.57	4.47	4.45

## Note 19. Capital Management

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

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

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

The Group has not made any changes to its objectives, policies and capital management processes during the period ended at the cut-off date, nor has it been subject to external capital requirements

In order to face the changes in the economic conditions, the Group implements proactive management mechanisms for their financing, enabling up to where it is viable different financing alternatives, in such a way that at the time that the performance of any long term credit operation is required, there will be access to the source that has availability at each time of competitive market conditions and as timely as necessary.

Following are presented the values that the EPM Group manages as capital:

Capital management	2018	2017
<b>Bonds and loans</b>		
Commercial banking loans	5,527,198	5,056,601
Multilateral banking loans	2,313,887	1,668,268
Development banking loans	1,767,702	919,922
Bonds and securities issued	1,253,088	1,073,732
Other bonds and securities issued	8,133,186	8,240,200
Other loans	115,350	-
<b>Total debt</b>	<b>19,110,411</b>	<b>16,958,723</b>
<b>Total capital</b>	<b>19,110,411</b>	<b>16,958,723</b>

*Amounts expressed in millions of Colombian pesos-*

## Note 20. Measurement of fair value on a recurring and non-recurring basis

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

- Based on the prices quoted in active markets for assets or liabilities identical to those that the EPM Group can access on the measurement date (level 1).
- Based on valuation techniques commonly used by market participants such as cash flow discounts using the market rate for assets or liabilities, with similar characteristics (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 2018 and 2017 in the EPM Group no transfers have been made between the fair value hierarchy levels, either for the transfers into and out of the levels.

Valuation techniques and variables used in the Group to measure fair value for recognition and disclosure:

**Cash and cash equivalents:** include fixed income instruments and trusts. In the latter is reflected the balance of the Collective Investment Funds (FIC) that the EPM Group owns. These funds are used as mechanism for savings and investment and are managed by fiduciary companies. Through these funds, resources are invested in a portfolio of assets that are updated at fair value. The EPM Group uses as valuation technique for this item the market approach; these items are classified at level 1 of the fair value hierarchy.

**Investments at fair value through profit and loss and through equity:** includes the investments that are made to optimize the liquidity surpluses, that is, all those resources that are not immediately allocated to the performance of the activities that constitute the corporate object of the companies. The EPM Group uses as valuation technique the market approach; these entries are classified in level 1 of the fair value hierarchy. For equity investments, the methodology is cash flow; it is estimated at the market price for those listed on the stock exchange; the others are valued at historical cost.

**Derivative instruments - Swaps:** The EPM Group uses derivative financial instruments, such forwards, futures, swaps and options to cover financial risks, mainly the risks of interest rate, exchange rate and commodities prices. Such derivative financial instruments are recognized initially at their fair value as of the date when the derivative agreement is executed, and subsequently they are again measured at their fair value. The EPM Group uses as valuation technique for the swaps the discounted cash flow, in an income approach. The variables used are: Swap curve of interest rates for rates denominated in US dollars, to discount cash flow in US dollars; and Swap Curve of external interest rate for rates denominated in pesos, to discount cash flows in pesos. These entries are classified in level 2 of the fair value hierarchy.

**Accounts receivable - business combinations:** originated by the business combination for the acquisition of the subsidiary Empresas Publicas de Rionegro, the discounts of the payment flows is considered applying the discount average CDT 360 day rates. This item is classified at level 2 of the fair value hierarchy.

**Contingent considerations:** originated by the business combinations for the acquisitions of the subsidiaries Espíritu Santo Energy S. de R.L. and Empresas Varias de Medellín S.A E.S.P. - EMVARIAS, the discounts of the payment flows is considered applying the discount rates: LIBOR and TES rates, respectively. These items are classified at level 2 of the fair value hierarchy.

**Investment properties:** these are properties (land or buildings, considered in their entirety or in part, or both) that are held (by the company in its own name or through a financial leasing) to earn income, for capital appreciation or both, instead of:

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

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

The following table shows for each of the fair value hierarchy levels, the assets and liabilities of the EPM Group, measured at fair value on a recurring basis to the cut-off date, as well as the total value of the transfers between level 1 and level 2 occurred during the period:

Measurement of fair value on a recurring basis as of September 2018	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Negotiable or designated at fair value</b>				
Cash and cash equivalents - Fiduciary assignments	335,164	-	-	335,164
	<b>335,164</b>	-	-	<b>335,164</b>
<b>Other investments at a fair value</b>				
Fixed income securities	684,670	-	-	684,670
Variable income securities	116,400	-	-	116,400
Pledged investments or delivered in guarantees	5,568	-	-	5,568
	<b>806,638</b>	-	-	<b>806,638</b>
<b>Other equity investments</b>				
Variable income securities	1,507,622	-	36,782	1,544,404
	<b>1,507,622</b>	-	<b>36,782</b>	<b>1,544,404</b>
<b>Fiduciary rights</b>				
Fiduciary in administration	434,785	-	-	434,785
	<b>434,785</b>	-	-	<b>434,785</b>
<b>Derivatives</b>				
Future contracts	-	35	-	35
Swaps	-	45,249	-	45,249
	-	<b>45,284</b>	-	<b>45,284</b>
<b>Debtors</b>				
Other account receivable - business combination	2,179	-	-	2,179
	<b>2,179</b>	-	-	<b>2,179</b>
<b>Investment properties</b>				
Urban and rural land	-	68,916	-	68,916
Buildings and houses	-	17,998	-	17,998
	-	<b>86,914</b>	-	<b>86,914</b>
<b>Liabilities</b>				
<b>Contingent compensation</b>				
Provision- Business combination	-	207,619	-	207,619
	-	<b>207,619</b>	-	<b>207,619</b>
<b>Derivatives</b>				
Swaps	-	36,437	-	36,437
	-	<b>36,437</b>	-	<b>36,437</b>
<b>Total</b>	<b>3,086,388</b>	<b>(111,858)</b>	<b>36,782</b>	<b>3,011,312</b>
	102.49%	-3.71%	1.22%	

Amounts expressed in millions of Colombian pesos -

Measurement of fair value on a recurring basis 2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Negotiable or designated at fair value</b>				
Cash and cash equivalents - Fiduciary assignments	156,891	-	-	156,891
	<b>156,891</b>	-	-	<b>156,891</b>
<b>Other investments at a fair value</b>				
Fixed income securities	238,428	-	-	238,428
Variable income securities	61,481	-	-	61,481
Pledged investments or delivered in guarantees	5,435	-	-	5,435
	<b>305,344</b>	-	-	<b>305,344</b>
<b>Other equity investments</b>				
Variable income securities	1,599,999	-	36,782	1,636,781
	<b>1,599,999</b>	-	<b>36,782</b>	<b>1,636,781</b>
<b>Fiduciary rights</b>				
Fiduciary in administration	386,655	-	-	386,655
	<b>386,655</b>	-	-	<b>386,655</b>
<b>Derivatives</b>				
Futures contracts	-	97	-	97
Swaps	-	19,445	-	19,445
	-	<b>19,542</b>	-	<b>19,542</b>
<b>Debtors</b>				
Other account receivable - business combination	2,017	-	-	2,017
	<b>2,017</b>	-	-	<b>2,017</b>
<b>Investment properties</b>				
Urban and rural land	-	108,705	-	108,705
Buildings and houses	-	18,035	-	18,035
	-	<b>126,740</b>	-	<b>126,740</b>
<b>Liabilities</b>				
<b>Contingent compensation</b>				
Provision - business combination	-	144,453	-	144,453
	-	<b>144,453</b>	-	<b>144,453</b>
<b>Derivatives</b>				
Swaps	-	66,138	-	66,138
	-	<b>66,138</b>	-	<b>66,138</b>
<b>Total</b>	<b>2,450,906</b>	<b>(64,309)</b>	<b>36,782</b>	<b>2,423,379</b>
	101.14%	-2.65%	1.52%	

Amounts expressed in millions of Colombian pesos-

As of September 30, 2018 and December 31, 2017 there were no inter-level transfers.

The carrying amount and the estimated fair value of assets and liabilities of the EPM Group that are not recognized at fair value in the consolidated statement of financial position, but require their disclosure at fair value, as of September 30, 2018 and December 31, 2017 is the following:

2018	Carrying Amount	Level 2	Total
<b>Assets</b>			
Public services	2,410,863	2,410,863	2,410,863
Employees	147,174	147,174	147,174
Construction contracts	275	275	275
Other accounts receivable	1,521,210	1,521,210	1,521,210
<b>Total</b>	<b>4,079,522</b>	<b>4,079,522</b>	<b>4,079,522</b>
<b>Liabilities</b>			
Development banking loans	1,767,702	1,767,702	1,767,702
Other bonds and securities issued	8,133,186	8,133,186	8,133,186
Multilateral banking loans	2,313,887	2,313,887	2,313,887
Commercial banking loans	5,527,198	5,527,198	5,527,198
Bonds and securities issues	1,253,088	1,253,088	1,253,088
Other loans	115,350	115,350	115,350
<b>Total</b>	<b>19,110,411</b>	<b>19,110,411</b>	<b>19,110,411</b>
<b>Total</b>	<b>(15,030,889)</b>	<b>(15,030,889)</b>	<b>(15,030,889)</b>

Amounts expressed in millions of Colombian pesos -

100%

2017	Carrying Amount	Level 2	Total
<b>Assets</b>			
Public services	2.089.112	2.089.112	2.089.112
Employees	141.950	141.950	141.950
Construction contracts	434	434	434
Other accounts receivable	1.396.167	1.396.167	1.396.167
<b>Total</b>	<b>3.627.663</b>	<b>3.627.663</b>	<b>3.627.663</b>
<b>Liabilities</b>			
Development banking loans	919.922	919.922	919.922
Other bonds and securities issued	8.240.200	8.240.200	8.240.200
Multilateral banking loans	1.668.268	1.668.268	1.668.268
Commercial banking loans	5.056.601	5.056.601	5.056.601
Bonds and securities issued	1.073.732	1.073.732	1.073.732
<b>Total</b>	<b>16.958.723</b>	<b>16.958.723</b>	<b>16.958.723</b>
<b>Total</b>	<b>(13.331.060)</b>	<b>(13.331.060)</b>	<b>(13.331.060)</b>

Amounts expressed in millions of Colombian pesos-

100%

As of September 30, 2018 and December 31, 2017, there were no concepts in levels 1 and 3.

## Note 21. Operating Segments

### 21.1 Information by segments

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

- Electricity Generation Segment, which activity consists in the production of energy and commercialization of large blocks of electric power, based on the acquisition or the development of a portfolio of energy proposals for the market.
- Electricity Distribution Segment, which activity consists in transporting electric power through a set of lines and substations, with their associated equipment, that operate at voltages of less than 220 KV, the commercialization of energy to the end user of the regulated market and the performance of related and/or complementary activities. It includes the Regional Transmission System (RTS), the Local Distribution System (LDS), the public lighting service and the rendering the associated services.
- Electricity Transmission Segment, which activity consists in the transportation of energy in the National Transmission System -NTS-, made up by the set of lines, with their corresponding connection equipment, that operate at voltages equal to or higher than 220 KV. The National Transmitter (NT) is the legal person who operates and transports electric energy in the NTS or has constructed a company which object is the performance of that activity.
- Segment of Distribution and Commercialization of Natural Gas, which activity consists in the conduction of gas from the door of the city to the end user, through medium and low pressure pumps. It includes the sale of gas through different systems, among them the distribution by a network, natural vehicle gas, natural compressed gas and service stations.
- Water Supply Segment, which activity consists in conceptualizing, structuring, development and operating systems to supply water; it includes carrying out the commercial management of the service portfolio related to the supply of water for different uses, in addition to the use of the productive chain, specifically in the production of energy, and the supply of crude water.
- Wastewater Management Segment, which activity consists in conceptualizing, structuring, development and operating systems of wastewater and handling of solid waste.
- Solid Waste Segment, which includes carrying out the commercial management related to these services and the use of the biosolids and other byproducts from the treatment of wastewater and the handling of solid waste.
- Other Segments, that corresponds to the remaining activities that are not included within the above mentioned segments; it includes: Entidad Adaptada de Salud - EAS and Unidad de Servicios Médico y Odontológico (medical and dental services), billing and collection services for third parties, income received from investment properties (rent), social financing, EATIC Laboratory tests, rendering of specialized transportation service, and services associated to information and communications technologies, information services and the complementary activities related and/or connected to such services.

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

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

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

2018	Generation	Transmission	Distribution	Gas	Water supply	Wastewater management	Solid waste management	Other segments	Total segments	Intersegment eliminations	Consolidated
External customer revenue	2,087,605	147,990	7,589,477	643,612	819,757	511,930	169,044	77,523	12,046,938	-	12,046,938
Inter-segment revenues	701,100	47,895	294,302	5,698	15,977	52,447	359	41,398	1,159,176	(1,159,176)	-
<b>Total net income</b>	<b>2,788,705</b>	<b>195,885</b>	<b>7,883,779</b>	<b>649,310</b>	<b>835,734</b>	<b>564,377</b>	<b>169,403</b>	<b>118,921</b>	<b>13,206,114</b>	<b>(1,159,176)</b>	<b>12,046,938</b>
Costs and expenses without depreciation, amortization, provisions and impairment of PP&E and intangibles	(1,383,434)	(55,149)	(6,138,293)	(535,461)	(402,190)	(228,967)	(132,904)	(149,968)	(9,026,366)	1,086,441	(7,939,925)
Depreciation, amortization and provisions of PP&E and intangibles	(376,379)	(31,657)	(370,912)	(13,204)	(129,648)	(35,480)	(10,262)	(14,203)	(981,745)	5,864	(975,881)
Impairment of accounts receivable	(6,299)	(249)	(24,910)	(10,709)	(5,381)	(11,583)	(2,117)	(5,140)	(66,388)	-	(66,388)
Other expenses	(66,014)	(4,378)	(16,489)	(370)	(4,889)	(2,156)	(1,608)	12	(95,892)	685	(95,207)
Income from interest and yields	26,166	869	110,280	29,645	20,382	87,104	4,868	48,965	328,279	(160,120)	168,159
Financial income (other than interest and yields)	6,685	390	8,417	1,392	3,860	5,082	1,588	20,284	47,698	(2,753)	44,945
<b>Total financial income</b>	<b>32,851</b>	<b>1,259</b>	<b>118,697</b>	<b>31,037</b>	<b>24,242</b>	<b>92,186</b>	<b>6,456</b>	<b>69,249</b>	<b>375,977</b>	<b>(162,873)</b>	<b>213,104</b>
Interest expenses	(204,183)	(40,064)	(209,388)	(36,790)	(69,500)	(118,093)	(4)	(172,254)	(850,276)	165,884	(684,392)
Financial expenses (other than interest)	(18,322)	(954)	(27,741)	(1,412)	(10,750)	(5,059)	(7,405)	(14,993)	(86,636)	(1,542)	(88,178)
<b>Total financial expenses</b>	<b>(222,505)</b>	<b>(41,018)</b>	<b>(237,129)</b>	<b>(38,202)</b>	<b>(80,250)</b>	<b>(123,152)</b>	<b>(7,409)</b>	<b>(187,247)</b>	<b>(936,912)</b>	<b>164,342</b>	<b>(772,570)</b>
Net change difference	15,274	(11,246)	(669)	2,803	97	1,642	-	(82,363)	(74,462)	-	(74,462)
Equity method in associates and joint ventures	-	-	-	-	-	-	-	11,606	11,606	-	11,606
Effect by interest in equity investments	-	-	1,289	-	-	-	-	66,822	68,111	(1,255)	66,856
<b>Profit before tax and net movement of regulatory accounts</b>	<b>782,199</b>	<b>53,447</b>	<b>1,215,363</b>	<b>85,204</b>	<b>237,715</b>	<b>256,867</b>	<b>21,559</b>	<b>(172,311)</b>	<b>2,480,043</b>	<b>(65,972)</b>	<b>2,414,071</b>
Income tax expense	(181,042)	(16,026)	(375,886)	(24,401)	(94,238)	(97,461)	(4,897)	(8,268)	(802,219)	18,958	(783,261)
Net movement of regulatory accounts related to the result of the period	-	-	28,867	-	-	-	-	-	28,867	-	28,867
<b>Net profit of the period</b>	<b>601,157</b>	<b>37,421</b>	<b>868,344</b>	<b>60,803</b>	<b>143,477</b>	<b>159,406</b>	<b>16,662</b>	<b>(180,579)</b>	<b>1,706,691</b>	<b>(47,014)</b>	<b>1,659,677</b>
Total assets without investments in associates and joint ventures and debit balances of deferred regulatory accounts	20,126,251	1,830,485	13,824,535	1,122,107	5,790,236	5,337,417	333,170	10,455,900	58,820,101	(10,476,040)	48,344,061
Investments in associates and joint ventures accounted by the equity method	-	-	-	-	-	-	-	1,813,934	1,813,934	-	1,813,934
Debit balances of deferred regulatory accounts	-	-	90,751	-	-	-	-	-	90,751	-	90,751
<b>Total assets and debit balances of deferred regulatory accounts</b>	<b>20,126,251</b>	<b>1,830,485</b>	<b>13,915,286</b>	<b>1,122,107</b>	<b>5,790,236</b>	<b>5,337,417</b>	<b>333,170</b>	<b>12,269,834</b>	<b>60,724,786</b>	<b>(10,476,040)</b>	<b>50,248,746</b>
Total liabilities	11,979,723	1,119,690	8,586,721	684,025	2,877,487	2,565,426	255,553	4,946,743	33,015,368	(3,781,793)	29,233,575
Deferred liabilities related to credit balances of deferred regulatory accounts	-	-	28,167	-	-	-	-	-	28,167	-	28,167
<b>Total liabilities and credit balances of deferred regulatory accounts</b>	<b>11,979,723</b>	<b>1,119,690</b>	<b>8,614,888</b>	<b>684,025</b>	<b>2,877,487</b>	<b>2,565,426</b>	<b>255,553</b>	<b>4,946,743</b>	<b>33,043,535</b>	<b>(3,781,793)</b>	<b>29,261,742</b>
Non-current assets additions	1,352,329	91,136	651,214	13,238	322,753	200,891	9,223	74,143	2,714,927	-	2,714,927

- Amounts expressed in millions of Colombian pesos -

2017	Generation	Transmission	Distribution	Gas	Water supply	Wastewater management	Solid waste management	Other segments	Total segments	Intersegment eliminations	Consolidated
External customer revenue	1,709,067	136,995	7,204,424	546,101	719,468	437,021	155,164	61,094	10,969,334	-	10,969,334
Inter-segment revenues	761,688	46,901	702,929	4,796	12,705	52,359	465	32,525	1,614,368	(1,614,368)	-
<b>Total net income</b>	<b>2,470,755</b>	<b>183,896</b>	<b>7,907,353</b>	<b>550,897</b>	<b>732,173</b>	<b>489,380</b>	<b>155,629</b>	<b>93,619</b>	<b>12,583,702</b>	<b>(1,614,368)</b>	<b>10,969,334</b>
Costs and expenses without depreciation, amortization, provisions and impairment of PP&E and intangibles	(1,182,170)	(75,574)	(6,268,047)	(498,810)	(360,912)	(207,623)	(127,600)	(142,338)	(8,863,074)	1,554,690	(7,308,384)
Depreciation, amortization and provisions of PP&E and intangibles	(242,985)	(52,220)	(341,489)	(15,566)	(120,855)	(27,296)	(9,614)	(9,736)	(819,761)	4,694	(815,067)
Impairment of accounts receivable	(4,720)	(1,378)	(24,088)	(1,283)	(6,031)	(8,636)	(2,761)	(13,820)	(62,717)	-	(62,717)
Other expenses	(22,699)	(174)	(15,880)	(786)	(10,690)	(3,718)	(3,109)	(5)	(57,061)	628	(56,433)
Income from interest and yields	59,726	942	123,149	25,919	19,748	62,335	5,101	47,003	343,923	(183,160)	160,763
Financial income (other than interest and yields)	10,097	247	7,460	726	2,146	12,660	2,024	6,009	41,369	(3,775)	37,594
<b>Total financial income</b>	<b>69,823</b>	<b>1,189</b>	<b>130,609</b>	<b>26,645</b>	<b>21,894</b>	<b>74,995</b>	<b>7,125</b>	<b>53,012</b>	<b>385,292</b>	<b>(186,935)</b>	<b>198,357</b>
Interest expenses	(194,720)	(30,728)	(222,427)	(39,532)	(67,941)	(71,259)	-	(180,250)	(806,857)	184,952	(621,905)
Financial expenses (other than interest)	(17,581)	(751)	(32,721)	(1,488)	(9,478)	(20,461)	(6,931)	(31,186)	(120,597)	749	(119,848)
<b>Total financial expenses</b>	<b>(212,301)</b>	<b>(31,479)</b>	<b>(255,148)</b>	<b>(41,020)</b>	<b>(77,419)</b>	<b>(91,720)</b>	<b>(6,931)</b>	<b>(211,436)</b>	<b>(927,454)</b>	<b>185,701</b>	<b>(741,753)</b>
Net change difference	48,740	(869)	23,301	(212)	(1,082)	(13,172)	-	84,228	140,934	-	140,934
Equity method in associates and joint ventures	-	-	-	-	-	-	-	(43,304)	(43,304)	-	(43,304)
Effect by interest in equity investments	1,220	1,220	3,617	-	1	-	3	43,711	49,772	-	49,772
<b>Profit before tax and net movement of regulatory accounts</b>	<b>925,663</b>	<b>24,611</b>	<b>1,160,228</b>	<b>19,865</b>	<b>177,079</b>	<b>212,210</b>	<b>12,742</b>	<b>(146,069)</b>	<b>2,386,329</b>	<b>(55,590)</b>	<b>2,330,739</b>
Income tax expense	(197,200)	8,672	(458,844)	(7,716)	(48,808)	(119,876)	3,199	(35,891)	(856,464)	17,364	(839,100)
Net movement of regulatory accounts related to the result of the period	-	-	(10,289)	-	-	-	-	-	(10,289)	-	(10,289)
<b>Net profit of the period</b>	<b>728,463</b>	<b>33,283</b>	<b>691,095</b>	<b>12,149</b>	<b>128,271</b>	<b>92,334</b>	<b>15,941</b>	<b>(181,960)</b>	<b>1,519,576</b>	<b>(38,226)</b>	<b>1,481,350</b>
Total assets without investments in associates and joint ventures and debit balances of deferred regulatory accounts	17,606,136	1,635,682	13,745,632	964,726	5,569,805	4,699,663	299,704	10,005,436	54,526,784	(11,039,412)	43,487,372
Investments in associates and joint ventures accounted by the equity method	-	-	-	-	-	-	-	1,784,516	1,784,516	-	1,784,516
Debit balances of deferred regulatory accounts	-	-	342	-	-	-	-	-	342	-	342
<b>Total assets and debit balances of deferred regulatory accounts</b>	<b>17,606,136</b>	<b>1,635,682</b>	<b>13,745,974</b>	<b>964,726</b>	<b>5,569,805</b>	<b>4,699,663</b>	<b>299,704</b>	<b>11,789,952</b>	<b>56,311,642</b>	<b>(11,039,412)</b>	<b>45,272,230</b>
Total liabilities	9,688,604	957,158	8,586,719	580,866	2,857,795	2,305,897	244,053	4,534,914	29,756,006	(4,426,288)	25,329,718
Deferred liabilities related to credit balances of deferred regulatory accounts	-	-	102	-	-	-	-	-	102	-	102
<b>Total liabilities and credit balances of deferred regulatory accounts</b>	<b>9,688,604</b>	<b>957,158</b>	<b>8,586,821</b>	<b>580,866</b>	<b>2,857,795</b>	<b>2,305,897</b>	<b>244,053</b>	<b>4,534,914</b>	<b>29,756,108</b>	<b>(4,426,288)</b>	<b>25,329,820</b>
Non-current assets additions	1,482,362	139,329	640,156	13,791	142,448	302,086	10,018	57,084	2,787,274	-	2,787,274

- Amounts expressed in millions of Colombian pesos -

## 21.2 Information by geographic area

### Revenues from external customers

Country	September 30, 2018	September 30, 2017
Colombia (country of domicile of EPM)	7,936,528	7,010,471
Guatemala	1,440,816	1,433,672
Panama	1,492,085	1,446,559
El Salvador	639,685	609,243
Chile	404,256	378,211
Mexico	130,167	80,965
Ecuador	33	4,873
Bermuda	6,455	6,092
International intersegment elimination	(3,087)	(752)
<b>Total countries other than Colombia</b>	<b>4,110,410</b>	<b>3,958,863</b>
<b>Total consolidated income</b>	<b>12,046,938</b>	<b>10,969,334</b>

Amounts expressed in millions of Colombian pesos -

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

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

### Non-Current Assets

Country	September 30, 2018	December 31, 2017
Colombia (country of domicile of EPM)	30,402,767	28,606,870
Chile	3,408,705	3,627,065
Panama	2,081,100	2,026,401
Guatemala	1,969,753	1,987,493
El Salvador	312,973	315,612
Mexico	54,177	53,779
<b>Total countries other than Colombia</b>	<b>7,826,708</b>	<b>8,010,350</b>
<b>Total non-current assets</b>	<b>38,229,475</b>	<b>36,617,220</b>

Amounts expressed in millions of Colombian pesos -

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

## Note 22. Events occurred after the period being reported

On October 30, 2018, the Medellín City Council approved draft Agreement 150 of 2018 in plenary session, “Whereby it authorizes the disposal of some shareholdings”.

The approval of the Medellín City Council includes the sale of EPM’s shares in Interconexión Eléctrica S.A. (ISA), corresponding to a non-controlling minority interest of 10.17% in the company. Moreover, other non-material minority shareholdings in Promioriente S.A. E.S.P., Gas Natural del Oriente S.A. E.S.P., Hidroeléctrica del Rio Aures S.A. E.S.P., Gestión Energética S.A. E.S.P. (GENSA), EMGENSA S.A. E.S.P., Organización Terpel S.A., Corporación Financiera Colombiana S.A., BBVA Colombia S.A., Banco Davivienda S.A. and Acerías Paz del Rio S.A.

EPM seeks to maintain adequate debt ratios to cover its investment plan and the operation of its core businesses. However, due to the contingency in the Ituango Hydroelectric Project, the company needs resources to ensure its liquidity over the next three years. Due to the delay in the operation of the future power plant, expected in three years, EPM will stop collecting, for the commercial operation of power generation business, the estimated amount of \$4 trillion, for the 2018-2021 period. According to preliminary analyses and pending issues to be confirmed once the status of the powerhouse and other impacts on the project come to light, the considered amount to recover the works would be up to \$2 trillion. In addition, this dispute caused damages for the estimated amount of \$1 trillion.