



# Empresas Públicas de Medellín E.S.P.

Separate Financial Statements and Notes  
Under Accounting and Financial Reporting  
Standards accepted in Colombia  
31 December 2020 and 2019

## CERTIFICATION OF FINANCIAL STATEMENTS

Medellín, March 23, 2021

**To the Board of Directors of Empresas Públicas de Medellín E.S.P.**

We, the undersigned, in our capacity as the Legal Representative and Accountant of Empresas Públicas de Medellín E.S.P., hereby certify that the balances of the Separate Financial Statements of Empresas Públicas de Medellín E.S.P. at December 31, 2020 and 2019, were faithfully taken from the accounting books, which are prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original) and adopted by the General Accounting Office of Colombia through Resolution 037/2017 and its amendments. These accounting and financial reporting standards are based on the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the Interpretations Committee, adopted in Colombia through Decree 2420/2015 and its amendments.

We certify that the assertions contained in the separate Financial Statements were verified for accuracy in relation to:

- a) All economic events that have occurred during the reporting period have been properly recorded for their due recognition in the appropriate amounts and accounts, measured at fair value and adequately disclosed.
- b) That economic events are classified, presented and disclosed in accordance with accounting and financial reporting standards.
- c) All assets, liabilities and equity in the separate financial statements represent the existence of assets, rights and obligations and have been valued at the appropriate amounts.
- d) The disclosures or accounting notes are prepared clearly and in accordance with accounting and financial reporting standards.

The separate financial statements do not contain any defects, inaccuracies or misstatements that would prevent the true financial position and financial performance of the Entity from being known.



**Mónica María Ruiz Arbeláez**  
Acting Legal Representative



**John Jaime Rodríguez Sosa**  
Public Accountant  
Professional License No. 144842-T



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Empresas Públicas de Medellín E.S.P.:

### **Opinion**

We have audited the separated financial statements of Empresas Públicas de Medellín E.S.P. (the Company), which comprise the separated statement of financial position as of 31 December 2020 and the separated statement of profit or loss and other comprehensive income, of changes in equity and of cash flows for the year that ended on said date and their respective notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separated financial statements, present fairly, in all material respects, the separated financial position of the Company as at 31 December 2020, the separated financial performance of its operations and its separated cash flows for the year that ended on said date, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia adopted by the Nation's General Accounting Office through resolution 037 of 2017 and resolution 056 of 2020, applied uniformly with the previous year.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing accepted in Colombia (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the separated Financial Statements section of our report. We are independent of the Company, in accordance with the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA) included in the Information Assurance Standards accepted in Colombia together with the ethical requirements that are relevant to our audit of the separated financial statements established in Colombia and we have fulfilled our ethical responsibilities in accordance with these requirements and the aforementioned IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of a matter**

We draw attention to note 5 to the separate financial statements, which describes the events that occurred in the Ituango Hydroelectric Project and their impact on the financial statements. The root causes of the mentioned events are still being evaluated by the Company and by the relevant control and oversight bodies, therefore the final outcome cannot be determined at this time and consequently no additional effect on the Company's separate financial statements has been foreseen. Our opinion is not modified in relation to this matter.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separated financial statements of the current period.

These matters were addressed in the context of our audit of the separated financial statements as a whole, and in forming our opinion thereon we do not provide a separated opinion on these matters.

<b>Evaluation of Impairment of Cash Generating Unit – Electricity Generation (See notes 2.18 and 11.2 to the separated financial statements)</b>	
<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The Company's separate statement of financial position as of December 31, 2020 includes property, plant and equipment, net and intangibles for Ch\$16,773,466 million associated with the cash generating unit (CGU) of Power Generation.</p> <p>For the evaluation of impairment, the Financial Planning and Analysis Department establishes the value in use considering the calculations generated by the HSF - Oracle application and the base information for the determination of the financial projections of the businesses is approved by the respective Vice-Presidencies and annually ratified by the Board of Directors.</p> <p>We consider the assessment of the impairment of the Cash Generating Unit - Power Generation as a key audit matter because it involves complex judgment elements by the Company such as: (i) the methodology used and calculations performed for the estimation of the value in use and (ii) the relevant inputs and assumptions used in the model such as:</p> <p>(1) the historical behavior of certain base variables for the projection; (2) the discount rates applied, and macroeconomic variables used (3) the projection period and (4) the perpetual growth gradient.</p>	<p>Our audit procedures to assess the impairment of the cash generating unit - Power Generation included, among others, the following:</p> <p>Evaluation of the design, implementation and operative effectiveness of the controls established by the Company to calculate CGU impairment. This included controls associated with the approvals of key operating assumptions included in the financial projections for the determination of value in use by the Vice President of each business and the Board of Directors. With the involvement of professionals with experience and knowledge in the evaluation of information technology, automatic controls associated with the proper administration and management of access to the HSF application were evaluated to ensure the integrity and protection of historical information and the configuration of the financial projection model.</p> <p>- Involvement of professionals with knowledge and experience in valuation who assisted us in: (i) the evaluation of the methodology used to estimate value in use and the development of independent recalculations, and (ii) the evaluation of the following relevant inputs and assumptions used in the model: (1)</p>



	<p>historical behavior of certain base variables for the projection; (2) discount rates and macroeconomic variables; (3) projection period; and (4) the perpetual growth gradient.</p>
<p><b>Assessment of the sufficiency of lawsuit provisions and appropriate assessment of contingent liabilities (See notes 27.1.3 and 27.2 to the separated financial statements)</b></p>	
<p><b>Key Audit Matter</b></p>	<p><b>How our audit addressed the key audit matter</b></p>
<p>The Company is involved in certain tax and legal proceedings. The Company records provisions for these proceedings when it is probable that an outflow of resources will be required to settle a present obligation and when the amount of the outflow can be estimated. The Company discloses a contingency when the probability of loss related to such proceedings is considered possible or when it is considered probable, but the amount of the disbursement cannot be reliably estimated.</p> <p>The Company's separate statement of financial position as of December 31, 2020 includes provisions for litigation of \$206,558 million and the notes to the financial statements disclose contingent liabilities of \$1,363,289 million.</p> <p>The valuation of these provisions and contingent liabilities requires the Company to make significant judgments about the probability of judgment in administrative, tax and labor proceedings, as well as the determination of the amounts of the obligations to be paid based on the claims and the related estimated dates of payment.</p> <p>We have considered the evaluation of the adequacy of provisions for litigation and contingencies as a key audit matter because it requires significant judgment and effort. Specifically, because of the nature of the estimates and assumptions, including judgments about the probability of loss and the amounts that would be paid in the event of unfavorable outcomes.</p>	<p>Our audit procedures for evaluating the adequacy of provisions for litigation and contingent liabilities included, among others, the following:</p> <ul style="list-style-type: none"> <li>- Understanding of the processes established by the Company for the estimation of provisions for litigation and determination of contingent liabilities including the evaluation of the design, implementation and effectiveness of relevant controls, such as: (i) compliance with professional profiles of lawyers, established by the entity for the management of litigation according to their complexity and specialty, (ii) evaluation by the Conciliation Committee of the probability of judgment as well as the claims of administrative, tax and labor litigation that resulted in a judgment, (iii) reconciliation of the report generated from the repository of litigation and disputes of Maya legal management against the records of the accounting application JDEdwards.</li> <li>- Evaluation of the competence and capacity of professionals with internal and external expertise, which determined the probability of loss and the estimated amount of disbursement in each litigation.</li> <li>- Confirmation from the Company's internal and external lawyers on the probability of judgment and the status of current proceedings.</li> </ul>



	<p>- Selection of a sample of the main litigations to analyze the supporting documentation with the involvement of professionals with experience and knowledge in administrative, tax and labor law, who assisted us in:</p> <ul style="list-style-type: none"> <li>• The legal analysis of the supporting documents of the lawsuits, the probability of judgment indicated by the Company and the estimated amount.</li> <li>• The analysis of the possibility for the Company to file an appeal against the judicial decision, according to the current situation of each of the selected cases.</li> </ul> <p>Evaluation of the disclosures included in the notes to the separate financial statements in accordance with the applicable financial reporting framework.</p>
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### **Other Matters**

The separate financial statements as of and for the year ended December 31, 2019 are presented solely for comparative purposes, were audited by us and in our report dated March 26, 2020, we expressed an unqualified opinion on them and included an emphasis of matter paragraph related to the events that occurred in the Ituango Hydroelectric Project, a situation that to date remains.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the management report but does not include the separate financial statements and our related auditors' report.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion on it.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether there is a material inconsistency



between that information and the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be a material misstatement.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibility of management and those charged with the Company's corporate governance in relation to the separate financial statements.**

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia as adopted by the Colombian General Accounting Office through resolution 037 of 2017 and resolution 056 of 2020. This responsibility includes: designing, implementing and maintaining such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and establishing accounting estimates that are reasonable in the circumstances.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern and for using the going concern basis of accounting unless management intends to liquidate the Company or cease operations, or there is no more realistic alternative than to proceed in one of these ways.

Those charged with corporate governance are responsible for overseeing the Company's financial reporting process.

**Auditors' responsibilities in connection with the audit of separate financial statements.**

Our objectives are to obtain reasonable assurance about whether the separate financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance means a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism during the audit. Also

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our



opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one arising from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may indicate significant doubt about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our report to the disclosure that describes this situation in the separate financial statements or, if such disclosure is inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to operate as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements present the underlying transactions and events so as to achieve a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate to those charged with governance of the Company, among other matters, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with confirmation that we have complied with relevant ethical independence requirements and that we have communicated with them all relationships and other matters that might reasonably be considered to bear on our independence and, where applicable, related safeguards.





From the matters communicated with those charged with governance, we determined the matters that were of most significance in the audit of the current period's separate financial statements and, accordingly, are the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely exceptional circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably outweigh the benefits to the public interest of such communication.

KPMG S.A.S.  
March 23, 2021  
Medellin

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.  
**SEPARATE STATEMENT OF FINANCIAL POSITION**

As of December 31, 2020 and 2019

Amounts stated in millions of Colombian pesos



	Notes	2020	2019
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment, net	5	28,279,579	26,431,775
Investment property	6	152,365	126,822
Goodwill	7	260,950	260,950
Other intangible assets	7	550,895	537,497
Right of use assets	14	2,053,169	2,060,120
Investments in subsidiaries	8	9,027,864	7,406,556
Inversiones in associates	9	2,434,417	2,434,417
Investments in joint ventures	10	99	99
Trade and other receivables	12	1,726,355	1,513,822
Other financial assets	13	3,106,955	2,458,334
Other assets	16	79,943	94,757
Cash and cash equivalents (restricted)	18	71,708	17,787
<b>Total non-current assets</b>		<b>47,744,299</b>	<b>43,342,936</b>
<b>Current assets</b>			
Inventories	17	150,189	118,871
Trade and other receivables	12	2,172,577	2,222,783
Assets for current income tax	39	232,864	34,413
Other financial assets	13	2,139,736	557,208
Other assets	16	135,391	115,020
Cash and cash equivalents	18	792,923	861,236
<b>Total current assets</b>		<b>5,623,680</b>	<b>3,909,531</b>
<b>Total assets</b>		<b>53,367,979</b>	<b>47,252,467</b>
<b>Liabilities and Equity</b>			
<b>Equity</b>			
Issued capital		67	67
Reserves	19	1,609,297	1,704,818
Accumulated other comprehensive income	20	4,180,155	3,207,197
Retained earnings	19	18,015,300	16,702,294
Net profit for the year	19	2,539,915	2,706,035
Other components of equity	19	64,455	64,390
<b>Total equity</b>		<b>26,409,189</b>	<b>24,384,801</b>

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.  
**SEPARATE STATEMENT OF FINANCIAL POSITION**

As of December 31, 2020 and 2019

Amounts stated in millions of Colombian pesos



	Notes	2020	2019
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings and loans	21 and 41	16,414,803	13,783,442
Creditors and other accounts payable	22	13,012	3,726
Other financial liabilities	23	2,964,617	2,447,689
Employee benefits	25	394,712	351,968
Income tax payable	39	30,331	30,331
Deferred tax liabilities	39	1,859,510	2,002,164
Provisions	27	485,975	412,151
Other liabilities	28	31,411	31,774
<b>Total non-current liabilities</b>		<b>22,194,371</b>	<b>19,063,245</b>
<b>Current liabilities</b>			
Borrowings and loans	21 and 41	2,232,020	1,409,169
Creditors and other accounts payable	22	987,660	1,061,083
Other financial liabilities	23	478,710	337,205
Employee benefits	25	171,020	144,372
Income tax payable	39	88,426	140,636
Taxes, contributions and rates	26	222,393	116,424
Provisions	27	389,092	334,691
Other liabilities	28	195,098	260,841
<b>Total current liabilities</b>		<b>4,764,419</b>	<b>3,804,421</b>
<b>Total liabilities</b>		<b>26,958,790</b>	<b>22,867,666</b>
<b>Total liabilities and equity</b>		<b>53,367,979</b>	<b>47,252,467</b>

The accompanying notes are an integral part of the financial statements

  
**Mónica Maria Ruiz Arbeláez**  
 Deputy General Manager  
 Certification Attached

  
**Miguel Alejandro Calderón Chatet**  
 Executive Vice-President of Finance and Investments

  
**John Jaime Rodríguez Sosa**  
 Director of Accounting and Costs  
 Professional Card No. 144842-T  
 Certification Attached

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.  
SEPARATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

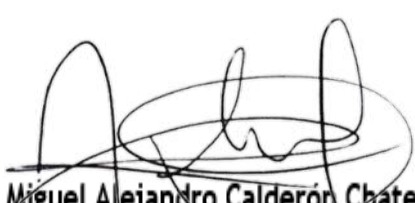
Amounts stated in millions of Colombian pesos



	Notes	2020	2019
<b>Continuing operations</b>			
Sale of goods	30	4,922	733
Rendering of services	30	9,465,193	8,484,806
Leases	30	43,565	51,520
<b>Income from ordinary activities</b>		<b>9,513,680</b>	<b>8,537,059</b>
Income for sale of assets	32	120	384
Other income	31	384,610	312,319
<b>Total income</b>		<b>9,898,410</b>	<b>8,849,762</b>
Costs of goods sold and services rendered	33	(5,870,970)	(4,548,376)
Administrative expenses	34	(1,053,454)	(902,731)
Impairment loss on accounts receivable	12	(59,169)	(26,287)
Other expenses	35	(60,827)	(131,067)
Financial income	36.1	179,402	340,584
Financial expenses	36.2	(1,101,520)	(1,103,798)
Net foreign exchange difference	37	(364,146)	(46,542)
Share of loss of equity accounted investees	8	671,716	866,903
Gain on equity investments	38	574,021	12,822
<b>Income for the year before tax</b>		<b>2,813,463</b>	<b>3,311,270</b>
Income tax	39	(273,548)	(605,235)
<b>Profit for the year after taxes from continuing operations</b>	19	<b>2,539,915</b>	<b>2,706,035</b>
<b>Net profit for the year</b>	19	<b>2,539,915</b>	<b>2,706,035</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit plans	20 and 39	(17,431)	(35,969)
Equity investments measured at fair value through equity	20 and 39	596,096	622,447
Equity accounted investees - share of OCI	20 and 39	162,520	(189,209)
Income tax related to components that will not be reclassified	20 and 39	4,439	141,668
		<b>745,624</b>	<b>538,937</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<b>Cash flow hedges</b>	20 and 39	<b>(24,071)</b>	<b>34,119</b>
Recognized profit for the year		(399,369)	(49,060)
Reclassification adjustment		375,299	83,179
<b>Equity accounted investees - share of OCI</b>	20 and 39	<b>241,365</b>	<b>(203,917)</b>
Recognized profit for the year		241,365	(203,917)
<b>Income taxes related to components that can be reclassified</b>	20 and 39	<b>10,086</b>	<b>17,673</b>
Recognized profit for the year		121,948	33,643
Reclassification adjustment		(111,862)	(15,970)
		<b>227,380</b>	<b>(152,125)</b>
<b>Other comprehensive income, net of taxes</b>	39	<b>973,004</b>	<b>386,812</b>
<b>Total comprehensive income for the year</b>		<b>3,512,919</b>	<b>3,092,847</b>

The accompanying notes are an integral part of the financial statements

  
Monica María Ruiz Arbeláez  
Deputy General Manager  
Certification Attached

  
Miguel Alejandro Calderón Chatet  
Executive Vice-President of Finance and Investments

  
John Jaime Rodríguez Sosa  
Director of Accounting and Costs  
Professional Card No. 144842-T  
Certification Attached

## SEPARATED STATEMENT OF CHANGES IN EQUITY

Years ended December 31, 2020 and 2019

Amounts stated in millions of Colombian pesos



	Other comprehensive income									Total
	Issued capital	Reserves (note 19)	Retained earnings (note 19)	Other components of equity	Equity investments (note 20)	Defined benefit plans (note 20)	Cash flow hedging (note 20)	Reclassification of properties, plant and equipment to investment property (note 20)	Accumulated Share in other comprehensive income of subsidiaries (note 20)	
<b>Balance at 1 January 2019</b>	<b>67</b>	<b>1,961,034</b>	<b>17,677,168</b>	<b>49,944</b>	<b>2,152,464</b>	<b>(4,968)</b>	<b>(73,656)</b>	<b>12,079</b>	<b>831,193</b>	<b>22,605,325</b>
Profit for the period	-	-	2,706,035	-	-	-	-	-	-	2,706,035
Other comprehensive income for the period, net of income tax	-	-	-	-	752,104	(23,958)	51,792	-	(393,126)	386,812
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2,706,035</b>	<b>-</b>	<b>752,104</b>	<b>(23,958)</b>	<b>51,792</b>	<b>-</b>	<b>(393,126)</b>	<b>3,092,847</b>
Surpluses or dividends declared	-	-	(1,289,652)	-	-	-	-	-	-	(1,289,652)
Movement of reserves	-	(256,216)	256,216	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	138,392	-	(138,392)	-	-	-	-	-
Equity method on variations in equity	-	-	(79,830)	14,446	-	-	-	-	41,665	(23,719)
<b>Balance at 31 December 2019</b>	<b>67</b>	<b>1,704,818</b>	<b>19,408,329</b>	<b>64,390</b>	<b>2,766,176</b>	<b>(28,926)</b>	<b>(21,864)</b>	<b>12,079</b>	<b>479,732</b>	<b>24,384,801</b>
<b>Balance at 1 January 2020</b>	<b>67</b>	<b>1,704,818</b>	<b>19,408,329</b>	<b>64,390</b>	<b>2,766,176</b>	<b>(28,926)</b>	<b>(21,864)</b>	<b>12,079</b>	<b>479,732</b>	<b>24,384,801</b>
Profit for the period	-	-	2,539,915	-	-	-	-	-	-	2,539,915
Other comprehensive income for the period, net of income tax	-	-	-	-	594,259	(11,153)	(13,985)	-	403,883	973,004
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2,539,915</b>	<b>-</b>	<b>594,259</b>	<b>(11,153)</b>	<b>(13,985)</b>	<b>-</b>	<b>403,883</b>	<b>3,512,919</b>
Surpluses or dividends declared	-	-	(1,488,319)	-	-	-	-	-	-	(1,488,319)
Movement of reserves	-	(95,521)	95,521	-	-	-	-	-	-	-
Equity method on variations in equity	-	-	(231)	65	-	-	-	-	(46)	(212)
<b>Balance at 31 December 2020</b>	<b>67</b>	<b>1,609,297</b>	<b>20,555,215</b>	<b>64,455</b>	<b>3,360,435</b>	<b>(40,079)</b>	<b>(35,849)</b>	<b>12,079</b>	<b>883,569</b>	<b>26,409,189</b>

The accompanying notes are an integral part of the financial statements

  
**Monica Maria Ruiz Arbeláez**  
 Deputy General Manager  
 Certification Attached

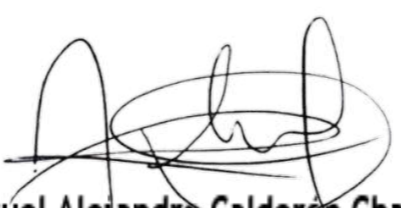
  
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	Notes	2020	2019
<b>Cash flows from operating activities:</b>			
<b>Profit for the year</b>		<b>2,539,915</b>	<b>2,706,035</b>
<b>Adjustments to reconcile the net profit for the year to the net cash flows used in operating activities:</b>		<b>1,162,799</b>	<b>1,200,765</b>
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	33 and 34	623,980	577,736
Impairment loss on accounts receivable	12	59,169	26,287
Impairment of investments in subsidiaries, associates and joint ventures	11	879,062	-
Gain / loss due to exchange difference	37	364,146	46,542
Gain / loss due to valuation of investment property	6	17,040	(51,943)
Result for valuation of financial instruments and hedge accounting	36	16,343	(12,286)
Provisions, post-employment and long-term defined benefit plans	34	240,617	149,286
Provisions for tax, insurance and reinsurance obligations and financial updating	27	20,990	-
Deferred income tax	39	(124,209)	4,678
Current income tax	39	397,757	600,558
Share of loss of equity-accounted investees	8	(671,716)	(866,903)
Interest and yield income	36	(111,754)	(231,394)
Interest and commission expenses	36	996,539	1,011,776
Gain / loss due to disposal of properties, plant and equipment, right-of-use assets, intangibles and investment property	32 and 35	2,296	(383)
Gain / loss due to retirement of properties, plant and equipment, right-of-use assets, intangibles and investment property	35	4,073	85,097
Gain / loss due to disposal of financial instruments	13	-	47,534
Non-effective recoveries	31	(98,451)	(125,464)
Gain / loss from Business combinations	38	(1,353,203)	-
dividend income from investments	13	(99,880)	(60,356)
		<b>3,702,714</b>	<b>3,906,800</b>
<b>Net changes in operating assets and liabilities:</b>			
Change in inventories		(31,317)	(1,044)
Change in trade and other receivables		(106,046)	216,657
Change in other assets		(25,024)	(4,887)
Change in creditors and other accounts payable		(261,240)	12,473
Change in labor obligations		32,573	(1,947)
Change in provisions		(133,771)	(211,661)
Change in other liabilities		132,977	259,961
<b>cash provided by operating activities</b>		<b>3,310,866</b>	<b>4,176,352</b>
Interest paid		(1,160,598)	(1,454,068)
Income tax paid		(682,542)	(517,659)
Income tax refund		34,413	-
<b>Net cash provided by operating activities</b>		<b>1,502,139</b>	<b>2,204,625</b>
<b>Cash flows from investing activities:</b>			
Acquisition and capitalization of subsidiaries or ventures	8	(505,311)	(266,341)
Disposal of subsidiaries or business	8	-	782
Purchase of property, plant and equipment	5	(2,220,833)	(2,370,622)
Disposal of property, plant and equipment	35	(2,289)	541
Purchase of intangible assets	7	(48,402)	(40,888)
Disposal of investment properties	6	256	2,165
Purchase of investments in financial assets	13	(1,681,502)	(124,285)
Disposal of investments in financial assets	13	76,646	808,731
Dividends received from subsidiaries, associates and joint business	8 and 9	386,980	697,521
Other dividends received	13	72,826	56,137
Loans to economic associates		30,981	317,989
compensation received	5	369,700	531,607
Other cash flows from investment activities		16,786	23,883
<b>Net cash flow used in investing activities</b>		<b>(3,504,162)</b>	<b>(362,780)</b>
<b>Cash from financing activities:</b>			
Obtaining of borrowings and loans	21	4,612,201	7,463,935
Payments of borrowings and loans	21	(1,225,080)	(8,067,058)
Transaction costs due to issuance of debt instruments	21	(28,553)	(14,695)
Payments of liabilities for financial leasing	23	(11,580)	(10,010)
Dividends or surpluses paid	19	(1,488,319)	(1,289,652)
Payments of capital of derivatives designated as cash flow hedges	13	19,586	156,514
Payment of pension bonds	23	(6,435)	(19,515)
Other cash from financing activities		177,618	(30,898)
<b>Net cash flows (used in) / provided by financing activities</b>		<b>2,049,438</b>	<b>(1,811,379)</b>
<b>Net increase in cash and cash equivalents</b>		<b>47,415</b>	<b>30,466</b>
Effects of variations in exchange rates in the cash and cash equivalents		(61,808)	12,778
Cash and cash equivalents at beginning of the year		879,024	835,779
<b>Cash and cash equivalents at end of the year</b>	18	<b>864,631</b>	<b>879,023</b>
Restricted resources	18	97,417	84,565

The accompanying notes are an integral part of the financial statements

  
**Mónica María Ruiz Arbeláez**  
Deputy General Manager  
Certification Attached

  
**Miguel Alejandro Calderón Chatet**  
Executive Vice-President of Finance and Investments

  
**John Jaime Rodríguez Sosa**  
Director of Accounting and Costs  
Professional Card No. 144842-T  
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## Table of contents of notes to separate financial statements

Note 1.	Reporting Entity.....	3
Note 2.	Significant accounting policies .....	5
Note 3.	Significant accounting judgments, estimates, and causes of uncertainty in the preparation of financial statements. ....	28
Note 4.	Significant transactions and other relevant aspects during the period. ....	31
Note 5.	Property, plant and equipment, net .....	35
Note 6.	Investment property .....	41
Note 7.	Goodwill and other intangible assets .....	42
Note 8.	Investment in subsidiaries.....	45
Note 9.	Investments in associates.....	48
Note 10.	Investment in joint ventures .....	49
Note 11.	Impairment of Assets .....	49
Note 12.	Trade and other receivables.....	53
Note 13.	Other financial assets .....	56
Note 14.	Leases .....	58
Note 15.	Warranties.....	60
Note 16.	Other assets.....	61
Note 17.	Inventories.....	61
Note 18.	Cash and cash equivalents .....	62
Note 19.	Equity.....	65
Note 20.	Accumulated other comprehensive income .....	67
Note 21.	Loans and borrowings .....	69
Note 22.	Trade and other payables.....	72
Note 23.	Other financial liabilities.....	73
Note 24.	Derivatives and hedging .....	74
Note 25.	Employee benefits.....	76
Note 26.	Taxes, contributions and rates .....	83
Note 27.	Provisions, contingent assets and liabilities.....	83
Note 28.	Other liabilities .....	95
Note 29.	Changes in liabilities due to financing .....	96

Note 30.	Revenue.....	97
Note 31.	Other income.....	99
Note 32.	Gain on sale of property, plant, and equipment.....	99
Note 33.	Costs of goods sold and services rendered .....	100
Note 34.	Administrative expenses .....	101
Note 35.	Other expenses.....	102
Note 36.	Finance income and expense .....	103
Note 37.	Net foreign exchange difference.....	104
Note 38.	Gain on equity investments .....	105
Note 39.	Income tax .....	106
Note 40.	Information to be disclosed on related parties.....	113
Note 41.	Capital management .....	115
Note 42.	Financial risk management objectives and policies .....	115
Note 43.	Measurement of fair value on a recurring and non-recurring basis .....	124
Note 44.	Service concession arrangements.....	128
Note 45.	Facts occurred after the period being reported.....	129



# Notes to the Separate Financial Statements of Empresas Públicas de Medellín E.S.P. for the years ended 31 December 2020 and 2019

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

## Note 1. Reporting Entity

Empresas Públicas de Medellín E.S.P. and subsidiaries (hereinafter, "EPM Group") is the holding company of a multi-latin Enterprise group made up of 44 companies and a five structured entities<sup>1</sup>, that have presence in the provision of public utilities in Colombia, Chile, El Salvador, Guatemala, Mexico and Panama.

Empresas Públicas de Medellín E.S.P. (hereinafter 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 of municipal order through Decision 069 of December 10, 1997 of the Medellín Council. Due to its legal status, EPM is endowed with administrative and financial autonomy, and its own equity according to Article 85 of Law 489 of 1998. The share capital with which the company was constituted and currently operates, as well as its equity, is of public nature, being 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 utilities of water, sewage electricity and natural gas distribution. It can also provide the domiciliary public utility of waste management, treatment and disposal of solid waste, as well as the supplementary activities related to each and every one of the mentioned public utility services.

The company offers its services through the following segments, the activities of which are described in Note 48. Operating segments: Electric Power Generation, Distribution and Transmission; Distribution and Marketing of Natural Gas; Water supply; Waste water management; Solid waste management. Additionally, the Others Segment includes the participation in the telecommunications business, through the associate UNE EPM Telecomunicaciones S.A. and its subsidiaries: Edatel S.A. E.S.P, Orbitel Servicios Internacionales S.A. - OSI, Cinco Telecom Corporation - CTC and Colombia Móvil S.A. ; and the associate Inversiones Telco S.A.S. and its subsidiary Emtelco S.A. ; offering voice, data, Internet, professional services, data center, among others.

The separated financial statements corresponding to the year ended 31 December 2020, were authorized by the Board of Directors to be published on 23 March 2021.

### 1.1 Legal and Regulatory Framework

The activity of EPM, i.e., providing residential public utilities, is regulated in Colombia mainly by Law 142, Public Utilities Act, and Law 143 of 1994, 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 Spanish initials).

Since the Company is an issuer of Bonds, it is subject to the control of the Superintendence of Finance of Colombia under Decree 2555 of 2015, by which the regulations of the financial, insurance sectors, and the stock market are collected and reissued, and other provisions are issued, establishes that the Integral System of Information of the Stock Market (SIMEV for its Spanish initials) is the set of human, technical and management resources that the Superintendence of Finance of Colombia shall use to allow and facilitate the supply of information to the market. Within these tools, there is the National Registry of Securities and Issuers (RNVE for its Spanish initials), which purpose is to keep a registry of securities issuers and their issues. EPM, when issuing bonds, is subject to control by this Superintendence and to the rules required for financial information purposes,

<sup>1</sup> Autonomous Equity Financiación Social of EPM, CHEC, EDEQ and ESSA. Under International Financial Reporting Standards -IFRS adopted in Colombia, they are considered structured entities that are part of the consolidation perimeter of the EPM Grupo's financial statements.

especially to the External Circular Letter 038 of 2015 which reference is: Modification to the terms for the transmission of Quarterly and Year-End Intermediate Financial Statements under IFRS adopted in Colombia, Individual or Separate and Consolidated and their report in XBRL language (extensible Business Reporting Language) and unification of the instructions contained in External Circular Letters 007 and 011 of 2015.

For accounting purposes, it is regulated by the standards issued by the General Accounting Office of the Nation, as described in the accounting policies section.

For managing the health service as employee benefits, under the figure of the Adapted Health Company - EAS, it is supervised by the National Superintendency of Health.

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

## 1.2 Regulation commissions

Law 142 of 1994 in its articles 68 y 69 delegates in the regulation commissions the presidential function of stating general policies of management and control of efficiencies in domiciliary public utilities.

These entities are:

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

### 1.2.1 Regulation by sector

#### 1.2.1.1 Activities of the water, sewage and waste management sector

Law 142, Public Utilities Act, defined the water, sewage and waste management services:

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

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

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

For the Water and Sewage utilities, the rate framework is established in Resolutions CRA 688 of 2014 and CRA 735 of 2015 issued by the Potable Water and Sewage Regulation Commission (CRA, for its Spanish initials). For the Waste management public utility, in resolution CRA 720 of 2015. These rules establish quality and coverage indicators, provide incentives to meet targets and define remuneration mechanisms to guarantee the company's financial sufficiency.

#### 1.2.1.2 Electric sector activities

Law 143 of 1994 segmented the electric power service into four activities: generation, transmission, distribution, and commercialization, which may be developed by independent companies. The purpose of the

legal framework is to supply the demand of electricity under economic and financial feasibility criteria and to tend to an efficient, secure, and reliable operation of the sector.

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

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

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

**Commercialization:** An activity that consists of 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.

### 1.2.1.3 Activities of the natural gas sector

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

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

## Note 2. Significant accounting policies

### 2.1 Basis for preparation of the financial statements

The Company's Separated Financial Statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for its Spanish initials) and adopted by the Nation's General Accounting Office through Resolution 037 of 2017 and Resolution 056 of 2020 (hereinafter "IFRS as adopted in Colombia"). These accounting and financial reporting standards are based on the International Financial Reporting Standards (hereinafter, IFRS) issued by the International Accounting Standards Board (hereinafter, IASB), as well as the interpretations issued by the International Financial Reporting Standards Committee (hereinafter, IFRIC). These financial statements are harmonized with the generally accepted accounting principles in Colombia as set forth in the Annex to Decree 2420 of 2015 and its subsequent amendments.

The presentation of financial statements in conformity with IFRS adopted in Colombia requires making estimates and assumptions that affect the amounts reported and disclosed in the financial statements, without undermining the reliability of the financial information. Actual results may differ from said estimates. Estimates and assumptions are constantly revised. Revision of accounting estimates is recognised for the period in which the estimates are revised if the revision affects such period or in the revision period and future periods, if it affects both the current and the future period. The estimates made by the Management, in applying the IFRS adopted in Colombia, that have a material effect on the financial statements, and those that imply significant judgments for the annual financial statements, are described in greater detail on Note 3. Significant accounting judgments, estimates, and causes of uncertainty in the preparation of financial statements.

EPM and each of its 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. Likewise, EPM as the main holding company presents consolidated financial statements under IFRS adopted in Colombia.

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. 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, some equity investments at fair value through equity, as well as all finance derivatives, assets and liabilities recognised that are designated as hedged items in a fair value hedging, which recorded value is adjusted with the changes in fair value attributed to the risks subject matter of the hedging.

Separated financial statements are presented in its functional currency Colombian pesos and their figures are stated in millions of Colombian pesos.

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

An asset is classified as current asset when it is mainly maintained for negotiation purposes or it is expected to be realized over a term not exceeding one year, after the period being reported or it is cash and cash equivalents that is not subject to restrictions for exchange or use 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 noncurrent assets.

A liability is classified as current liability when it is mainly kept for negotiation purposes or when it is expected to be settled over a term not exceeding one year after the period being reported, or when the company does not have an unconditional right to postpone its settlement 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 assessment of facts and circumstances (i.e., the underlying contractual cash flows):

- When the company 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) for it to correspond 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 allocation can be made in a reliable manner.
- 

## **2.3 Cash and cash equivalents**

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 months or less from their acquisition date. Callable bank overdrafts that are an integral part of the cash management of the company, represent a cash and cash equivalents component in the statement of cash flows.

## **2.4 Investments in subsidiaries, associates and joint ventures**

A subsidiary is an entity controlled by EPM. The control is obtained when EPM controls the relevant activities of the subsidiary and is exposed, or has the right, to the variable returns of the subsidiary and has the capacity to influence said returns.

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 an arrangement in which EPM has joint control, under which the Company has rights over the net assets of the arrangement, rather than rights over its assets and obligations for its liabilities.

On the acquisition date, the surplus of the acquisition cost over the share of the net fair value of the identifiable assets, liabilities and contingent liabilities assumed of the subsidiary is recognised as goodwill. Goodwill is included in the recorded value of the investment and is neither amortized nor individually subject to impairment tests of its value.

Investment in associates and joint ventures is measured in the consolidated financial statements by the Equity Method, except if the investment or a portion thereof is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 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 acquisition, by the portion of the net assets of the entity that corresponds to the investor. The profit or loss for the period for EPM includes its participation in the profit for the period of the investee and the other comprehensive income includes its participation in the other comprehensive income of the investee. When there are variations in the percentage of ownership in the subsidiary that do not imply a loss of control, the effect of these changes is recognized directly in equity. When ownership of the company in the loss of a subsidiary exceeds ownership of the company thereon (which includes any long-term ownership that, in substance, forms part of the net investment of the Group in the associate or joint venture), the company ceases to recognise its ownership in future losses. Additional losses are recognized provided that the company has contracted some legal or implied obligation or has made payments in the name of the subsidiary. When the subsidiary subsequently makes a profit, the company resumes recognition of its ownership therein only after its share in the aforementioned profit equals the share of unrecognized losses.

Investments in subsidiaries are accounted for using the equity method from the date when the entity in which the interest is held becomes a subsidiary.

Investments in associates and joint ventures are kept in the separate financial statements at cost.

Dividends received from the subsidiary, are recognized as reduction in the value of the investment, and those received from associate or joint venture are directly recognized in the profit for the period when the right of the company to receive payment is reestablished.

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

When control over the subsidiary or significant influence over the associate or the joint control over the joint venture is lost, the company measures and recognizes any residual investment that may keep in it its fair value. The difference between the recorded value of the subsidiary, associate or joint venture and the fair value of the retained residual investment, with the value coming from its sale, is recognized in the result for the period.

The Company discontinues the use of the equity method from the date on which the investment ceases to be a subsidiary, or the date on which the investment is classified as held for sale. Additionally, the company records all amounts previously recognized in other comprehensive income with relation to that subsidiary on the same basis that would have been required if said subsidiary had directly sold the financial assets or liabilities. Therefore, if a profit or loss previously recognized in other comprehensive income by the subsidiary had been reclassified into profits or losses at the moment of the sale of the related assets or liabilities, the company would reclassify the profit or loss from equity into profits or losses (as a reclassification adjustment) upon discontinuation of the usage of the equity method.

## 2.5 Joint Operations

Is a joint arrangement whereby the parties that have joint control of the arrangement have the right to the assets and obligations related to the liabilities, related to the arrangement.

In joint operations the company 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 revenue from the sale of its share in the product that arises from the joint operation; its share in revenue 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. The company records the assets, liabilities, revenue, and expenses related to its ownership in a joint operation according to the guidelines applicable in particular to the assets, liabilities, revenue, and expenses.

## 2.6 Functional and Foreign Currency

The functional currency of the Company is the Colombian peso, that is the currency of the main economic environment where it operates, i.e., where it generates and uses cash.

Transactions 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 on the date of the original transactions.

All exchange differences are recognized in the statement of comprehensive income in the section profit or loss for the period, except for amendments arising from interest costs that are capitalizable and those arising from loans in foreign currency to the extent that they are considered as adjustments to interest costs and the exchange difference arising from the conversion of the financial statements of subsidiaries abroad for the application of the equity method, which is recognized in the other comprehensive income.

## 2.7 Revenue

Revenue basically corresponds to the result of the company's main activity, which is the rendering of residential public utilities of electric power, natural gas, water supply and sewage, and are recognized when the service is rendered or at the time of the delivery of the goods, to the extent that they comply to the performance obligations of the company. Revenue is measured at the value of the consideration received or to be received, excluding taxes and other obligations. Discounts, compensations to customers because of the quality of the service and financial components that are granted, are recorded as adjustments to revenue. The financing component is only recognized if the contract with customers has a duration longer than one year.

The most representative income from the power business in Colombia are the following:

**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 steady power for reliability charge (ENFICC, for its Spanish initials), which guarantees compliance with the Steady Power Obligation (OEF, for its Spanish initials) assigned in auction for the assignment of steady power obligations or the mechanism replacing it.

**Long-Term Contracts:** a contract for the sale of power between traders and generators which is settled in the power exchange, under this modality of power contract generators and traders freely agree on quantities and prices for the purchase and sale of electric power for periods longer than one day.

For long-term power purchase contracts, with price lower than that of the market and whose intention is not to use the energy purchased in the operation but to resell it in a market to obtain revenue, it is considered that it does not comply with the Exception for own use.

**Secondary Market of Steady Power or Secondary Market:** A bilateral market in which generators negotiate among themselves a back-up contract to ensure, for a given period, partial or total compliance with the steady power obligations acquired by one of them.

**Non-Regulated Market Power Sales:** Is the power sold in the market to customers whose maximum demand exceeds a value in MW (megawatts) or a monthly minimum energy consumption in MWh (megawatt-hour),

defined by the regulatory body, by legalized installation, from which it does not use public networks of electric power transport and uses it in the same property or in contiguous estates. Such electricity purchases are made at freely agreed prices between buyer and seller.

**Regulated Market Power Sales:** Is the power sold to customers whose monthly consumption is less than a predetermined value and is not entitled to negotiate the price paid for it, since both concepts are regulated; usually uses power for its own consumption or as an input for its manufacturing processes and not to undertake marketing activities with it.

**Automatic Generation Regulation (AGC):** is a system for the control of the secondary regulation, used to accompany the variations of load through electricity 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.

**Steady Power (or Firm Energy):** 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.

Natural gas revenue comes from the distribution and sale of natural gas to the regulated and non-regulated markets.

In the water business, revenue comes from the provision of water and sewage utilities.

At the time of recognition of income, the Company assesses, based on specific criteria, whether it acts as a principal or as a commission agent and thus determines whether gross or net income must be recognized for commercial activities.

## 2.8 Contracts with Customers

When contract results can be reliably measured, the company recognizes revenue and expenses associated to contracts with customers, measuring the advance level in the fulfilment of the performance requirements using the resource method, as a function of the ratio represented by the costs earned by the work conducted to that date and the estimated total costs up to its completion.

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

On the other hand, the incremental costs incurred by the company to obtain or fulfill contracts with customers are recognized as an asset in the statement of financial position within the Other assets item and are amortized on a linear basis over the life of the contract, provided that the term of the contract is greater than one year. Otherwise, the company recognizes it directly in the profit or loss for the period.

Payments received from customers 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 revenue recognized in the statement of income for the year and the billing is presented as asset in the statement of financial position denominated Trade and other receivables, or as liability denominated Other liabilities.

For the initial recognition of an account receivable from a contract with a customer, the difference between the measurement of the receivable and the value of the corresponding revenue is presented as an expense in the statement of comprehensive income called Impairment of receivables.

## 2.9 Government grants

Government grants are recognized at fair value when there is reasonable security that those grants shall be received and that all conditions linked to them shall be met. Grants that pretend to offset costs and expenses already incurred in, without subsequent related costs, are recognized in profit or loss for the period in which

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 lifespan of the corresponding asset. The benefit of a government loan at an interest rate below market is treated as a government grant, measured as the difference between the amounts received and the fair value of the loan based upon the market interest rate.

## 2.10 Taxes

La The fiscal structure of each country, the regulatory frameworks, and the plurality of operations that the company undertakes make the company a taxable entity, i.e., a payer of taxes, rates and contributions on a national and territorial basis. These are liabilities generated from the central government, the states/departments, municipal entities and other active subjects, once the conditions foreseen in the corresponding acts and laws issued are met.

Amongst the most relevant taxes the income tax, the value-added tax and the wealth tax are detailed.

### 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 recorded profit or loss affected by the income tax rate of the current year and pursuant to the provisions of the tax rules of the country. The tax rates and rules used for computing those values are those that are enacted or substantially approved at the end of the period being reported, in the countries where the company operates and generates taxable profits.

Tax income differs from profit for the period as income and expense items imposable 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 tax authority and if there is the intention to settle them for the net value or to realize the asset and settle the liability simultaneously.

- Deferred: the deferred income tax is recognized using the balance sheet method calculated on the temporary differences between the fiscal bases of the assets and liabilities and their recorded values. The deferred tax liability is generally recognized for all imposable temporary differences, while 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 realized. 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, did not affected neither the book gain nor the fiscal profit or loss; and for the deferred tax liability case whenever it arises from the initial recognition of goodwill.

Deferred tax liabilities related to investments in subsidiaries, associates and participation in joint ventures, are not recognized when the revision opportunity of temporary differences can be controlled, and it is probable that those differences will not be reversed in the near future. Deferred tax assets related to investments in subsidiaries, associates and participation in joint ventures, shall be recognized only if a reversal in temporary differences for the near future is probable, and that availability of future taxable profits against which those deductible differences will be imputed is also probable.

The recorded value of the deferred tax assets is reviewed in each presentation date and is reduced to the extent that enough taxable profits available for use as a whole or in part of the deferred tax asset is no longer probable. 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 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 settled, based on fiscal rates and rules that were approved on the presentation date, or the approval procedure of which is about to be completed for such date. Measurement of deferred tax assets and liabilities will reflect the fiscal consequences to be derived from the manner in which the entity expects, at the end of the period being reported, to recover or settle the recorded value of its assets and liabilities.

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 it and if they are related to the same tax authority.

The deferred tax is recognized in profit or loss for the period, except that related to items recognized outside profit or loss; 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 recorded 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 which object is to consume, substantially, all the economic benefits that are generated by the investment property through time, and not through sale. Management reviewed the company's investment property portfolio and concluded that none of the company's investment properties is kept under a business model which objective 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 Income tax, is applicable.

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

### **Value-Added Tax - VAT**

The company is responsible for this tax in the common regime as it performs sales of movable assets and provides taxed services and obtains exempt income for imports. Currently, the power, water, sewage, and domiciliary gas utilities are excluded from this tax.

The general rate for this tax in Colombia is 19% and exists a differential rate of 5%.

In Colombia, the generation of revenue excluded in the particular case of residential public utilities, 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, VAT paid on the purchase or acquisition of inputs for these sales will be deductible from the payable tax value. 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 paid VAT must be performed to determine the percentage of VAT to be discounted.

The tax generated is recognized as a sum to be paid to the tax office, from which the tax paid is deducted. Income is recognized without considering the value of the tax.

### **2.11 Property, Plant and Equipment**

Property, 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 necessary place and conditions to operate in the way foreseen by the company, costs corresponding to loans of construction projects that take a substantial period to be completed, recognition requirements are complied with and the present value of the expected cost for the decommissioning 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 impairment loss recognized and includes indispensable expenditure 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. Said constructions in progress are classified in the proper categories of property, 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.

The Company capitalizes as greater value of the assets, additions or improvements made thereof, provided that any of the following conditions is met: a) They increase their lifespan, 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 recognised in the statement of comprehensive income as incurred.

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 the other property, plant and equipment. They depreciate considering the permanence time in the storage and the technical lifespan of the asset once its use begins.

Depreciation begins when the asset is available for use and is calculated in a straight-line basis throughout the estimated lifespan of the asset as follows:

Plants, pipelines and tunnels	
Civil works	50 to 100 years
Equipment	10 to 100 years
Networks, lines and cables	
Electric transmission network	30 to 40 years
Electric distribution network	30 to 40 years
Aqueduct network	40 to 80 years
Wastewater network	30 to 80 years
Gas network	60 to 80 years
Buildings	50 to 100 years
Communication and computer equipment	5 to 40 years
Machinery and equipment	7 to 40 years
Furniture, fixtures and office equipment	10 to 15 years

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

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

Assets temporarily classified as out-of-service continue to depreciate and are tested for impairment within the CGU to which they are assigned.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, appropriate.

## 2.12 Leases

The determination of whether an arrangement constitutes or contains a lease is based upon the essence of the arrangement at its initial date, if compliance with the agreement depends upon the use of a specific asset(s) and if it transfers the right-of-use of said asset for a timespan in exchange for a consideration.

At the initial date of the lease contract, the company acting as lessee recognizes an asset for right-of-use and a liability for lease, except for leases with a duration of less than 12 months or those whose value at new of the underlying asset is less than 15 (fifteen) Current Monthly Minimum Legal Wage (SMMLV).

The company acting as lessor classifies the lease as operating or finance. A lease is classified as a finance lease when the risks and rewards incidental to ownership of the leased asset are substantially transferred to the lessee; otherwise, it is classified as an operating lease.

### **EPM as a Lessee**

Assets leased under finance 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 finance lease liability.

Right-of-use assets are amortized over the lifespan of the asset using the straight-line method if ownership of the underlying asset is transferred at the end of the contract or if a purchase option is exercised. If ownership of the underlying asset is not transferred at the end of the lease term or if no purchase option on the asset is exercised, the asset is depreciated only up to the end of its lifespan or the lease term, whichever comes first.

Lease payments are divided between financial expenses and debt amortization. Finance charges are recognized in profit or loss for the period unless directly attributable to qualifying assets, in which case they are capitalized according to the company's policy for borrowing costs. Variable lease payments, which depend on an index or rate, are included in the valuation of the lease liability. Leases with a duration of less than 12 months or those whose value at new of the underlying asset is less than 15 (fifteen) SMMLV are recognized as operating leases in the profit or loss for the period over the term of the lease.

### **EPM as a Lessor**

Assets leased under finance leases are not presented as property, plant and equipment since the risks associated with the property have been transferred to the lessee, instead a receivable is recognized for an amount equal to the net investment in the lease.

When a lease contract includes land and building components together, the company assesses the classification of each component separately as a finance or operating lease. If the lease payments cannot be allocated reliably between these two components, the entire lease is classified as a finance lease, unless it is clear that both components are operating leases, in which case the entire lease is classified as operating lease.

Income from variable leases, dependent on an index or rate, are included in the valuation of the net investment at lease.

Initial direct costs such as commissions, fees, legal, and internal costs that are incremental and directly attributable to negotiating and arranging the lease are included in the measurement of the net investment in the lease at inception and are reflected in the calculation of the implicit interest rate.

## 2.13 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. Income 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 the company regarding 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 cost of loans applicable to general loans outstanding during the period) to expenditure made in that asset.

Capitalization of borrowing costs begins on the date when the following conditions are met:

- Expenditure made in relation to the asset.
- Borrowing costs are incurred, and
- Necessary activities to prepare the asset for the intended use or for sale are carried out.

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. Neither is capitalization of borrowing costs suspended when a temporary delay is required as part of the process of preparing an asset qualified for its use or sale.

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

#### **2.14 Investment Property**

Investment property, are lands or buildings or part of a building or both, held to obtain rentals or capital revaluations (including the investment property under construction for said purposes). Investment properties are initially measured at cost, including transaction costs. The recorded value includes the 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 initial recognition, investment properties are measured at the fair value reflected by market conditions on the presentation date. All profits and losses arising from changes in the fair values of the investment properties are included in the statement of comprehensive income in profit or loss when they arise.

Investment properties are derecognized, either at the moment of disposal, 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 recorded value of the asset is recognized in the statement of comprehensive income in profit or loss in the period when it was derecognized.

Transfers to or from investment property are conducted only when there is a change in their use. In the case of a transfer from an investment property to property, plant and equipment, the cost considered for its subsequent posting is the fair value on the date of use change. 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 recorded value shall be recorded as revaluation surplus applying the IAS 16 Property, plant and equipment.

#### **2.15 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 recorded 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, expenditure must be reflected in the statement of comprehensive income in the period in which they incurred.

Lifespan of intangible assets are determined as finite or indefinite.

Intangibles assets with finite lifespans are amortized throughout their economic lifespan in a straight-line and assessed to determine if they presented any impairment, whenever there are indications that the intangible asset may have suffered such impairment. The amortization period and the amortization method for an intangible asset with a finite lifespan are reviewed at least at the end of each year. Changes in the expected lifespan or in the expected pattern of consumption of the future economic benefits of the asset are recorded if the amortization period or method changes, as applicable, and are treated as changes in accounting estimates. The amortization expense of intangible assets with finite lifespans is recognised in profit or loss in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangibles assets with indefinite lifespans are not amortized, but they are subject to annual tests to determine whether they suffer any impairment, either individually or at the cash-generating unit level (CGU). Assessment of the indefinite lifespan is revised on an annual basis to determine whether such indefinite lifespan continues to be valid. If that is not the case, the change of lifespan from indefinite to finite is made prospectively.

Lifespans of intangible assets are:

Concessions and similar rights	according to the term of the contract, indefinite - according to the term of the contract
Easements	contract
Capitalized development expenses	Indefinite
Software and IT applications	Finite 3 to 5 years
Licenses	Finite 3 to 5 years
Rights	As contract effective term
premium gas service stations and intangibles related to customers	As contract effective term
Other intangible assets	Finite 7 to 15 years

An intangible asset is derecognized upon disposal, or whenever future economic benefits are not expected from their use or disposal. The profits or losses arising when an intangible asset is derecognized are measured as the difference between the value obtained in the disposal and the recorded value of the asset, and it is recognized in profit or loss in the statement of comprehensive income.

### Research and Development Costs

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

- The technical feasibility of finalizing the intangible asset so that it is available for use or sale.
- Its 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 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 complete the asset and to use and sell it.
- The capacity of reliably measuring the expenditure during development.

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

When the development of an intangible asset related to an electricity 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 for use. 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 there is impairment of its value.

Research costs and development costs that do not qualify to capitalization are recorded as expenses in profit or loss in the statement of comprehensive income.

## 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, liabilities assumed, and contingent liabilities of the acquired party.

Goodwill represents the difference between the cost of a group of assets constituting a business over which control is acquired and the fair value at the time of acquisition of this group of acquired assets.

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 profit or loss in the statement of comprehensive income.

For the Cash Generating Units (CGU), 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.

## 2.16 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and simultaneously to a financial liability or equity instrument in another entity.

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

### 2.16.1 Financial Assets

The company recognizes its financial assets at fair value at the outset. Transaction costs directly attributable to the financial asset are added to or deducted from its fair value if subsequently measured at amortized cost or fair value through other comprehensive income or are recognized immediately in the statement of comprehensive income if the assets are measured at fair value through profit or loss.

For subsequent measurement, financial assets are classified at amortized cost or fair value (through other comprehensive income or through profit and loss) depending on the company's business model for managing the financial assets and the characteristics of the instrument's contractual cash flows.

#### – Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets whose contractual cash flows are highly liquid. The company classifies a financial asset in this category if it is acquired mainly for the purpose of being sold in the short term.

This includes investments made to optimize surplus liquidity, i.e. all those resources that are not immediately allocated to the development of the activities that constitute the company's corporate purpose. The investment of surplus liquidity is made under the criteria of transparency, security, liquidity and profitability, under the guidelines of adequate control and under market conditions without speculative purposes (EPM General Management Decree 2015-DECGGL-2059 of February 6, 2015). Profit or losses arising from changes in fair value

are included in the statement of comprehensive income under the heading of financial income or expense, in the period in which the aforementioned changes in fair value occur.

Dividend income is recognised when the company's right to receive payment is established.

At the same time, the company can irrevocably allocate a financial asset as measured at fair value through profit or loss.

– **Financial assets at fair value through other comprehensive income**

Debt instruments are classified as assets measured at fair value through other comprehensive income if they are held under a business model whose objective is achieved by obtaining the contractual cash flows and selling the instruments and the instrument also provides, on specific dates, cash flows that correspond solely to payments of principal and interest on the outstanding principal value.

Changes in the fair value of the investment are recorded in other comprehensive income, except for impairment losses or recoveries, interest income and foreign exchange gains and losses which are recognized in profit or loss for the period.

The company has made an irrevocable decision to present subsequent changes in the fair value of certain investments in equity instruments that are not held for trading in other comprehensive income. Dividends from such investments are recognized in profit or loss when the right to receive payment is established.

On disposal of equity investments at fair value through other comprehensive income, the accumulated value of the gains or losses is transferred directly to retained earnings and is not reclassified to profit or loss for the period.

– **Financial assets at amortized cost**

A financial asset is subsequently measured at amortized cost using the effective interest rate<sup>2</sup> if the asset is held within a business model whose objective is to maintain it in order to obtain the contractual cash flows and contractual terms of the asset that provide, on specific dates, cash flows that are solely payments of principal and interest on the outstanding principal value.

**Impairment of financial instruments**

At each reporting date, the Company 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 loss is estimated considering the probability that an impairment loss by uncollectability may or may not occur and are recognized as profit or loss in profit or loss in the Statement of comprehensive income, reducing the value of the financial asset. The company assesses the credit risk of accounts receivable on a monthly basis at the time of presenting the reports in order to determine the value correction for expected credit loss on financial assets-

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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 allocating the income over the relevant period. The effective interest rate is the discount rate that exactly matches the future cash flows of a financial asset (including all fees, commissions and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums and discounts) over the expected life of the instrument, or if appropriate, a shorter period, to its recorded value at initial recognition.

The company assesses on a collective basis the expected losses for financial assets that are not individually relevant. When the collective assessment of expected losses is performed, receivables are gathered by similar credit risk characteristics, allowing identification of repayment capacity of the debtor, in accordance with the contractual terms of receivables.

The company determines that a customer's credit risk increases significantly when there is any default event in the financial agreements by the counterpart, or when information, be it internal or obtained from external sources indicates that debtor's payment unlikely, without considering held securities.

Default in agreements is measured generally when having 2 past-due accounts, however, there are agreements or individual contracts that indicate default immediately when a payment or obligation is not met-

The company determines that a financial asset exhibits credit impairment when:

- Evidences default in a customers' payment for two (2) or more accounts.
- It is known or there is evidence of the customer entering processes of corporate restructuring or in insolvency or liquidation.
- The rise of social turmoil, be it of public order or natural disasters, which according to experience are directly correlated with default of accounts.

Credit risk is affected when there are changes in financial assets, the policy of the Company to reassess the recognition of credit loss is basically supported on the customer or counterpart payment record. When there is evidence of an improvement in the historical record of a customer payments, a reduction in risk is recorded and, if there is an increase in the portfolio default age, an increment in the impairment of the asset is recorded.

The amortized financial assets may still be subject to collection execution activities under the recovery procedures of the company, considering judicial collection when appropriate. Recoveries performed are recognized in the profit for the period.

### **Derecognition of Financial Assets**

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

The company derecognizes a financial asset when:

- Possesses information indicating that the counterpart is in severe financial difficulties and there are no realistic prospects of recovery.
- The counterpart has been put into liquidation or has initiated a bankruptcy process or, in the case of receivables.
- Amounts exceed two years due, whichever occurs earlier.

If the company does not transfer nor substantially retains all risks and advantages inherent to that property and continues to retain the control of the asset transferred, the company will recognize its share in the asset and the obligation associated for the amounts that it would have to pay, in the same way, if the company retains substantially all risks and advantages inherent to the ownership of a financial asset transferred, the company will continue to recognize the financial asset and will also recognize a guaranteed loan in the shape of a collateral for the received income.

In the total derecognition of a financial asset measured at fair value with changes in profit, the difference between the recorded value of the assets and the sum of the consideration received and to be received, is recognized in profit or loss in the Statement of comprehensive income. In case of financial assets measured at fair value with change in other comprehensive income, the difference between the recorded value of the asset and the sum of the consideration received and to be received is recognized in profit or loss in the Statement of



comprehensive income and the profit or loss that would have been recognised in the Other comprehensive income will be reclassified to accumulated profit.

### Refinancing of loans

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset in accordance with IFRS 9 adopted in Colombia, the company recalculates the gross recorded value of the financial asset and recognises a profit or loss due to modification in the profit or loss for the period. The gross recorded value of the financial asset is recalculated as the present value of the modified or renegotiated contractual cash flows that are discounted at the original effective interest rate of the financial asset (or effective interest rate adjusted for credit quality for financial assets with credit deterioration purchased or originated) or, when applicable, the revised effective interest rate. Any cost or commission incurred adjusts the recorded value of the modified financial asset and is amortized over the remaining term of the latter.

### 2.16.2 Financial liabilities

The company recognizes its financial liabilities at fair value at the outset. Transaction costs directly attributable to the acquisition or obtainment of the financial liability are deducted from its fair value if they are subsequently measured at amortized cost or are recognized through profit or loss if the liabilities are measured at fair value. Subsequently, financial liabilities are measured as follows:

- **Financial liabilities at fair value through profit or loss**, include liabilities held for trading, financial liabilities designated on initial recognition as at fair value through profit or loss, and derivatives. Profit or loss on liabilities held for trading are recognized in profit or loss. At initial recognition, the company did not designate financial liabilities as at fair value through profit and loss.
- **Financial liabilities at amortized cost**, are measured using the effective interest rate. Profits and losses are recognized in profit and loss for the period.

### Compound instruments

Financial instruments that contain both a liability and an equity component (compound financial instruments) are recognized and accounted for separately. Therefore, for the initial measurement the liability component is determined by the fair value of the future cash flows and the residual value is assigned to the equity component.

For subsequent measurement, the liability component is measured at amortized cost including the effect of amortization costs, interests and dividends. The equity component retains the measurement of the initial recognition.

### Financial guarantee contracts

The financial guarantee contracts issued by the company are those contracts that require the making of a specific payment to reimburse the holder for the loss incurred when a specified debtor defaults 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 ascribable to the issuance of the guarantee. Subsequently, the liability is measured at: (i) the amount of the adjustment in value for the expected losses and (ii) the value initially recognized less, the accrued recognized profit.

### Derecognition of financial liabilities

A financial liability or part of it is derecognized from the statement of financial position when the contractual obligation has been settled or has expired.

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 derecognition of the original liability and the recognition of a new liability and the difference in the respective recorded values is recognized through profit and loss.

In the event changes are not substantial the company recalculates the gross recorded value of the financial liability and recognizes a profit or loss from changes in the profit or loss. The gross recorded value of the financial liability is recalculated as the current value of the modified or renegotiated contractual cash flows that are discounted at the original effective interest rate of the financial liability or, when applicable, the revised effective interest rate. Any cost or commission incurred adjusts the recorded value of the modified financial liability and is amortized over its remaining term.

### 2.16.3 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 the company are recognized through income received, net of direct issuance costs.

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

### 2.16.4 Derivative Financial Instruments

A financial derivative is an instrument which value varies in response to changes in a variable such as an interest rate, exchange rate, the price of a financial instrument, credit rating or index. This instrument does not require an initial investment or is inferior than other financial instruments with a similar response to changes in market conditions and is generally settled at a future date.

The company uses derivative financial instruments, like term contracts (Forward), futures contracts, 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 in the statement of financial position as financial assets when their fair value is positive, and as financial liabilities when their fair value is negative.

Commodity contracts that meet the definition of a derivative, but that are entered into in conformity with the expected purchase requirements of the company, 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 section Statement of income, except for those that are under hedge accounting.

Generally, the derivatives embedded in host 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 profit. However, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are never split. Instead, the hybrid financial instrument as a whole is assessed for financial asset classification.

### Hedge Accounting

At the beginning of a hedging relationship, the company designates and formally documents the hedging relationship to which they want to apply 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 hedged item or transaction, the nature of the risk being hedged and how the company shall assess the effectiveness of the changes in fair value of the hedging instrument when offsetting the exposure to changes in the fair value of the hedged item or in the cash flows, attributable to the risk hedged. Such hedges are expected

to be highly efficient in achieving the offsetting of changes in the fair value or in the cash flows, and for this end they are permanently assessed throughout the information periods for which they were designated.

For hedging accounting purposes, hedges are classified and recorded as follows, once the 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 of non-recognized firm commitments.

A change in the fair value of a derivative that is a hedging instrument is recognized in profit or loss in the statement of comprehensive income as finance cost or income. A change in the fair value of the item hedged attributable to the risk hedged is recorded as part of the recorded value of the hedged item and is also recognized in profit or loss in the statement of comprehensive income as finance cost or income.

For the fair value hedging related to items recorded at amortized cost, the adjustments to the recorded value are amortized in profit or loss in the statement of comprehensive income throughout the remaining term until their expiration. Amortization of the effective interest rate may begin as soon as there is an adjustment to the recorded 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 ascribable to the risk being hedged. Amortization of recorded value adjustments is based upon the effective interest rate recalculated on the amortization starting date. If the hedged item is derecognized, the non-amortized fair value is immediately recognized in profit or loss in the Statement of comprehensive income.

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 profit or loss recognized in the statement of comprehensive income.

- **Cash flow hedging**, when they hedge 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 flow hedge accounting is to recognize in other comprehensive income the fair value of variations of the hedging instrument in order to apply them to the statement of comprehensive income when and at the rate that the hedged item affects them.

The effective portion of the profit 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 profit or loss in the Statement of comprehensive income period as finance cost.

Values recognized in the Other comprehensive income are reclassified into the profit or loss for the period when the hedged transaction affects the profit, as well as when the hedged financial income or financial expense is recognized, or when the foreseen transaction 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 recorded value of the no-financial asset or liability. If the foreseen transaction or the firm commitment is no longer expected to happen, the accrued profit or loss previously recognized in the Other comprehensive income is reclassified into the profit or loss for the period.

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 profit or loss previously recognized in other comprehensive income remains in the other comprehensive income until the foreseen operation or the firm commitment affects profit or loss.

- **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 the company 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 on 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.

Profits or losses of the hedging instrument related to the effective portion of the hedging are recognized in other comprehensive income, whereas any other profit or loss related to the ineffective portion is recognised in the statement of comprehensive income. For the disposal of the business abroad, the accrued value of the profits or losses recorded in the Other comprehensive income are reclassified through profit or loss for the period.

#### **2.16.5 Off-setting of Financial Instruments**

Financial assets and liabilities are subject to off-set in order to inform the net value in the Statement of financial position, only if (i) at the current time, there is a legally enforceable entitlement of off-set of recognized values; and (ii) there is the intention of settling them at their net value, or of simultaneously realizing the assets and cancelling the liabilities.

#### **2.17 Inventories**

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 estimated sale price 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 electricity, gas and water meters 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 using the weighted average method and their cost includes the costs directly related to the acquisition and those incurred to give them their current conditions and location.

#### **2.18 Impairment loss of non-financial assets**

As of every presentation date, the company assesses whether they have any indication that a tangible or intangible asset may be impaired. The company estimates the recoverable value of the asset or Cash Generating Unit (CGU), at the moment it detects an indication of impairment, or annually (as November 30 and it is reviewed if there are relevant or significant events presented for the month of December that merit analyzing and to be included in the calculation of impairment) for goodwill and intangible assets with indefinite lifespan and those that are still being developed.

The recoverable value of an asset is the greatest value between the fair value less the costs of sale, either of an asset or a Cash-Generating Unit (CGU), and its value in use is determined for an individual asset, unless the asset does not generate cash flows that are substantially independent of those of other assets or groups of assets, in which case the asset must be grouped to a CGU. When a reasonable and consistent basis for distribution is identified, common/corporate assets are also allocated to the individual CGUs or distributed to the smallest group of CGUs for which a reasonable and consistent basis for distribution can be identified. When the recorded value of an asset or a CGU exceeds its recoverable value, the asset is considered impaired and its value is reduced to its recoverable amount.

When calculating the value in use, the estimated cash flows, either for an asset or a CGU, are discounted at their current 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 assessment model is used for determining the reasonable value less the costs of sale.

Losses for impairment of continuing operations are recognized in profit or loss in those expense categories corresponding to the function of the impaired asset. Losses for impairment attributable to a CGU are assigned proportionately based on the recorded value of each asset to the non-current assets of the CGU after exhausting goodwill. The CGU is the smallest identifiable group of assets, which generates cash inflows in favor of the company, which are largely, independent of cash flows derived from other assets or groups of assets. The company defined CGUs considering: 1) The existence of revenue 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 its operations are managed and monitored. In order to assess impairment losses, the assets are grouped in the following CGU: Generation, Distribution, Wastewater management, Water supply, Gas and Transmission.

Impairment for goodwill is determined by assessing the recoverable value of each CGU (or group of CGUs) to which the goodwill relates. Impairment related to goodwill cannot be reverted in future periods.

For assets in general, excluding the goodwill, on each presentation date an assessment is conducted about whether there is any indication that the impairment losses previously recognized no longer exist or have decreased. If such indication exists, the company makes an estimate of the asset or CGU 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 recorded value of the asset neither exceeds its recoverable amount, nor exceeds the recorded 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 profit or loss in the Statement of comprehensive income.

## 2.19 Provisions

Provisions are recorded when the company has a current, legal or implicit obligation, as a result of a past event. It is probable that the company has to give off resources that incorporate economic benefit to settle the obligation, and a reliable estimate can be made for the value of the obligation. In cases in which the company expects the provision to be reimbursed as a 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 value can be reliably measured. In the company, each provision is only used for dealing with disbursement for which it was initially recognized.

Provisions are measured with the best estimate from management of expenditure necessary to settle the present obligation, at the end of the period being reported, considering the risks and the corresponding uncertainties. When a provision is measured using the estimated cash flow to settle the present obligation, its recorded value corresponds to the present value of said cash flow, using for the discount a rate calculated with reference to market yields for the bonds issued by the National Government. In Colombia, the yield of TES Bonds (public debt securities issued by the General Treasury of the Nation) at the end of the reporting period must be used.

The expense corresponding to any provision is presented in profit or loss in the Statement of comprehensive income net of all reimbursement. The increase in provision due to the time elapsed is recognized as finance expense.

### Provisions for decommissioning

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

Decommissioning or restoring costs are recognized at the present value of the expected costs of cancelling out the obligation using estimated cash flows. Cash flows are discounted at a particular rate before taxes, that

should be determined by taking as a reference the market yield of Bonds issued by the National Government. In Colombia, for risk-free rates, the yield of TES Bonds (public debt securities issued by the National Treasury) must be used.

Future estimated decommissioning or restoring costs are annually revised. Changes in the future estimated costs, on the estimated dates for expenditure, or on the discount rate applied are added or deducted from the asset cost, without exceeding the recorded value of the asset. Any surplus is immediately recognized in profit or loss. The change in the provision value associated to the time elapsed is recognized as financial expense in profit or loss in the Statement of comprehensive income.

### **Onerous Contracts**

The company recognizes as provisions the current obligations that are derived from an onerous contract, as provisions and its offsetting is in the Statement of comprehensive income in profit or loss. 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 be only confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not entirely under control of the company or the current obligations, that arise from past events, but that it is not probable, but possible, that an outflow of resources including economic benefits shall 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 the company's control, are not recognized in the Statement of financial position, they are instead disclosed as contingent assets when their occurrence is probable. Whenever the contingent fact is true the asset and the income associated are recognized in the profit or loss for the period. Contingent assets 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 greatest amount it would have been recognized and the amount initially recognized less the accrued amortization recognized.

## **2. 20 Employee Benefits**

### **2.20.1. Post-Employment Benefits**

#### **Defined Contribution Plans**

The contributions to the defined contribution plans are recognized as expenses in profit or loss in the Statement of comprehensive income 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 the company 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 assessment 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 profits or losses, the yield of plan assets, excluding the values included in the net interest on the net defined benefits on the liabilities (assets), and the changes in the asset ceiling effect are recognized in other comprehensive income. The actuarial profits or losses include the effects of changes in the actuarial assumptions as well as adjustments due to experience.

The net interest on liabilities (assets) for net defined benefits includes the interest income for the plan assets, interest cost for the obligation for defined benefits and interests for the asset ceiling effect and is recognized in profit or loss.

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

### **2.20.2. Short-term benefits**

The company classifies as short-term employee benefits those obligations with the employees that it expects to settle in the twelve months period following the closing of the accounting period when the obligation was generated, or the service was 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.

The company 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, it will be capitalized to that asset.

The amounts values already paid before corresponding, for instance, to advanced payments of salaries, advanced allowances, 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.

### **2.20.3. Long-term benefits**

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

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

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

Benefits employees receive year after year throughout their working life should not be considered “long term” if at the accounting year closing each year the company has fully delivered them.

#### **2.20.4. Termination Benefits**

The company recognizes as termination benefits, 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 such benefits.

#### **2.21 Service concession arrangements**

The company recognizes the service concession arrangements pursuant to the interpretation requirements of the IFRIC 12 Service Concession Arrangements.

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.
- The grantor controls, through the ownership, the right-of-use, or otherwise, any significant residual ownership in the infrastructure at the end of the term of the arrangement.

The company 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 the company receives an entitlement to make charges to users of the service, provided that these entitlements 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 the company 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 arrangements are recognized in the statement of financial position and subsequently are measured at amortized cost, using the effective interest rate. Assessment of impairment of these financial assets is made according to the value impairment policy of the financial assets.

Intangible assets of service concession arrangements are recognized in the Separate 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.

Revenue and costs related to the operating services are recognized according to the accounting policy of revenue and the services related to construction or improvement services according to the accounting policy of construction contracts. Contractual obligations assumed by the company for maintenance of the infrastructure during its operation, or for its return to the assignor at the end of the concession arrangement in the conditions specified therein, to the extent that it does not assume an income-generating activity, is recognized following the provisions accounting policy.



## 2.22 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 assessment technique.

When estimating the fair value, the company considers the characteristics of the asset or liability in the same way market participants will consider them when setting the value of the asset or liability on the measurement date. Fair value for measurement and disclosure purposes in the present financial statements is determined on that basis, except for the transactions of stock-based payments, lease transactions, and measurements that have certain similarities with fair value but that are not fair value, such as the net 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.

Fair value is determined:

- Based on prices quoted in assets or liabilities markets identical to those the company can access on the measurement date (level 1).
- Based on inputs applied on valuation methodologies commonly used by market participants, which are different from observable quoted prices for assets or liabilities, directly or indirectly (level 2).
- Based on internal valuation techniques of cash flow discounts or other valuation models, using variables estimated by the company that are non-observable for the asset or liability, in the absence of variables observed in the market (level 3).

Note 42 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.

## 2.23 Cash dividends distributed to the owner of the company

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

## 2.24 Changes in accounting policies

### 2.24.1 Presentation Changes

At the end of the 2020 period, changes were made in the presentation of some items in the statement of comprehensive income and the statement of cash flows, for comparative purposes 2019 is also adjusted, these changes do not affect decision-making, since they basically consist of In reclassifications between items of the same financial statement and that are intended to facilitate their reading by users, the reclassified items were the following:

Concept	Previous presentation	Current presentation	2020	2019
<b>Statement of Comprehensive Income</b>				
Fees	Other income	Provision of services	737	6.268
Commissions	Other income	Provision of services	702	29.604
Gain on derecognition of rights of use	Other income	Gain on sale of assets	73	15
Other income	included in the subtotal of revenue from ordinary activities	included in income subtotal	384.610	312.319

Amounts stated in millions of Colombian pesos

Concept	Previous presentation	Current presentation	2020	2019
<b>Statement of cash flows</b>				
Reversal of impairment loss on accounts receivable	Reversal of impairment loss on accounts receivable and accounts receivable impairment	Impairment loss on accounts receivable	59,169	26,287
Gain / loss due to disposal of right-of-use assets	Gain / loss due to retirement of properties, plant and equipment, right-of-use assets, intangibles and investment property	Gain / loss due to retirement of properties, plant and equipment, right-of-use assets, intangibles and investment property	2,298	(383)
Gain / loss due to retirement of properties, plant and equipment	Other non-effective incomes and expenses, net	Gain / loss due to retirement of properties, plant and equipment, right-of-use assets, intangibles and investment property	4,073	85,097
Income tax refund	Income tax paid	Income tax refund	34,413	-
Return for monetary readjustment and other financial income	Other non-effective incomes and expenses, net	Interest income and commissions	(111,752)	231,394
Non-effective recoveries	Other non-effective incomes and expenses, net	Non-effective recoveries	(98,451)	(125,464)
Banking and financial commissions	Other non-effective incomes and expenses, net	Interest expenses and commissions	996,539	1,011,776
Interest administration and issuance of securities	Other non-effective incomes and expenses, net	Result for valuation of financial instruments and hedge accounting	649	653
Other financial expenses	Other non-effective incomes and expenses, net	Result for valuation of financial instruments and hedge accounting	15	23,475
Share of loss of equity-accounted investees	Other non-effective incomes and expenses, net	Gain / loss due to disposal of financial instruments	-	47,534
Difference in exchange for minority interest or non-controlling interest	Other cash flows from investment activities	Gain / loss due to exchange difference	(61,808)	12,778
Financial Provisions update	Other non-effective incomes and expenses, net	Provisions for tax obligations, insurance and reinsurance and financial restatement	20,988	-
Payment of pension bonds	Other cash from financing activities	Payment of pension bonds	(6,435)	(19,515)

Amounts stated in millions of Colombian pesos

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

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

Estimates are based upon historic experience and as a function of the best information available on the facts analyzed by the cut-off date. These estimates are used for determining the value of the assets and liabilities in the separated financial statements when it is not possible to obtain such value from other sources. The company assesses its estimates on a regular basis. Actual results may differ from those estimates.

The significant estimates and judgments made by the company are described below:

- Assessment of impairment indicators for assets, goodwill, and asset valuation for determining impairment.

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

Assessment of impairment indicators is based on external and internal factors, and in turn on quantitative and qualitative factors. Assessment is based on financial results, on the legal, social and environmental settings, and on market conditions; significant changes in the scope or in the way in which the asset or CGU is used or expected to be used and evidence of obsolescence or physical deterioration of an asset or CGU, among others.

Determining whether goodwill has suffered impairment implies the calculation of the value at use of the CGUs to which it has been assigned. The calculation of the value at use requires that the entity determines future cash flows that should arise from CGUs 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.

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

The assumptions 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.

– **Lifespan and residual values of property, plant and equipment and intangibles.**

In the assumptions used for determining the lifespans, 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.**

The company discloses the fair value corresponding to each class of financial instrument in such a way it allows comparing it with the recorded values. Macro-economic projections calculated within the 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:

- Derivatives are estimated at fair value.
- Receivables are estimated at the market rate in force and effect for similar credits.
- Receivables from employees are valued in a similar way as massive debtors, except for mortgage credits.
- For equity investments, the methodology is cash flow; it is estimated at the market price for those listed.

– **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 area professionals, the type of contingent liability, the possible legislative changes, and the existence of high-court rulings 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 time of the events. The company shall disclose and not recognized in the financial statements those obligations classified as possible; obligations classified as remote are not disclosed nor recognized.

– **Future expenditure for asset decommissioning and retirement obligations.**

In the assumptions used for determining future expenditure for asset decommissioning and retirement obligations, aspects such as the following were considered: estimate of future outlays in which the company must incur for the execution of those activities associated to asset decommissioning on which legal or implicit

obligations have been identified, the initial date of decommissioning or restoration, the estimated date of finalization and the discount rates.

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

The significant assumptions considered 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, i.e., the existence of an identified asset is assessed; 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; the 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 has been generated by the temporary differences that generate future fiscal consequences in the financial position of the company. These differences are essentially represented in fiscal assets that exceed the assets under IFRS adopted in Colombia, and in fiscal liabilities, lower than the liabilities under IFRS adopted in Colombia, such as it is the case of the pension liability components, the amortized cost of bonds, financial leasing, and other sundry provisions and contingency provisions.

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

– **Assessment of portfolio impairment**

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 will be applied based on the Scorecard developed considering the information of the company. The models are defined according to the information available and the characteristics of the population groups for each one. Even though the methodology applies to all accounts with balance, some exclusions must be considered, such as: derecognized accounts; self-consumptions; 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 defaulted and will not be recovered.

To calculate the credit loss of trade and other receivables (except accounts receivable among economically related parties), the following formula is used:

$$PE = \text{Exposed balance} * PD * LGD$$

Where, the PD component (probability of default) is derived from the result of a statistical model that provides the probability that each account will default on the following twelve months. This individual probability is located within a range found in order to attenuate fluctuations in the value of the general provision from one month to the next and stabilize its behavior, resulting in a standard PD by rank.

The loss given the default (LGD) is defined as the economic deterioration that the entity would incur in the event of any of the situations of default. It is a percentage obtained from a table taken from the current regulations of the Superintendencia Financiera de Colombia (Superintendence of Finance of Colombia), Chapter II of External Circular 100 of 1995.

– **Revenue estimates**

The company recognizes income from the sale of goods and the rendering of services to the extent that the performance requirements for the company are met, regardless of the date on which the corresponding invoice is issued, to carry out this estimate information from contracts or agreements with customers is taken and so the value to be recognized in revenue is established.

When the moment at which revenue should be recognized is uncertain, the company determines to recognize revenue at the moment in which the performance obligation is satisfied, for those performance obligations that are satisfied over time it is common to use the method of the measured resource as the actually executed costs compared to the estimated costs.

For other concepts different from the supply of residential public utilities, the company estimates and recognizes the value of revenue from sales of goods or rendering of services based on the terms or conditions of interest rate, period, etc., of each contract that causes 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.

## Note 4. Significant transactions and other relevant aspects during the period.

Significant transactions and other relevant aspects that occurred during the period, different from those of the normal business of the Group, are related with:

### 4.1 Expenses and others related to the contingency of the Ituango Hydroelectric Project:

- Construction and repair work to mitigate risks continues.
- The sale continues, through the auction figure, of the useless equipment derived from the contingency.
- The protocol for attention to events and crises (PADEC) continues to prevent the spread of the coronavirus (COVID-19). With about 6,000 workers in the Project facilities, there are 109 confirmed cases of COVID-19 in recent months. This data continues to demonstrate the strong adherence of employees to biosafety protocols and the effectiveness of the strategies implemented such as proximity handles, which allows timely decision-making.
- On August 10, 2020, Empresas Públicas de Medellín E.S.P. (hereinafter, EPM) requested the Office of the Attorney General of the Nation to summon the (i) Generación Ituango Consortium and also the companies that currently comprise it (Integral S.A. and Integral Ingeniería de Supervisión S.A.S.); (ii) Consorcio CCC Ituango, as well as the companies that comprise it (constituted by Construções e Comércio Camargo Corrêa S.A., Conconcreto S.A. and Coninsa - Ramón H. S.A.); (iii) Ingetec-SEDIC Consortium, and the companies that compose it (Ingetec S.A. and Sedic S.A.); (iv) Seguros Generales Suramericana SA, and (v) Chubb Seguros to a hearing for a preliminary ruling in law, in order to settle the differences that have arisen between the aforementioned, due to the events arising on April 28, 2018 in the Ituango's hydroelectric project. Likewise, EPM filed an arbitration claim against Mapfre Seguros Generales de Colombia S.A. under the all-risk construction policy No. 2901211000362. Faced with the failure of the conciliation hearings, the claims were filed on January 12, 2021 before the Administrative Litigation Jurisdiction and the Medellín Chamber of Commerce, respectively.
- On December 23, 2020, the following bilateral modification acts (AMB) were signed until December 31, 2021 for the following contracts of the Ituango Hydroelectric Project, as follows: AMB N° 39 Construction of the Dam, Power Plant and associated Works of the project: Consorcio CCC Ituango. (Made up of firms Camargo Corrêa Infra S.A., Constructora Conconcreto S.A. and Coninsa - Ramón H. S.A.); AMB N° 12 Advice during the construction of the project, with the Generación Ituango Consortium (Made up of firms Integral Ingeniería de Supervisión S.A.S. and Integral Ingeniería de Consulta S.A.) y AMB N° 6 Audit Service during the construction of the civil works and the assembly of the electromechanical equipment of the Project, contractor: Ingetec-Sedic Consortium.

Regarding the contingency, the EPM has recognized the next items in its consolidated financial statements as of 31 December 2020:

- Cost and progress of construction of the Ituango hydroelectric project for \$11,140,307 (See note 5).
- Receivables from the insurance company Mapfre for \$378,639 for impairment of civil works and total loss of machinery and equipment covered by the all-risk and construction policy and, \$8,000 for non-contractual civil liability (see note 12).
- Provision for \$ 45,985 for the care of those affected by Puerto Valdivia, for compensation for emergent damage, loss of earnings, and non-pecuniary damage, due to the rising waters of the Cauca River as a result of the plugging of the project on April 28, 2018. During 2020, \$ 35,043 has been recognized as a provision and payments for \$ 24,931 have been made (see note 27.1.7)
- Provision for \$ 5,616 for the care of people who had to evacuate as a result of said event. During 2020, \$ 7,323 has been recognized as a provision and payments have been made for \$ 5,963 (see note 27.1.7).
- Provision for \$ 88,547 for environmental and social contingency, established by the specific action plan for the recovery of the parts affected by the events of the plugging of the diversion tunnel of the Cauca river that the project had on April 28, 2018 and by the closure of gates that decreased the flow of the river downstream of the project. During 2020 \$ 57,989 has been recognized as a provision and payments for \$ 24,295 have been made (see note 27.1.1).
- Provision for \$ 174,318 for non-compliance from July 2021 to November 2022, to the Intercolombia transporter for the months after the connection infrastructure of the Ituango project came into operation. During 2020 \$ 65,687 has been recognized as a provision and no payments have been made for this concept (see note 27.1.6).
- Additionally, other expenses of \$4,278 were recognized in the Statement of Comprehensive Income for the attention of the community affected by the contingency (see note 35).

#### 4.2 Effect of the difference in exchange:

As of December 31, 2020, an accumulated expense was recognized for the net exchange difference of \$ 374,260, originated by the accumulated devaluation of the Colombian peso against the US dollar of 4.74% and a closing rate of \$ 3,432.50. The devaluation observed in the period January - December 2020, presented two relevant moments; the first between March and May 2020 has been generated by the high volatility in financial markets due to the economic crisis as a consequence of the COVID-19 pandemic and the uncertainty generated by the reactivation of the economy, and the price war of the oil in the first quarter of the year, leading the exchange rate to reach historical maximum levels above \$ 4,100 and with a devaluation above 24%, leading at that time to an effect on exchange difference of the order of \$ 1.3 trillion. The second moment comes from June where the intervention of central banks worldwide with injection of liquidity and interest rate cuts, the OPEC agreements with cuts in oil production and better prospects for vaccination plan against COVID 19 at a global level, generated a decrease in the volatility of the exchange rate and a favorable evolution in its price, until reaching December 31 the closing rate of \$ 3,432.50.

Once some stabilization of the financial markets occurred and the approval of external and internal regulations had been obtained, EPM executed hedging operations on the exchange exposure of its financial debt for an amount of US \$ 1,454 million at an average exchange rate of \$ 3,672. These operations neutralize the exchange risk, at the rates agreed in each transaction, from the moment of its execution until the expiration of the same (Nov-2021, Jul-2029 and Feb-2031).

#### 4.3 COVID-19:

The sector of public services companies and therefore the companies of the EPM Group, are faced with the health emergency due to COVID-19, government measures for the management of the pandemic, the impacts of the trade war for the oil and macroeconomic changes as a result of the volatility of international financial markets, which manifests itself in a recession in the global economy and the consequent high volatility of the exchange rate. As a consequence, a risk is generated for the operation of the businesses, which has been affected by the decrease in demand and lower prices due to the displacement in the application of rate increases and normally automatic indexations of rates, due to the measures taken by the government and some decisions of the Company.

- Government measures in Colombia:

The Ministry of Health and Social Protection, through Resolution 385 of March 12, 2020, declared the health emergency until May 30, 2020, with the aim of preventing and controlling the spread of COVID-19 and mitigating its effects. Which was extended until August 31, 2020 by Resolution 844 of 2020, a date that will be taken as a reference for the extension of the terms of some of the provisions provided in the resolutions issued.

The National Government decreed the State of Economic, Social and Ecological Emergency throughout the territory of the Republic, through Decree 417 of March 17, 2020, as a consequence of COVID-19, announcing some measures to mitigate the adverse effects it generates in the social and economic sector.

On the occasion of the declaration of the State of Economic, Social and Ecological Emergency, the National Government has adopted additional measures necessary to avert the crisis and prevent the extension of its negative economic effects and the Government will have the necessary budgetary operations to carry them out.

These measures have also been aimed at the home public services sector in order to guarantee continuous provision to users and provide them with support and economic relief during the period of confinement, minimizing in turn the impact on the financial stability of the sector; within these measures we have:

- Legislative Decree 441 of March 20, 2020 of the Ministry of Housing, City and Territory (MVCT), by which the measures adopted in the sector of drinking water and basic sanitation are established to face the economic, social and ecological emergency, and to guarantee the supply of drinking water and thus allow all citizens to adopt hygiene and health measures required to slow the spread of the COVID-19 virus, including (i) reinstatement and / or immediate reconnection of the aqueduct service to the residential subscribers suspended and / or cut off, (ii) access to drinking water in health emergencies, (iii) use of the resources of the General Participation System for drinking water and basic sanitation (iv) suspension of the tariff increases of the domiciliary public services of aqueduct and sewerage.
- Legislative Decree 517 of April 04, 2020 of the Ministry of Mines and Energy (MME), through which provisions were issued on the matter of public services of electricity and fuel gas, such as: Guarantee the continuous and effective provision of public services; grant deadlines for the payment of the consumption of said services; finance the payment without any interest or financial cost being transferred to the end user for the deferral of the collection; generate incentives for timely payment; creation of the voluntary contribution, among others.
- Decree 528 of April 7, 2020 of the MVCT, which establishes measures to guarantee access to water to the population, without the economic restrictions that prevent the timely payment of the billing, justifying the non-provision of the service, for which, provisions are created that the entities that provide water Public aqueduct, sewerage and cleaning services can offer users the possibility of deferring the payment of bills caused during the economic, social and ecological emergency, under the same conditions that are designed to give liquidity to the public service providers for these purposes. Among the measures for companies that provide public water supply, sewerage and / or cleaning services, there are: (i) deferred payment of the fixed charge and unsubsidized consumption of water supply, sewerage and cleaning services, (ii) payment financing without transferring any interest or financial cost to the end user for the deferral of the collection, (iii) within

the framework of commercial management they may design options or incentives in favor of their subscribers and / or users who pay the invoices on time to their charge during this period, in order to contribute to the recovery of the portfolio and guarantee its financial sustainability.

- **Going Concern:**

EPM committed to guaranteeing the continuity and provision of the service, as well as to mitigating the impacts that the crisis generates on its finances, for which it has been implementing measures that are summarized as: Review the non-mandatory investment plan and prioritize costs and expenses, without putting the operation at risk and postponing expenditures that do not generate income in the short term. Together with the above, a strategy was implemented to ensure the liquidity of the Group's companies, which involved the disbursement of loans for \$ 2,453,720 and the placement of bonds in the international capital market by EPM for USD750 million equivalent to \$ 2,727,496 and of the subsidiary Aguas de Antofagasta SA for CLP94,734 million equivalent to \$ 445,209 (see note 22. Credits and loans), ensuring a strong cash position. Likewise, a Crisis Committee was created, working at home was adopted and teleworking has been strengthened in all the processes in which it is possible, and biosafety protocols were implemented, in order to ensure the health of employees. , contractors and suppliers of the Company.

**Financial impacts:**

The effects of the economic situation in general have resulted in a decrease in collection levels, with the consequent increase in the deterioration of accounts receivable from customers and the costs of financing them, in addition, demanding greater working capital. Likewise, lower income and higher expenses have been generated in the operation for the attention of COVID-19, among which stand out, lower consumption or demand of public services, costs of mandatory reconnections to clients who did not have the service and those related to the implementation of established biosafety protocols and unbilled default interest.

As of December 31, 2020, the most significant effects on the company financial statements are detailed below:

- Lower value in the collection of accounts receivable for \$ 318,061 (see note 12).
- Higher expense for portfolio impairment of \$ 37,249 (see note 12).
- Lower income from ordinary activities for \$ 485,042 due to lower consumption or demand for public services, variation in invoiced rates, discounts for timely payment and decreases in other services rendered (see note 30).
- Lower costs for the provision of services, net of \$ 160,614 related to lower consumption or demand for public services, saving measures, reconnections, general costs and orders and contracts (see note 33).
- Increase in administrative expenses and other ordinary expenses for \$ 9,921 related to general expenses, personal services, social measures such as contributions and donations (see notes 34 and 35).
- Lower financial income of \$ 9,127 related to the refinancing of accounts receivable and unbilled interest on arrears (see note 36.1).

**4.4 Judicial process against the Municipality of Bello:**

After approximately nine (9) years of the processing of a judicial process, advanced by EPM against the Municipality of Bello, based on a lawsuit filed against the administrative act that determined the participation and liquidation of the capital gain generated by the change of land use In the area where some of the properties owned by the Company are located, the Fourth Section of the Council of State in a decision of second instance against which no appeal proceeds, declared the nullity of the act and ordered the return in favor of EPM of the



sum of \$ 89,527, which must be indexed from December 29, 2009, the date on which the payment of the tax was made and until the execution of the sentence (December 10, 2020), onwards, they will pay interest.

## Note 5. Property, plant and equipment, net

The breakdown of the recorded value for property, plant and equipment is as follows:

Property, plant and equipment	2020	2019
Cost	33,040,921	30,657,277
Accrued depreciation and impairment loss	(4,761,342)	(4,225,502)
<b>Total</b>	<b>28,279,579</b>	<b>26,431,775</b>

*Amounts stated in millions of Colombian pesos*

The following is the breakdown of the recorded value for temporarily idle property, plant and equipment:

Temporarily idle Property, plant and equipment	2020	2019
Networks, lines and cables	1,045	248
Plants, pipelines and tunnels	5,132	4,463
Land and buildings	15,617	15,231
Machinery and equipment	355	313
Other property, plant and equipment	824	277
<b>Total temporarily idle Property, plant and equipment</b>	<b>22,973</b>	<b>20,532</b>

*Amounts stated in millions of Colombian pesos*

The company possesses property, plant and equipment that have been removed from use and have not been classified yet as non-current assets held for sale, corresponding to the Rio Piedras power plant that was transferred from the generation business to the water supply business, which has to recover the mini power plant as a business strategy, the cucarachos los naranjos pumping station that is expected to be modernized, and the land of the Porce IV project that was not executed out and about which the company has not yet made any decisions, and the land of the Espiritu Santo project that has not yet been put into operation; the recorded value of these assets is as follows: for 2020 the cost amounts to \$22,973 (2019 \$20,532), accrued depreciation is \$4,385 (2019 \$2,806) and accrued impairment is \$895 (2019 \$923).

The most significant variation is due to generation equipment, water equipment, substation, and distribution plants, which after of being taken out of operation are stored as unexploited assets for a future operation.

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

2020	Networks, lines and cables	Plants, pipelines and tunnels	Construction in progress <sup>1</sup>	Land and buildings	Machinery and equipment	Communication and computer equipment	Furniture, fixtures and office equipment	Other property, plant and equipment <sup>2</sup>	Total
Initial balance	6,089,644	7,670,703	11,049,463	5,045,873	232,120	233,971	88,584	246,919	30,657,277
Additions <sup>3</sup>	26,911	22,939	2,464,661	5,312	6,187	25,409	906	50,113	2,602,438
Advances payments (amortized) made to third parties	-	-	24,191	-	-	-	-	-	24,191
Transfers (-/+)	485,589	177,210	(726,689)	9,222	31,580	1,262	7,262	(9,689)	(24,253)
Disposals (-) (sales)	(9)	-	-	-	-	-	-	-	(9)
Withdrawals	(5,529)	(10,129)	(291,464)	(48)	(656)	(11,036)	(59)	(129)	(319,050)
Corporate reorganizations <sup>4</sup>	19,979	3,740	31,261	28,966	193	377	93	990	85,599
Other changes	(275)	97,910	17,817	(38,235)	1,293	78	-	(63,860)	14,728
<b>Cost final balance</b>	<b>6,616,310</b>	<b>7,962,373</b>	<b>12,569,240</b>	<b>5,051,090</b>	<b>270,717</b>	<b>250,061</b>	<b>96,786</b>	<b>224,344</b>	<b>33,040,921</b>
<b>Accumulated depreciation and impairment loss</b>									
Initial balance of accrued depreciation and impairment losses	(1,580,844)	(1,689,009)	-	(609,235)	(105,459)	(132,709)	(42,714)	(65,532)	(4,225,502)
Depreciation for the period	(180,062)	(206,427)	-	(56,410)	(13,155)	(27,804)	(9,312)	(5,648)	(498,818)
Disposals (-) (sales)	1	-	-	-	-	-	-	-	1
Withdrawals	4,036	7,808	-	44	611	10,685	59	108	23,351
Corporate reorganizations <sup>4</sup>	(8,193)	(1,607)	-	(9,742)	(1)	(159)	(63)	(801)	(20,566)
Other changes	343	(38,898)	-	(201)	(632)	(238)	(82)	(100)	(39,808)
<b>Final balance accrued depreciation and impairment loss</b>	<b>(1,764,719)</b>	<b>(1,928,133)</b>	<b>-</b>	<b>(675,544)</b>	<b>(118,636)</b>	<b>(150,225)</b>	<b>(52,112)</b>	<b>(71,973)</b>	<b>(4,761,342)</b>
<b>Total final net balance Property, plant and equipment</b>	<b>4,851,591</b>	<b>6,034,240</b>	<b>12,569,240</b>	<b>4,375,546</b>	<b>152,081</b>	<b>99,836</b>	<b>44,674</b>	<b>152,371</b>	<b>28,279,579</b>
<b>Advances payments made to third parties</b>									
Initial balance	-	-	38,405	-	-	-	-	497	38,902
Movement(+)	-	-	42,964	-	-	-	-	-	42,964
Corporate reorganizations <sup>4</sup>	-	-	8,000	-	-	-	-	-	8,000
Movement(-)	-	-	(26,773)	-	-	-	-	-	(26,773)
<b>Final balance</b>	<b>-</b>	<b>-</b>	<b>62,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>497</b>	<b>63,093</b>

Amounts stated in millions of Colombian pesos

2019	Networks, lines and cables	Plants, pipelines and tunnels	Construction in progress <sup>1</sup>	Land and buildings	Machinery and equipment	Communication and computer equipment	Furniture, fixtures and office equipment	Other property, plant and equipment <sup>2</sup>	Total
Initial balance	5,632,717	9,102,206	10,271,370	5,192,549	223,493	216,411	85,850	239,204	30,963,800
Additions <sup>3</sup>	34,825	16,780	2,580,289	6,173	10,492	37,186	582	36,254	2,722,581
Advances payments (amortized) made to third parties	-	-	(28,149)	-	-	-	-	(1,804)	(29,953)
Transfers (-/+)	419,988	293,686	(831,072)	93,236	4,119	1,503	2,245	(23,530)	(79,829)
Disposals (-)	-	-	-	-	(60)	-	-	(1,037)	(1,097)
Withdrawals (-)	(352)	(130,941)	(904,057)	(4,156)	(3,008)	(18,785)	(93)	(1,519)	(1,062,911)
Impact due to adoption of IFRS 16 As of January 2019 <sup>4</sup>	-	(1,610,257)	1,886	(204,500)	-	-	-	-	(1,812,871)
Other changes	2,466	(771)	(40,804)	2,571	(2,916)	(2,344)	-	(649)	(42,447)
<b>Cost final balance</b>	<b>6,089,644</b>	<b>7,670,703</b>	<b>11,049,463</b>	<b>5,045,873</b>	<b>232,120</b>	<b>233,971</b>	<b>88,584</b>	<b>246,919</b>	<b>30,657,277</b>
<b>Accrued depreciation and impairment loss</b>									
Initial balance of accrued depreciation and impairment loss	(1,416,949)	(1,558,401)	-	(628,223)	(98,268)	(126,552)	(34,004)	(60,916)	(3,923,313)
Depreciation for the period	(164,059)	(186,109)	-	(56,102)	(11,097)	(23,328)	(8,767)	(6,808)	(456,270)
Disposals (-)	-	-	-	-	21	-	-	917	938
Withdrawals (-)	51	55,192	-	1,162	2,607	15,746	89	1,347	76,194
Impact due to adoption of IFRS 16 As of January 2019 <sup>4</sup>	-	-	-	77,013	-	-	-	-	77,013
Other changes	113	307	-	(3,085)	1,278	1,425	(32)	(72)	(64)
<b>Final balance accrued depreciation and impairment loss</b>	<b>(1,580,844)</b>	<b>(1,689,009)</b>	<b>-</b>	<b>(609,235)</b>	<b>(105,459)</b>	<b>(132,709)</b>	<b>(42,714)</b>	<b>(65,532)</b>	<b>(4,225,502)</b>
<b>Total final net balance property, plant and equipment</b>	<b>4,508,800</b>	<b>5,981,694</b>	<b>11,049,463</b>	<b>4,436,638</b>	<b>126,661</b>	<b>101,262</b>	<b>45,870</b>	<b>181,387</b>	<b>26,431,775</b>
<b>Advanced payments made to third parties</b>									
Initial balance	-	-	66,553	-	-	-	-	2,302	68,855
Movement(+)	-	-	26,946	-	-	-	-	7,014	33,960
Movement(-)	-	-	(55,095)	-	-	-	-	(8,318)	(63,913)
<b>Final balance</b>	<b>-</b>	<b>-</b>	<b>38,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>498</b>	<b>38,902</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Includes capitalization of borrowing costs for \$336,803 (2019: \$366,052), the weighted average effective rate used to determine the amount of borrowing costs was 7.64% in Colombian pesos (2019 8.28%) and 4.195% in USA dollars (2019: 5.19%). Additionally, it includes assets for right-of-use associated with constructions in progress amounting to \$2,032.

The following are the main projects under construction:

Project	2020	2019
Ituango building project <sup>1.1</sup>	11,140,306	9,961,227
Interconex Caldas - La Estrella	145,293	68,093
Playas Recovery Project	72,597	86,876
Cadena de occidente	64,551	40,469
San Nicolas valley	60,994	35,425
La Garcia Basin	47,404	11,972
Modernization of Ayura plant	46,066	12,985
Adequacy of Drinking Water Plant	42,201	-
Expansion of Yulimar Manantiales Circuit	38,749	6,193
Envigado Capiro sector expansion	32,072	14,156
Modernization of Central Substation	32,019	10,663
Measurement code	29,717	27,827
Modernization of the Itagüí Manzanillo pumping system	28,966	5,926
Santo Domingo project	27,635	27,634
Convenio Unidos por el Agua Sanitation	24,298	16,653
Replacement of poles and trafos	23,057	-
Uraba Nueva Colina Connection	22,026	11,859
Calizas Substation-Associated Lines	21,715	13,176
Unidos por el Agua Agreement Water supply	21,506	13,062
La Iguana Basin	20,114	25,529
Modernization of El Buey Collection	19,412	12,975
Coverage Expansion Plans	17,114	-
SDL expansion E.R. coverage	17,046	1,987
Modernization of Guayabal Substation	14,392	10,332
South Interceptor	13,686	10,933
Other projects <sup>1.2</sup>	546,304	623,508
<b>Total</b>	<b>12,569,240</b>	<b>11,049,460</b>

*Amounts stated in millions of Colombian pesos*

<sup>1.1</sup>As of December 31, 2020, the Ituango hydroelectric project presented a physical progress of 80.62% (31 December 2019: 76.7%), the physical progress presented as of the date of the period on which the separate financial statements are reported, corresponds to the new version of the the contingency, stabilization and commissioning schedule of the project approved in April 2020.

It is estimated that the commissioning of the first two power generation units will be able to enter in 2022. However, this start-up date is very dynamic, due to the changes that occur in the technical variables, the evolution and efficiency of the measures implemented to address the contingency and the effects that the COVID-19 pandemic may cause. in the project.

As a result of the contingency that occurred on April 28, 2018, caused by a geological event that occluded the Cauca River auxiliary diversion gallery (ADG), which generated an unscheduled damming, it was necessary to execute additional activities not contemplated in the schedule. Due to the above, a new schedule was made which includes recovery activities and longer terms. This schedule is susceptible to changes and/or modifications, since the actual state of the underground works is not yet known, and it has not yet been possible to inspect it directly.

As a consequence of the above, EPM has prioritized its decisions to protect firstly the communities and the environment and secondly the project infrastructure. Therefore, on May 7, 2018, the decision was made to evacuate the dammed water through the powerhouse of the future power generation plant so that it would be channeled back into the Cauca River, and thus return to its traditional flow and the water level of the dam would drop. On January 16 and February 5, 2019, the water intake gates #2 and #1, respectively, were closed, thus suspending the flow of water through the powerhouse, which allowed the inspection of the main cavern where the powerhouse is located, the transformer areas and beacon 1. With this, the cleaning and water pumping activities began in order to determine the severity of the works, the condition of the powerhouse and the work that must be done for its recovery. Consequently, at the date of the financial statements, although it is true that a large part of the project's works have been explored, some directly and others indirectly, for example through drilling and geophysical tests, as with the southern area of the cave complex, it is not yet possible to have a precise estimate of the total and exact value of the damages associated with the civil works; However, as of December 31, 2020 equipment and civil works have been written off for a value of \$1,273,777; additionally, the project has been tested for impairment, considering the provisions of IAS 36 and no impairment has been evidenced.

The Company continues in the process of quantifying the damages, the replacement of equipment and the repairs of the project as it progresses in its diagnosis, design and contracting, which is permanently informed within the adjustment process. Regarding the compensation of the damages occurred, the Mapfre insurer has made the following disbursements for material damage in civil works and equipment as follows: on December 4, 2019 \$ 525,438 (USD 150 million) and on September 15, 2020 \$ 369,700 ( USD100 million).

On May 29, 2019, the closure of one of the two gates of the Auxiliary Deviation Gallery (GAD) was completed, in a new milestone in the project's risk mitigation work. With the closure of the first gate, on the left, the work of nearly three months was completed. After closure of the left GAD gate, the next work will focus on the closure of the right gate to complete the full closure. Subsequently, a 22-meter plug will be built downstream of the tailgate chamber in the axis of the dam.

In July 2019, dam construction was completed, which translates into risk reduction for downstream populations. During September, the dam wall was built on reinforced earth between units 2 and 3 and the material filling in 3A, in units 1 and 2 of the powerhouse cavern; also, heavy equipment was brought into the powerhouse to clean and remove materials from the assembly room to the south sector of the powerhouse, the rehabilitation of the access tunnel to the powerhouse was completed and the road between the north portal of the road tunnel and the road leading to Puerto Valdivia, up to km 13+610, began to be levelled.

On November 8, 2019, urban planning work was completed and the road over the top of the project's dam was handed over to the community of the municipality of Ituango, so that its inhabitants can have continuous mobility to and from their town.

On December 18, 2019, the second gate of the Auxiliary Deviation Gallery (GAD) was closed. The pre-positioning of the GAD, with its two gates duly closed, reduces risks for communities downstream of the works and means the continuation of the project's recovery process.

On January 12, 2020, the concrete pouring began in the cavity that originated from the contingency between pressure shafts 1 and 2, advancing to elevation 272 and drilling for the micropiles began, deepening below the sill of the right diversion tunnel, in addition to the installation of pipe for grouting these micropiles.

In February 2020, the sale process began, through the auction figure, of the scrap of the 19 power transformers of the project, which were under water during the flooding of the powerhouse, which produced their total deterioration.

On February 19, 2020, EPM recommended to the Unified Command Post, National PMU No. 146, to start works in the powerhouse to avoid deterioration of the works and risk to the communities, in addition, a report was presented on the progress that have been achieved in the Ituango hydroelectric project, since July of last year to date.

In March 2020, the ANLA reiterated to EPM the provisions of Resolution 0820 of 2018, indicating that EPM could continue with the engineering works and works that must be executed, to guarantee the integrality of the project and prevent and mitigate the risks associated with the contingency presented. With this, it will be possible to carry out the works that allow to dissipate in an optimal way, through the turbines that will be housed in the powerhouse, the energy of the water contained in the reservoir.

Additionally, the protocol for attention to events and crises (PADEC) was activated to prevent the spread of the coronavirus (COVID-19). Consequently, 1,170 workers from the Ituango hydroelectric project went to rest to comply with the mandatory quarantine in their places of origin.

In April 2020, a new version of the schedule was made (April 2020), which includes the additional work requirements that result as the different work fronts are inspected, to guarantee the stability of the project. In this version, all the information provided by the equipment manufacturers was included, as well as the plans of the main works contractor, CCCI.

EPM announced that as of June 30, 2020, 601 positive cases for coronavirus COVID 19 had been presented, of which 243 people recovered. It is expected that, by the end of next July, around 450 people will remain in the project facilities, to guarantee the minimum operational required in works and facilities, to maintain stable conditions of the works.

During the period, the works on the following work fronts were inactive, due to the withdrawal of personnel from the main works Contractor, to comply with protocols as a result of the pandemic generated by COVID-19: slope of the upper part of the plaza de gates (Romerito), upper part of the 500 kV substation, the upper south gallery and concrete in the plaza 435, substitute road on the left bank between km 0 + 900 to km 1 + 190, construction of filters and ditches on the shoulder downstream of the dam.

As of July 4, 2020, activities are suspended on all work fronts in response to the protocols for the management of the pandemic generated by COVID-19. On July 15, the withdrawal of all personnel ended, in order to comply with the COVID 19 protocol of all activities that seek to overcome the risks to downstream populations. Subsequently, 3,500 officials from all the companies involved in the development of the project joined the project with the use of technology for greater control of the virus. Now, workers organize themselves using smart cells (bubbles) or narrow circles of behavior to take care of each other and establish safe and responsible contacts for the protection of the group. Additionally, each worker must use a smart handle, with Bluetooth wireless technology, with which those who were in close contact will be identified in a timely manner, in the event that if a member of a cell manifests symptoms associated with the coronavirus, they will be identified for control and tracing. The re-entry of the workers was carried out in a controlled manner during the last days of July and the first days of August by groups of approximately 400 people, who were integrated in accordance with compliance with the biosafety protocol established for both entry, permanence and departure from the facilities.

On August 12, 2020, the Ituango hydroelectric project reported zero positive cases for COVID-19, a total of 903 people were recovered and one deceased.

In August 2020, the CCCI Consortium restarted its activities, reported that it has 2,342 collaborators on site, activities have resumed in the power house, beacon 1, suction tunnels 1 and 2, the removal of transformers from the cavern, the lower conduit, the slope of the upper part of the gate square (Romerito), the 500 kV Substation, the gate shafts, the intermediate discharge, the pre-plug 2 of the right diversion tunnel and the GAD by-pass.

As of September 2020, the emptying of section 1 to the complete section of the regrowth in plug 12, intermediate discharge, was completed. The removal of the metal platform installed above the assembly room, to carry out the treatments. The removal of the full of 3A material and the wall on reinforced earth on units 3 and 4 was completed. The removal of the transformers by the company LITO S.A.S was completed; Dynamic load test is performed on the 25-ton overhead crane.

As of October 2020, the removal of the metal platform from the powerhouse assembly room, the concrete pouring of sections 2-3 into the cavity under the suction tube of unit 1, and the removal of the wall were completed. in ramada land and in the fill on units 5 and 6 of the powerhouse

As of November 2020, the Assembly of the provisional 25 t overhead crane was completed by EPM personnel, the cutting and removal of the armor from the suction tunnel of unit 1, the Construction of the aeration gallery to beacon 2, the demolition of the walls of the generator enclosure of unit No.3, the treatments in cavity 2 of beacon 1, towards the discharge tunnel 2, the demolition of the portico of beacon 1 and the downstream gable treatments, the lifting with scanner in the lower pipes 1 to 4 and pressure wells 1 and 2 in charge of personnel of the company ARG.

On December 23, 2020, the following bilateral modification acts (AMB) were signed until December 31, 2021 for the following contracts of the Ituango Hydroelectric Project, as follows: AMB No. 39 Construction of the Dam, Power Plant and associated Works of the Project: CCC Ituango Consortium. (Formed by the firms Camargo Corrêa Infra S.A., Constructora Conconcreto S.A. and Coninsa - Ramón H. S.A.); AMB N° 12 Advice during the construction of the project, with the Generación Ituango Consortium (Made up of the firms Integral Ingeniería de Supervisión SAS and Integral Ingeniería de Consulta SA) and AMB N° 6 Audit Service during the construction of the civil works and the assembly of the equipment electromechanical of the Project, contractor: Ingetec-Sedic Consortium.

As of December 2020, the first ferrules for the assembly of the suction tube of unit No.1 were entered into the power house, which are part of the replacement equipment affected during the 2018 contingency, and during the period the treatments in the gables of units 1 and 2 of the power house, treatments in the gables of beacon 1, the concrete for the extension of the floor cladding of gallery 285, the emptying of the wall upstream of unit 1, up to the elevation 217,45 and concrete lining of the upper conduction tunnel No.4.

The protocol for attention to events and crises (PADEC) continues to prevent the spread of the coronavirus (COVID-19). With about 6,000 workers in the Project facilities, there are 109 confirmed cases of COVID-19 in recent months. This data continues to demonstrate the strong adherence of employees to biosafety protocols and the effectiveness of the strategies implemented such as proximity handles, which allows timely decision-making.

<sup>1,2</sup>Other projects: refers to other projects of the company, among these the most significant is merchandise for projects for \$119,959, Yondó circuit for \$13,260, Santa Elena Conduction Modernization for \$ 11,971 among others.

<sup>2</sup>Includes fleet equipment and vehicles, medical and scientific equipment, property, plant and equipment being assembled, property, plant and equipment in transit and replacement assets, equipment, catering, kitchen, pantry and hotel equipment.

<sup>3</sup>Includes purchases, capitalizable disbursements that meet recognition criteria, assets received from third parties and costs for decommissioning and removal of property, plant and equipment. At the end of December 2020 and December 2019, were not received government subsidies.

<sup>4</sup>Corresponds to the merger with the EPRIO subsidiary in January 1, 2020 represented as follows: cost of \$ 85,599, accumulated depreciation and impairment of \$ -20,566 and advances paid to third parties \$ 8,000.

Additions to property, plant and equipment of \$ 2,602,438 (2019 2,722,581) are taken as effective items, less the movement of advances of \$24,191 (2019 \$-29,953), capitalized interest of \$336,803 (2019 \$366,052), additions of right-of-use of \$2,032 (2019 \$3,053) and the environmental and decommissioning provisions of \$ 18,579 ( 2019 \$47,206) of the statement of cash flows.

At the closing of the period, all assets associated with electricity Generation, Distribution, Transmission, Gas, Water Supply and Wastewater management Cash Generating Units, which have intangible assets with an indefinite useful life, were tested for impairment, which showed no evidence of impairment.

As of December 31, 2020, there are restrictions on the realization of property, plant and equipment, associated with some equipment of the vehicle fleet for a net book value of \$2 (2019 \$2). These restrictions are given for theft and have been affected as a guarantee for the fulfillment of obligations.

The most significant commitments for the acquisition of property, plant and equipment of the Company at December 31, 2020 amount to \$ 2,809,340 (2019 \$2,290,755).

The following is the historical cost of the fully depreciated property, plant and equipment that continue in operation as of December 31, 2020 and 2019.

Group	2020	2019
Communication and computer equipment	18,574	20,345
Machinery and Equipment	14,946	11,703
Plants, pipelines and tunnels	15,340	15,225
Networks, lines and cables	7,808	5,386
Furniture, fixtures and office equipment	3,695	3,281
Other properties, plant and equipment	3,524	3,153
Buildings	1,437	1,601
<b>Total</b>	<b>65,324</b>	<b>60,694</b>

*Amounts stated in millions of Colombian pesos*

## Note 6. Investment property

The fair value of investment property is based on an appraisal made by experts with recognized professional capacity and recent experience in the category of real estate investments subject to assessment; this value has been determined by *Valores Ingeniería Inmobiliaria S.A.S* and *TecniTasa Colombia*. This activity is performed at least once a year. To determine the fair value of investment property, the comparative or market method is used, which consists of deducting the price by comparing transactions, supply and demand and valuations of similar or comparable properties, previous time adjustments, conformation and location; the residual method, which applies only to buildings and is based on the determination of the updated cost of the construction less the depreciation for age and state of conservation; and the rent method, which is used to determine the possible value of a good according to its capacity to generate income, taking into account the probable monthly rental fee that tenants would be willing to pay in the lease market. See Note 43. Fair value measurement on a recurring and non-recurring basis.

Investment property	2020	2019
Initial balance	126,822	77,828
Net income or loss due to adjustment of fair value <sup>1</sup>	(17,040)	51,651
Dispositions (-)	(256)	(2,164)
Transfers <sup>2</sup> (-/+)	42,839	(493)
<b>Total</b>	<b>152,365</b>	<b>126,822</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup> See detail in Note 33. Other Income and Note 35. Other Expenses.

<sup>2</sup> Includes transfers to property, plant and equipment from investment properties, and corresponds to the building and land of UNE Los Balsos.

At December 31, 2020, lease income from investment property for the period amounted \$478 (2019: \$679), and the Direct expenses of the period related to investment property was \$71 (2019: \$63).

As of December 31, 2020 there are restrictions on the property located in the Mamatoco sector of the municipality of Santa Marta, a direct reparation process is currently being carried out against said municipality, due to the omission of the municipal administration generated a process of massive invasion of the property, which makes its recovery difficult through police protection processes; fair value is \$ 1,392 (2019: \$ 1,392).

## Note 7. Goodwill and other intangible assets

The breakdown of the recorded value for Goodwill and other intangible assets is as follows:

Intangibles	2020	2019
<b>Cost</b>	<b>1,266,953</b>	<b>1,197,682</b>
Goodwill	260,950	260,950
Concessions and franchises	469,032	452,743
Rights	8,488	7,984
Licenses	99,393	85,491
Software	218,493	186,842
Easements	168,866	167,172
Disbursements Development Phases	40,346	33,522
Other intangibles	1,385	2,978
<b>Accrued amortization and impairment</b>	<b>(455,108)</b>	<b>(399,235)</b>
Concessions and franchises	(279,736)	(251,226)
Rights	(2,118)	(1,727)
Licenses	(48,548)	(41,015)
Software	(122,955)	(102,039)
Easements	(1,261)	(1,237)
Other intangibles	(490)	(1,991)
<b>Total</b>	<b>811,845</b>	<b>798,447</b>

Amounts stated in millions of Colombian pesos

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



2020	Goodwill	Concessions and similar rights	Capitalized development expenditures	Software and IT applications	Licenses	Rights	Other intangible assets <sup>1</sup>	Total
Initial balance cost	260,950	452,743	33,522	186,842	85,491	7,984	170,150	1,197,682
Additions <sup>2</sup>	-	2,093	6,824	29,535	8,433	-	1,517	48,402
Transfers (-/+)	-	13,021	-	3,971	5,483	-	137	22,612
Disposals	-	-	-	(1,860)	(495)	-	(1,593)	(3,948)
Corporate reorganizations <sup>4</sup>	-	-	-	5	400	504	38	947
Other changes	-	1,175	-	-	81	-	2	1,258
Final balance cost	260,950	469,032	40,346	218,493	99,393	8,488	170,251	1,266,953
Initial balance accrued amortization and impairment	-	(251,226)	-	(102,039)	(41,015)	(1,727)	(3,228)	(399,235)
Amortization for the period <sup>3</sup>	-	(27,966)	-	(22,702)	(7,691)	(391)	(983)	(59,733)
Disposals	-	-	-	1,808	489	-	1,593	3,890
Corporate reorganizations <sup>4</sup>	-	-	-	(5)	(265)	-	(24)	(294)
Other changes	-	(544)	-	(17)	(66)	-	891	264
Final balance accrued amortization and impairment	-	(279,736)	-	(122,955)	(48,548)	(2,118)	(1,751)	(455,108)
Final balance of intangible assets Net .	260,950	189,296	40,346	95,538	50,845	6,370	168,500	811,845

Amounts stated in millions of Colombian pesos

2019	Goodwill	Concessions and similar rights	Capitalized development expenditures	Software and IT applications	Licenses	Rights	Other intangible assets <sup>1</sup>	Total
Initial balance cost	260,950	381,251	23,980	168,556	70,180	7,984	167,494	1,080,395
Additions <sup>2</sup>	-	3,020	9,444	17,920	9,955	-	548	40,887
Transfers (-/+)	-	68,472	-	2,182	7,116	-	2,057	79,827
Disposals	-	-	-	(1,469)	(2,020)	-	-	(3,489)
Other changes	-	-	98	(347)	260	-	51	62
Final balance cost	260,950	452,743	33,522	186,842	85,491	7,984	170,150	1,197,682
Initial balance accrued amortization and impairment	-	(226,551)	-	(79,396)	(31,855)	(1,418)	(2,910)	(342,130)
Amortization for the period <sup>3</sup>	-	(24,633)	-	(24,268)	(10,341)	(309)	(1,211)	(60,762)
Disposals	-	-	-	1,332	1,528	-	-	2,860
Other changes	-	(42)	-	293	(347)	-	893	797
Final balance accrued amortization and impairment	-	(251,226)	-	(102,039)	(41,015)	(1,727)	(3,228)	(399,235)
Final balance of intangible assets Net .	260,950	201,517	33,522	84,803	44,476	6,257	166,922	798,447

Amounts stated in millions of Colombian pesos

<sup>1</sup> Includes easements, intangible assets related to customers and other intangibles corresponding to premiums at gas service stations.

<sup>2</sup> Includes purchases, capitalizable expenditure that meets the recognition criteria and concessions. In 2020, purchases associated with capitalized development expenditure were earmarked for IT projects: Digital transformation, Sentinel project, Treasury project.

<sup>3</sup> See note 33 Costs of services rendered and note 34 Administrative expenses.

<sup>4</sup> Corresponds to the merger with the EPRIO subsidiary in January 1, 2020 represented as follows: cost of \$ 8,000 accumulated depreciation and impairment of \$ -294.

At the end of the period, impairment testing was performed on assets for those intangibles with an indefinite lifespan, which showed no evidence of impairment.

Amortization of intangibles is recognized as costs and expenses through profit or loss in the Statement of comprehensive income, in the item Costs of services rendered and administrative expenses.

The historical cost recorded at the cut-off date and the remaining amortization period for significant assets is:

Significant intangible assets	Lifespan	Remaining amortization period	2020	2019
Ituango Generation Plant Project	Indefinite	-	177,667	177,667
Espiritu Santo	Indefinite	-	82,980	82,980
Easement Lines Corridor 53	Indefinite	-	63,040	63,040
Bello circuit distribution network	Defined	93	59,657	54,558
Loca and Hato secondary network	Defined	44	42,685	41,957

*Amounts stated in millions of Colombian pesos*

The following intangible assets have an indefinite lifespan: goodwill and easements, the latter are agreed in perpetuity. By definition, an easement is the real, perpetual or temporary right over another property, under which it can be used, or exercise certain rights of disposal, or prevent the owner from exercising some of their property rights (Art. 2970 of the Colombian Civil Code). In EPM, easements are not treated individually, since they are constituted for public utility projects, where the general interest prevails over the individual, considering that the objective is to improve the quality of life of the community; the aforementioned projects do not have a definite temporality, that is why they are constituted in perpetuity supported in their use. However, there are some easements with a definite useful life, because they are tied to the useful life of the main asset required by the easement.

As of 31 December 2020, have a recorded value of \$429,778 and 2019 for \$428,122.

Intangible assets with indefinite lifespan	2020	2019
<b>Goodwill</b>		
Ituango Generation Plant Project	177,667	177,667
Espíritu Santo	82,980	82,980
Surtigás Necoclí	303	303
<b>Subtotal goodwill</b>	<b>260,950</b>	<b>260,950</b>
<b>Other intangible assets</b>		
Easements	168,828	167,172
<b>Subtotal other intangible assets</b>	<b>168,828</b>	<b>167,172</b>
<b>Total intangible assets with indefinite lifespan</b>	<b>429,778</b>	<b>428,122</b>

*Amounts stated in millions of Colombian pesos*

## Note 8. Investment in subsidiaries

The breakdown of the subsidiaries of the EPM at the date of the reporting period is the following:

Name of subsidiary	Location (country)	Main Activity	Percentage of participation and voting rights		Date of establishment
			2020	2019	
Empresa de energía del Quindío S.A. E.S.P. EDEQ	Colombia	Provides public utilities of electric energy, purchase, sale, and distribution of electric energy.	19.26%	19.26%	22/12/1988
Central Hidroeléctrica de Caldas S.A. E.S.P. CHEC	Colombia	Provides public energy services, operating electric energy generating plants, transmission and sub-transmission lines, and distribution networks, as well as marketing, importing, distributing and selling electric energy.	24.44%	24.44%	09/09/1950
Electrificadora de Santander S.A. E.S.P. ESSA	Colombia	Provides public utilities of electric energy, purchase, sale, marketing and distribution of electric energy.	0.28%	0.28%	16/09/1950
Centrales Eléctricas del Norte de Santander S.A. E.S.P. CENS	Colombia	Provides public utilities of electric energy, purchase, export, import, distribution and sale of electric energy, construction and operation of generating plants, substations, transmission lines and distribution networks.	12.54%	12.54%	16/10/1952
Caribemar de la Costa S.A.S. ESP AFINIA <sup>3</sup>	Colombia	Provides public electric energy distribution and commercialization services, as well as the performance of all related activities, works, services and products.	85.00%	0.00%	1/10/2020
Hidroecológica del Teribe S.A. HET	Panamá	Finances the construction of the Bonyic hydroelectric project, required to meet the growing energy demand of the isthmus of Panama.	99.68%	99.68%	11/11/1994
Gestión de Empresas Eléctricas S.A. GESA	Guatemala	Provides advisory and consulting services to electric power distribution, generation and transportation companies.	99.98%	99.98%	17/12/2004
Aguas Nacionales EPM S.A. E.S.P. <sup>4</sup>	Colombia	Provides domiciliary public utilities of water, sewage and sanitation, waste treatment and utilization, complementary activities, and engineering services related to these utilities.	99.97%	99.97%	29/11/2002
Aguas Regionales EPM S.A. E.S.P. <sup>5</sup>	Colombia	Guarantees the provision of domiciliary public utilities of water, sewage and sanitation, and compensates for the backlog in the infrastructure of these services in the member municipalities.	72.45%	67.25%	18/01/2006
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	Colombia	Provides domiciliary public utilities of water and sewage, as well as other complementary activities related to each of these public utilities.	56.01%	56.01%	22/11/1999
Aguas de Malambo S.A. E.S.P.	Colombia	Dedicated to guarantee the provision of domiciliary public utilities of water, sewage and sanitation in the jurisdiction of the municipality of Malambo, department of Atlántico.	98.03%	98.03%	20/11/2010
Empresas Públicas de Rionegro S.A. E.S.P. - EP RIO <sup>1</sup>	Colombia	Rendering of domiciliary public utilities, including water and sewage services, as well as complementary and related activities; specifically the administration, operation, maintenance and investments of the water and sewage systems of the Municipality of Rionegro, the execution of programs and projects on the environment and renewable and non-renewable natural resources; to promote its sustainable development. In addition, the company will provide maintenance services for the public lighting network in the municipality of Rionegro.	0.00%	100.00%	9/12/1996
Empresas Varias de Medellín S.A. E.S.P.	Colombia	Subsidiary dedicated to providing public sanitation services within the framework of integrated solid waste management.	64.98%	64.98%	11/01/1964
EPM Inversiones S.A.	Colombia	Dedicated to the investment of capital in national or foreign companies organized as public utility companies.	99.99%	99.99%	25/08/2003
Maxseguros EPM Ltd	Bermuda	Negotiation, contracting and management of reinsurance for the policies that cover the equity.	100.00%	100.00%	23/04/2008
Panamá Distribution Group S.A. PDG	Panamá	Equity investment in companies.	100.00%	100.00%	30/10/1998
Distribución Eléctrica Centroamericana DOS S.A. DECA II	Guatemala	Makes equity investments in companies engaged in the distribution and commercialization of electric power, and provides telecommunications services.	99.99%	99.99%	12/03/1999
EPM Capital México S.A. de CV	México	Develops infrastructure projects related to energy, lighting, gas, telecommunications, sanitation, water treatment plants, sewerage, wastewater treatment, buildings, as well as their operation and services.	51,28%	51,28%	04/05/2012
EPM Chile S.A.	Chile	Develops energy, lighting, gas, telecommunications, sanitation, drinking water treatment plants, sewage and wastewater treatment projects, as well as the provision of such services and participation in all types of bids.	99.99%	99.99%	22/02/2013
patrimonio Autónomo Financiación Social <sup>2</sup>	Colombia	Manages the resources and payments of the social financing program created to facilitate the purchase of electric appliances, gas appliances and products related to information technology.	100.00%	100.00%	14/04/2008

<sup>1</sup>On 30 December 2019, in accordance with public deed No. 4641 of the Second Notary Office of Rionegro - Antioquia, registered at the Cámara de Comercio de Oriente Antioqueño Chamber of Commerce on 31 December 2019, the approval of the merger by absorption by which EPM absorbs Empresas Públicas de Rionegro S.A.S. E.S.P. - EP RIO was protocolized. Based on the merger commitment, it was established that, for accounting purposes, the final operation is perfected based on the figures shown in the accounts of the two companies, as of the last day of the month in which the respective deed is executed, i.e. 31 December 2019. Consequently, the operations of Empresas Públicas de Rionegro S.A.S. E.S.P. - EP RIO. (absorbed company) are carried out by EPM (absorbing company) from 1 January 2020.

<sup>2</sup>In July, 2020, EPM capitalized Patrimonio Autónomo Financiación Social for \$ 10,000.

<sup>3</sup> On October 1, 2020, EPM obtained the control of CaribeMar de la Costa S.A.S. E.S.P through the acquisition of 85% of participation, as a new provider of electric power service for the market of the Caribbean Region.

The value of the investment amounts to \$ 778,696, explained as follows: \$ 1,353,203 for business combination as a result of the difference between the consideration transferred and the fair value of the identifiable net assets acquired; \$ 368,326 for capitalization, \$ -879,062 and \$ -63,770 for impairment and by equity method

The result of the business combination is presented in the statement of comprehensive income in the item participation in equity investments.

<sup>4</sup>On November 23, 2020, EPM capitalized Aguas Nacionales EPM S.A. E.S.P. for \$ 113,397.

<sup>5</sup>In December 2020, EPM capitalized Aguas Regionales EPM S.A. E.S.P. for \$ 13,587, said capitalization was made in two rounds with payments made on December 28, 2020 for \$ 10,087 and on January 6, 2021 for \$ 3,500, in accordance with the terms of the share subscription regulations.

The above items are disclosed as part of the acquisition and capitalization of subsidiaries or businesses item in the statement of cash flows.

Subsidiaries in which less than 50% of direct participation, control is obtained through the indirect participation that the other companies of the EPM Group have.

The value of investments in subsidiaries at reporting date was:

Subsidiary	December 31, 2020				December 31, 2019					
	Value of investment				Value of investment					
	Cost	Equity method	Impairment	Dividends <sup>1</sup>	Total	Cost	Equity method	Impairment	Dividends <sup>1</sup>	Total
EPM Inversiones S.A.	1,561,331	163,254	-	(233,678)	1,490,907	1,561,331	94,126	-	(195,513)	1,459,944
Aguas Nacionales EPM S.A. E.S.P.	1,665,513	225,321	-	(58,794)	1,832,040	1,552,115	100,135	-	(8,578)	1,643,672
EPM Chile S.A.	1,044,935	309,135	-	-	1,354,070	1,044,935	59,062	-	-	1,103,997
Distribución Eléctrica Centroamericana DOS S.A. DECA II	1,009,257	914,538	-	(12,740)	1,911,055	1,009,257	926,266	-	(356,353)	1,579,170
Hidroecológica del Teribe S.A. HET	524,536	(226,059)	(86,963)	-	211,514	524,536	(191,769)	(86,963)	-	245,804
Caribemar de la costa S.A.S. E.S.P.	1,721,528	(63,770)	(879,062)	-	778,696	-	-	-	-	-
Panama Distribution Group S.A. PDG	238,116	336,755	-	-	574,871	238,116	275,838	-	(21,657)	492,297
EPM Capital México S.A. de C.V.	177,436	(177,436)	-	-	-	177,436	(177,436)	-	-	-
Central Hidroeléctrica de Caldas S.A. E.S.P. CHEC	140,663	25,698	-	(34,292)	132,069	140,663	42,153	-	(34,941)	147,875
Aguas de Malambo S.A. E.S.P.	70,718	(34,623)	(1,641)	-	34,454	70,718	(32,181)	(1,641)	-	36,896
Maxseguros EPM Ltd.	63,784	135,839	-	-	199,623	63,784	107,955	-	(2,944)	168,795
Patrimonio Autónomo Financiación Social	71,914	106,314	-	-	178,228	61,914	87,359	-	-	149,273
Centrales Eléctricas del Norte de Santander S.A. E.S.P. CENS	57,052	(9,621)	-	-	47,431	57,052	(16,735)	-	-	40,317
Aguas Regionales EPM S.A. E.S.P.	60,816	26,130	-	-	86,946	47,228	19,390	-	-	66,618
EMPRESAS PÚBLICAS DE RIONEGRO SAS ESP	-	-	-	-	-	46,905	25,587	-	-	72,492
Empresas Varias de Medellín S.A. E.S.P.	32,967	96,213	-	(13,921)	115,259	32,967	106,949	-	(21,444)	118,472
Empresa de Energía del Quindío S.A. E.S.P. EDEQ	28,878	12,489	-	(6,989)	34,378	28,878	13,038	-	(5,938)	35,978
Gestión de Empresas Eléctricas S.A. GESA	25,782	17,167	-	(4,370)	38,579	25,782	15,912	-	(3,704)	37,990
Empresa de Aguas del Oriente Antioqueño S.A. E.S.P.	2,774	2,576	-	-	5,350	2,774	1,759	-	-	4,533
Electrificadora de Santander S.A. E.S.P. ESSA	2,514	290	-	(410)	2,394	2,514	287	-	(368)	2,433
<b>Total</b>	<b>8,500,514</b>	<b>1,860,210</b>	<b>(967,666)</b>	<b>(365,194)</b>	<b>9,027,864</b>	<b>6,688,905</b>	<b>1,457,695</b>	<b>(88,604)</b>	<b>(651,440)</b>	<b>7,406,556</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Dividends for \$370,194 (2019 \$654,583) have been received. Including \$5,000 owed by Central Hidroeléctrica de Caldas S.A. E.S.P. CHEC of the year 2019.

The breakdown of the equity method recognized in the profit or loss and in other comprehensive income is as follows:

Subsidiary	December 31, 2020			December 31, 2019		
	Period share method		Total	Period share method		Total
	Result for the period	Otro resultado integral		Result for the period	Otro resultado integral	
EPM Inversiones S.A.	224,323	40,269	264,592	287,285	(38,225)	249,060
Agua Nacionales EPM S.A. E.S.P.	133,769	-	133,769	147,088	-	147,088
EPM Chile S.A.	79,534	170,719	250,253	200,747	(114,982)	85,765
Distribución Eléctrica Centroamericana DOS S.A. DECA II	210,220	131,565	341,785	176,756	(112,332)	64,424
Hidroecológica del Teribe S.A. HET	(49,709)	15,416	(34,293)	6,386	(1,969)	4,417
Caribemar de la costa S.A.S. E.S.P.	(63,702)	(69)	(63,771)	-	-	-
Panamá Distribution Group S.A. PDG	37,603	46,881	84,484	53,457	(26,014)	27,443
Central Hidroeléctrica de Caldas S.A. E.S.P. CHEC	18,838	(354)	18,484	30,125	(255)	29,870
EPM Capital México S.A. de CV	(1,767)	(2,229)	(3,996)	(120,257)	(95,534)	(215,791)
Maxseguros EPM Ltd	25,288	5,541	30,829	9,674	1,257	10,931
Centrales Eléctricas del Norte de Santander S.A. E.S.P. CENS	8,517	(1,403)	7,114	8,153	(543)	7,610
Agua de Malambo S.A. E.S.P.	(2,441)	-	(2,441)	(5,228)	-	(5,228)
Agua Regionales EPM S.A. E.S.P.	6,740	-	6,740	4,284	-	4,284
Empresas Públicas de Rionegro S.A. E.S.P. - EP RIO	-	-	-	15,758	-	15,758
Empresas Varias de Medellín S.A. E.S.P.	13,216	(2,478)	10,738	18,139	(4,369)	13,770
Empresa de Energía del Quindío S.A. E.S.P. EDEQ	5,347	43	5,390	6,903	(101)	6,802
Gestión de Empresas Eléctricas S.A. GESA	4,968	(9)	4,959	5,111	(124)	4,987
Electrificadora de Santander S.A. E.S.P. ESSA	382	(10)	372	410	66	476
Empresa de Agua del Oriente Antioqueño S.A. E.S.P.	814	3	817	736	-	736
Patrimonio Autónomo Financiación Social	19,776	-	19,776	21,376	-	21,376
<b>Total</b>	<b>671,716</b>	<b>403,885</b>	<b>1,075,601</b>	<b>866,903</b>	<b>(393,125)</b>	<b>473,778</b>

Amounts stated in millions of Colombian pesos

The financial information of the company's subsidiaries as of the date of the reporting period is as follows. All subsidiaries are accounted for by the equity method in the separated financial statements:

December 31, 2020	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Result for the period		Other comprehensive income	Total comprehensive income
						Continuing operations	discontinued operations		
Empresa de energía del Quindío S.A. E.S.P. EDEQ	100,519	224,823	78,856	80,686	258,682	27,739	-	286,421	314,160
Central Hidroeléctrica de Caldas S.A. E.S.P. CHEC	285,823	913,502	340,088	379,975	832,197	77,062	-	909,259	986,321
Electrificadora de Santander S.A. E.S.P. ESSA	335,426	1,688,591	516,386	826,830	1,268,295	138,137	-	1,406,432	1,544,569
Centrales Eléctricas del Norte de Santander S.A. E.S.P. CENS	286,548	1,024,373	243,313	720,700	856,035	67,938	-	923,973	991,911
Hidroecológica del Teribe S.A. HET	20,715	417,035	16,837	189,106	51,483	(50,793)	-	690	(50,103)
Gestión de Empresas Eléctricas S.A. GESA	15,973	-	132	-	7,479	4,969	-	12,448	17,417
Caribemar de la Costa S.A.S. ESP AFINIA	2,758,089	560,676	495,413	2,384,482	867,554	9,231	-	876,785	886,016
Agua Nacionales EPM S.A. E.S.P.	140,308	1,936,991	55,382	135,364	264,676	152,943	-	417,619	570,562
Agua Regionales EPM S.A. E.S.P.	55,267	175,462	38,346	66,890	60,355	9,294	-	69,649	78,943
Empresa de Agua del Oriente Antioqueño S.A. E.S.P.	5,049	6,301	1,363	434	3,871	1,454	-	5,325	6,779
Agua de Malambo S.A. E.S.P.	4,218	49,503	7,674	6,983	14,437	(2,504)	-	11,933	9,429
Empresas Varias de Medellín S.A. E.S.P.	158,260	202,056	145,164	155,513	249,378	20,607	-	269,985	290,592
EPM Inversiones S.A.	4,018	1,462,654	470	8,300	9	224,823	-	224,832	449,655
Maxseguros EPM Ltd	293,880	174,402	268,658	-	32,073	25,288	-	57,361	82,649
Panamá Distribution Group S.A. PDG	755,021	2,140,089	1,240,398	868,903	2,076,607	74,435	-	2,151,042	2,225,477
Distribución Eléctrica Centroamericana DOS S.A. DECA II	1,135,205	3,214,700	1,265,884	1,240,847	3,516,067	280,640	-	3,796,707	4,077,347
EPM Capital México S.A. de CV	235,711	523,900	157,328	299,744	181,187	3,749	-	184,936	188,685
EPM Chile S.A.	268,773	3,802,449	177,674	2,539,931	639,210	76,293	-	715,503	791,796

Amounts stated in millions of Colombian pesos

## 8.1 Changes in Participation of Subsidiaries that did not result in Loss of Control

During 2020, there were changes in participation of the following subsidiaries

As of December 2020, there was a change in the participation of the subsidiary Empresas Públicas de Rionegro S.A.S. E.S.P. - EP RIO, due to the merger in which EPM absorbs 100% of the participation of EP RIO and consequently the operations of Empresas Públicas de Rionegro S.A.S. E.S.P. - EP RIO since January 1, 2020.

The percentage of participation in Caribemar de la Costa S.A.S. E.S.P. - AFINIA was acquired by EPM Group through the purchase of the 85% of the shares. The remaining 15% was acquired by EPM Latam. For 100% control of the subsidiary.

The percentage of participation in Aguas Nacionales EPM S.A. E.S.P. increased to 99.97%, due to the capitalization of EPM. This variation had an effect on the application of the equity method, decreasing the investment by \$4, directly recognized in equity.

The percentage of participation in Aguas Regionales EPM S.A. E.S.P. increased to 72.45%, due to the capitalization of EPM. This variation had an effect on the application of the equity method, decreasing the investment by \$1,597, directly recognized in equity.

## Note 9. Investments in associates

The breakdown of Investment in Associates of EPM at the date of the reporting period is:

Name of associate	Location (country)	Main activity	Percentage of participation and voting rights		Date of establishment
			2020	2019	
Hidroeléctrica Ituango S.A. E.S.P.	Colombia	Promotion, design, construction, operation, maintenance and commercialization of energy at national and international level of the Pescadero Hituango Hydroelectric Power Plant.	46.33%	46.33%	29/12/1997
Hidroeléctrica del Río Aures S.A. E.S.P.	Colombia	Generation and commercialization of electric energy through a hydroelectric power plant, located in the jurisdiction of the municipalities of Abejorral and Sonsón, Department of Antioquia.	32.99%	32.99%	14/05/1997
UNE EPM Telecomunicaciones S.A.	Colombia	Provision of telecommunication services, information and communication technologies, information services and complementary activities.	50.00%	50.00%	29/06/2006
Inversiones Telco S.A.S.	Colombia	Invest in companies whose corporate purpose is based on the provision of business process outsourcing (BPO) services for companies, especially but not limited to telecommunications companies.	50.00%	50.00%	5/11/2013

The amount of investment in associates at the reporting date was:

Associate	2020				2019			
	Value of investment			Dividends <sup>1</sup>	Value of investment			Dividends <sup>1</sup>
	Cost	Impairment	Total		Cost	Impairment	Total	
Hidroeléctrica Ituango S.A. E.S.P.	34,227	-	34,227	-	34,227	-	34,227	-
Hidroeléctrica del Río Aures S.A. E.S.P.	2,478	-	2,478	-	2,478	-	2,478	-
UNE EPM Telecomunicaciones S.A.	2,342,488	-	2,342,488	12,547	2,342,488	-	2,342,488	-
Inversiones Telco S.A.S.	55,224	-	55,224	14,508	55,224	-	55,224	3,103
<b>Total investments in associates</b>	<b>2,434,417</b>	<b>-</b>	<b>2,434,417</b>	<b>27,055</b>	<b>2,434,417</b>	<b>-</b>	<b>2,434,417</b>	<b>3,103</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>In 2020 were declared dividends for \$27,055 from Inversiones Telco remains outstanding \$10,268 that will be paid in February 2021.

## Note 10. Investment in joint ventures

The breakdown of joint ventures of EPM at the reporting date is as follows:

Name of the joint venture	Location (Country)	Main activity	percentage of participation and voting rights		Date of establishment
			2020	2019	
Parques del Río S.A.S. <sup>1</sup>	Medellín	Construction, operation, administration and maintenance of the Parques del Río Medellín project, as well as acting as the project's urban manager.	33%	33%	26/12/2015

<sup>1</sup>Joint Venture established on November 26, 2015, in which the Municipality of Medellín, Interconexión Eléctrica S.A. E.S.P. (ISA), Empresa de Transporte Masivo del Valle de Aburrá Ltda. (Metro) y EPM participate. The Entity seeks promote the next urban developments in the city, the department and the country, taking advantage of synergies in the infrastructure, mobility, environmental and social areas, among others.

The value of investments in joint Ventures at the reporting date was:

Name of the joint venture	2020				2019			
	Investment value			Dividends	Investment value			Dividends
	Cost	Impairment	Total		Cost	Impairment	Total	
Parques del Río S.A.S.	99	-	99	-	99	-	99	-
<b>Total investments in joint ventures</b>	<b>99</b>	<b>-</b>	<b>99</b>	<b>-</b>	<b>99</b>	<b>-</b>	<b>99</b>	<b>-</b>

Amounts stated in millions of Colombian pesos

## Note 11. Impairment of Assets

### 11.1 Impairment of investments in subsidiaries, associates and joint ventures

#### 11.1.1 Caribemar de la Costa S.A.S. E.S.P.

The approach used to determine the value in use of Caribemar de la Costa S.A.S. E.S.P. and each of the key hypotheses is as follows:

Tariff projections were made based on the current regulatory framework applicable to the Afinia market. For customers with historical series, a trend growth applicable to the area was estimated. Regarding demand, the growth of the main variables considered the application of the loss plan, customer normalization campaigns and the collection evolution plan.

The projection of costs and expenses considered the current conditions of the Afinia market and the efforts required to develop the different commercial and operational strategies approved by management, the evolution of investment and population growth. These costs evolve in real terms, as indicated above, and in nominal terms due to inflation.

The CAPEX projection considered the current conditions of the Afinia market and its infrastructure, as well as what is required to meet regulatory obligations, signed management obligations, strategies defined by management and population growth. These investments grow in real terms, as indicated above, and in nominal terms due to inflation.

The following shows the accrued effect for the recognized impairment:

Investment	Recorded value		Impairment losses (reversal)
	2020	2019	2020
<b>Subsidiary</b>			
Hidroecológica del Teribe S.A. HET	86,963	86,963	-
Aguas de Malambo S.A. E.S.P.	1,641	1,641	-
Caribemar de la Costa S.A.S. E.S.P.	879,062	-	879,062
<b>Total subsidiaries</b>	<b>967,666</b>	<b>88,604</b>	<b>879,062</b>

Amounts stated in millions of Colombian pesos

The following are the key assumptions used by the company for the assessment of the value in use/fair value less selling costs:

Concept	Key assumption
Business plan update	A general update of the business plan was made which is part of the process of reviewing the company's strategy and management scheme, enabling the new capital requirements of the company to be estimated.
Income	Tariff aspects: the tariff applied corresponds to one denominated by the regulation as "reduced costs" that is not directly associated with the company's real investments and costs, what generates an imbalance and causes revenues to be lower than expected. Commercial aspects: improvement in the portfolio has been difficult due to the low payment culture in the region.
Cost and expenses	It has been necessary to purchase water in block from the Sociedad de Acueducto, Alcantarillado y Aseo de Barranquilla S.A. E.S.P. - AAA for a longer than estimated, since it was initially considered that the neighborhoods served by this means would be interconnected to the system. Similarly, by resolution of the Water Regulation Commission, the price was increased by three times its initial value. The company paid obligations generated before to the entry of EPM that by shareholder agreement should be covered by the previous owner. These costs and expenses are being recovered.
Investment	Master plan: A master plan is required for the main water and wastewater projects, which diagnoses the current infrastructure, identifies the needs and proposes solutions over time for a population both in terms of investment and operational. The contract for their preparation was added in time to include a wider range of customers. Similarly, there were delays due to problems in the networks that did not allow the studies to be performed, in addition to the fact that the length of the networks exceeded the contract's estimates. The fact that we did not have a definitive master plan until the end of 2013 meant a delay in the investment plan, fewer users were connected and service continuity was not improved.

## 11.2 Impairment of cash generating units (CGU)

The recorded value of goodwill and intangible assets with indefinite useful life associated with each CGU is broken down below:



Cash Generating Unit	Recorded value	
	2020	2019
<b>Segment Electricity Generation</b>		
Goodwill	260,647	260,647
Easements	444	444
<b>CGU - Electricity Generation-</b>	<b>261,091</b>	<b>261,091</b>
<b>Segment Electricity Transmission</b>		
Easements	128,555	127,059
<b>CGU - Electricity Transmission-</b>	<b>128,555</b>	<b>127,059</b>
<b>Segment Electricity Distribution</b>		
Easements	29,473	29,433
<b>CGU - Electricity Distribution-</b>	<b>29,473</b>	<b>29,433</b>
<b>Gas Segment</b>		
Goodwill	303	303
Easements	3,692	3,692
<b>CGU - Natural Gas-</b>	<b>3,995</b>	<b>3,995</b>
<b>Water Supply Segment</b>		
Easements	5,112	4,713
<b>CGU - Water Supply-</b>	<b>5,112</b>	<b>4,713</b>
<b>Sanitation Segment</b>		
Easements	1,552	594
<b>CGU - Sanitation-</b>	<b>1,552</b>	<b>594</b>

Amounts stated in millions of Colombian pesos

Description of the CGUs is broken down below:

- CGU Electricity Generation, which activity consists of electricity generation and the commercialization of large electric power blocks, based on the acquisition or development of a portfolio of power proposals for the market.
- CGU Electricity Distribution, which activity consists of transporting electric power through a set of lines and substations, with their associated equipment, operating at voltages below 220 KV, the commercialization of power to the end user of the regulated market and the development of related and complementary activities. Includes the Regional Transmission System (STR), the Local Distribution System (SDL), the public lighting utility and the rendering of associated services.
- CGU Electricity Transmission, which activity consists of the transporting of energy in the National Transmission System (STN), composed of the set of lines, with their corresponding connection equipment, which operate at voltages equal to or greater than 220 KV. The National Transmitter (TN) is the legal entity that operates and transports electric power in the STN or has established a company whose purpose is the development of said activity.
- CGU Natural Gas distribution and commercialization, which activity consists of driving combustible natural gas from the city gate to the end user, through medium and low-pressure pipes. It includes the sale of natural gas by different systems, including distribution by network, vehicular natural gas, compressed natural gas and service stations.
- CGU Water, which activity consists in conceptualizing, structuring, developing and operating systems for supplying water. It includes carrying out the commercial management of the portfolio of services related to the water supply for different uses, in addition to the use of the productive chain, specifically in the electricity generation, and the supply of raw water.

- CGU Sanitation, includes the activities of conceptualizing, structuring, developing and operating Sewage and Waste Management systems, in addition to taking advantage of the productive chain, specifically in the production of energy and gas.

Goodwill is assigned mainly to the segment/CGU Electricity Generation, which presented a balance as of 31 December 2020 for \$260,647 generated as a result of the liquidation of the subsidiary EPM Ituango S.A E.S.P. and Espiritu Santo whose assets were transferred to EPM, additionally, goodwill in the CGU Natural Gas for the business combination with the Surtidora de Gas del Caribe S.A. E.S.P. in the municipality of Necocli for \$303

The intangible easement with indefinite lifespan is assigned to the CGUs: Electricity Generation, Electricity Transmission, Electricity Distribution, Natural Gas, Water and Sanitation, which present a balance of \$168,828 (2019 \$165,935).

As of 31 December 2020 and 2019, impairment testing was performed on the CGUs with associated intangible assets with indefinite lifespan, and no associated impairment was found.

The value in use and recorded value of CGUs at the end of 2020 with indefinite lifespan is detailed below:

CGU	Value in use	Recorded value
Generation	23,716,701	16,773,466
Distribution	6,316,929	4,393,121
Transmission	1,135,573	790,875
Natural Gas	1,593,116	826,863
Water supply	3,860,233	2,761,331
Sanitation	1,874,895	1,239,062
<b>Total CGU</b>	<b>38,497,447</b>	<b>26,784,718</b>

*Amounts stated in millions of Colombian pesos*

## Note 12. Trade and other receivables

The breakdown of trade and other receivables as of the dates of the periods being reported is as follows:

Trade and other receivables	2020	2019
<b>Non-current</b>		
Public utilities debtors <sup>1</sup>	465,156	343,524
Impairment loss of public utilities	(154,032)	(103,022)
Economic associates	1,148,697	1,135,512
Employee loans	96,224	92,525
Impairment loss employee loans	(10)	(2)
Compensations <sup>2</sup>	110,865	-
Other debtors receivable	63,081	45,285
Impairment loss other debtors	(3,626)	-
<b>Total non-current</b>	<b>1,726,355</b>	<b>1,513,822</b>
<b>Current</b>		
Public utilities debtors <sup>1</sup>	1,735,304	1,708,935
Impairment loss of public utilities	(217,395)	(204,529)
Economic associates	15,079	27,797
Employee loans	25,325	30,958
Dividends and participations receivable <sup>3</sup>	10,269	5,000
Impairment loss employee loans	(58)	(291)
Construction contracts	245	246
Compensations <sup>2</sup>	317,620	465,959
Other services	7,827	7,983
Other loans	335,118	243,862
Impairment loss other debtors	(56,757)	(63,137)
<b>Total current</b>	<b>2,172,577</b>	<b>2,222,783</b>
<b>Total</b>	<b>3,898,932</b>	<b>3,736,605</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>The increase in the portfolio of public service debtors is mainly explained as a consequence of the measures taken to mitigate the economic and social effects generated by the COVID-19 pandemic. Finally, a lower collection was evidenced for \$318,061, distributed as follows: \$ 277,579 of deferred, \$ 10,351 discount for timely payment and \$ 30,131 for frozen financing installments.

<sup>2</sup>Receivables from Mapfre insurance company for \$378,639 in respect of civil works and total loss of machinery and equipment covered by the all-risk and construction policy and \$8,000 in respect of non-contractual civil liability for the Ituango´s proyect. \$ 110,865 is recorded in the non-current portion and \$ 275,774 in the current portion.

<sup>3</sup>The balance in the dividend account of \$ 10,269 corresponds to dividends from Inversiones Telco, caused in December 2020 with payment date of February 2021.

The balance in the other loans account includes the follows concepts: \$ 131,733 for the recovery associated with the claim won to the Municipio de Bello, \$ 12,699 for capital gains, fines and penalties with the client Energética del Oriente, \$ 11,195 for the power supply to the client Electrificadora de Santander, \$ 12,845

associated with agreements subscribed with the Municipality of Medellín, \$ 21,958 for an advance to Biomax, \$ 24,379 for Pension quotas and \$ 13,272 associated with FEPEP loans.

Long-term accounts receivable are measured at amortized cost under the effective interest rate method and short-term accounts receivable are presented in their nominal amount, except for accounts receivable in EPM Matrix of: Biomax for \$ 20,643 associated with the firm supply contract for liquid fuel (ACPM) for the Termoeléctrica La Sierra and Termodorada plants and the Municipio de Rionegro receivable for \$2,594 (See note 43); these are included in the item of other debtors receivable.

## Receivables Impairment

The company measures portfolio impairment for expected losses using the simplified approach, which consists in taking the present value of credit loss arising from all possible default events at any time during the lifetime of the operation.

This alternative is taken given that the volume of customers is very high and the measurement and control of the risk by stages can lead to errors and to an underassessment of impairment.

The expected loss model corresponds to a forecasting tool that projects the probability of portfolio default in the next twelve months. Each obligation is assigned an individual probability of default calculated from a probability model that involves sociodemographic, product and behavioral variables.

Although the forecast of impairment for the annual period is obtained based on payment behavior data of customers during the period under consideration; it is not the same when the monthly records that comprise the annual period register impairment. In the latter case, impairment recorded for the month under assessment is obtained with the payment behavior data of the previous month.

At the cut-off date, the ageing analysis of accounts receivable at the end of the reporting period that are impaired is:

	2020		2019	
	Gross recorded value	Lifetime expected credit losses value	Gross recorded value	Lifetime expected credit losses value
<b>Public utility debtors</b>				
Not past due nor impaired	1,874,779	(169,469)	1,730,479	(113,726)
Less than 30 days	105,558	(7,989)	102,654	(6,989)
30-60 days	17,081	(3,749)	22,675	(4,280)
61-90 days	6,856	(3,027)	7,658	(3,759)
91-120 days	5,216	(3,076)	5,409	(3,119)
121-180 days	4,528	(3,182)	7,353	(5,299)
181-360 days	13,026	(11,077)	14,413	(12,077)
Greater than 360 days	173,416	(169,858)	161,818	(158,302)
<b>Total Public utility debtors</b>	<b>2,200,460</b>	<b>(371,427)</b>	<b>2,052,459</b>	<b>(307,551)</b>
<b>Other debtors</b>				
Not past due nor impaired	2,054,058	(7,001)	1,969,088	(10,117)
Menor a 30 días	2,607	(534)	14,657	(2,611)
30-60 días	1,819	(455)	2,722	(823)
61-90 días	1,008	(324)	2,125	(524)
91-120 días	818	(282)	6,232	(645)
121-180 días	1,530	(996)	1,605	(1,210)
181-360 días	6,245	(3,187)	17,112	(6,461)
Mayor a 360 días	62,265	(47,672)	41,586	(41,039)
<b>Total Other debtors</b>	<b>2,130,350</b>	<b>(60,451)</b>	<b>2,055,127</b>	<b>(63,430)</b>
<b>Total debtors</b>	<b>4,330,810</b>	<b>(431,878)</b>	<b>4,107,586</b>	<b>(370,981)</b>

*Amounts stated in millions of Colombian pesos*

Receivables for public utility displays an increase mainly explained by the effects of the Covid-19 pandemic, that mean an increase for the receivables and the overdue ages of the portfolio. Consequently, the value of expected credit losses increases in \$ 37,249.

Reconciliation of the expected credit losses in the portfolio is as follows:

Asset lifetime expected credit losses	2020	2019
Initial balance	(370,981)	(347,284)
Changes in impairment of receivable held at the beginning of the period <sup>2</sup>	(284,426)	-
Financial assets not derecognized during the period	784	2,570
New financial assets originated or purchased	-	(264,315)
Write-offs	225,257	238,028
Corporate Reorganization <sup>1</sup>	(2,648)	-
Changes in models/risk parameters	-	-
Other movements	135	20
<b>Final balance</b>	<b>(431,879)</b>	<b>(370,981)</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>Corresponds to the merger with EP RIO subsidiary in January 1, 2020.

<sup>2</sup>It is disclosed as part of the account receivable impairment, net of the statement of cash flows.

Portfolio reconciliation is as follows:

Portfolio balance	2020	2019
Initial balance	4,107,586	3,988,555
New financial assets originated or purchased	13,463,717	18,120,105
financial assets-Write-offs	(13,342,709)	(17,414,648)
Derecognized Financial of assets	(784)	(2,571)
Corporate Reorganization <sup>1</sup>	9,315	-
Valuation at amortized cost	(17,631)	(6,582)
Other movements	-	(577,273)
Difference in exchange attributable to	111,316	-
<b>Final balance</b>	<b>4,330,810</b>	<b>4,107,586</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>Corresponds to the merger with EP RIO subsidiary in January 1, 2020.

The company derecognizes, against impairment recognized in a corrective account, the values of impaired financial assets when it becomes evident there are obligations that cannot be recovered by executive, coercive or ordinary means, actions of which the supports must be attached to the files where the request for derecognition is documented.

The grounds for requesting approval of portfolio derecognition in EPM are the following:

- Recorded receivables do not represent certain rights, assets or obligations for EPM.
- Rights or obligations do not have the proper documents and support to advance the relevant procedures for collection or settlement.
- It is not possible to collect the right or obligation, by coercive or judicial collection once the pre-legal collection stage has been exhausted.
- When it is impossible to identify and individualize the natural or legal entity to carry out portfolio collection.
- When the cost-benefit ratio is assessed and established, it is more onerous to advance the collection process than the value of the obligation.
- Upon prescription of the security and executive title or expiration of the right.
- When once the enforcement process has been advanced and there are no assets to settle the obligation.
- When the process of liquidation of the natural or legal entity has been advanced in legal terms, and the assets received as dation in payment do not cover the total debt; in this case the unpaid balance is derecognized.

### Bodies responsible for derecognizing

Derecognition in EPM is approved by the Portfolio Derecognition Committee which is chaired by the Accounting and Financial Services Manager, assisted by the Director of Financial Transactions and the head of the Credit and Portfolio Management Unit. The Committee meets periodically or when a particular situation calls for it.

## Note 13. Other financial assets

The breakdown of other financial assets at the closing of the period is as follows:

Other financial assets	2020	2019
<b>Non-current</b>		
Derivatives designated as hedging instruments under hedge accounting		
Swap contracts <sup>2</sup>	46,269	33,336
<b>Total derivatives designated as hedging instruments under hedge accounting</b>	<b>46,269</b>	<b>33,336</b>
Financial assets measured at fair value through profit or loss for the period		
Variable income securities <sup>2</sup>	119,210	98,348
Fiduciary rights <sup>2</sup>	423,094	404,365
<b>Total financial assets measured at fair value through profit or loss for the period</b>	<b>542,304</b>	<b>502,713</b>
Financial assets designated at fair value through other comprehensive income		
Equity instruments	2,518,382	1,922,285
<b>Total financial assets designated at fair value through other comprehensive income</b>	<b>2,518,382</b>	<b>1,922,285</b>
<b>Total other non-current financial assets</b>	<b>3,106,955</b>	<b>2,458,334</b>
<b>Current</b>		
Derivatives designated as hedging instruments under hedge accounting		
Swap contracts <sup>2</sup>	16,105	11,727
<b>Total derivatives designated as hedging instruments under hedge accounting</b>	<b>16,105</b>	<b>11,727</b>
Financial assets measured at fair value through profit or loss		
Derivatives that are not under hedge accounting <sup>1</sup>	128,204	-
Fixed-income securities <sup>2</sup>	1,994,631	539,511
Pledged investments	796	5,970
<b>Total financial assets measured at fair value through profit or loss</b>	<b>2,123,631</b>	<b>545,481</b>
<b>Total other current financial assets</b>	<b>2,139,736</b>	<b>557,208</b>
<b>Total other financial assets</b>	<b>5,246,691</b>	<b>3,015,542</b>

Amounts stated in millions of Colombian pesos

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

<sup>1</sup>Corresponds to the climatic derivative contracted to cover the existing risk of dry seasons that imply a decrease in hydraulic generation and a rise in energy prices on the stock market. This financial instrument aims to provide protection to EPM parent company when events materialize that may prevent the fulfillment of contractual commitments that imply buying energy on the stock market at market prices that may be unfavorable. With the climate derivative, part of this impact is transferred to the market, which would reduce the effect on the Group's financial results.

<sup>2</sup>Includes the follows concepts: \$ 1,681,502 for the acquisition of investments in financial instruments, \$ 76,646 for the disposition of investments in financial instruments, \$ 19,586 for principal payments of the derivative for cash flow hedging purposes.

### 13.1 Other financial assets measured at fair value with changes in other comprehensive income

#### 13.1.1 Other financial assets measured at fair value through other comprehensive income

The breakdown of other financial assets measured at fair value through other comprehensive income, different from equity investments, is:

Equity investment	2019	2019
Interconexión Eléctrica S.A. E.S.P. <sup>1</sup>	2,511,518	1,915,398
Other investments	6,864	6,887
<b>Total</b>	<b>2,518,382</b>	<b>1,922,285</b>
Accumulated gain (loss) through changes in fair value transferred to retained earnings/loss for the period <sup>2</sup>	-	(47,534)
Dividends recognized during the period related to investments that are recognised at the end of the period <sup>3</sup>	99,880	60,356
<b>Dividends recognized during the period</b>	<b>99,880</b>	<b>12,822</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>As of 31 December 2020, the market price of Interconexión Eléctrica S.A. E.S.P. closed at \$25,700 (2019: \$19,600) Colombian pesos per share.

<sup>2</sup>In the month of July 2019, 14,881,134 ISA shares were sold, generating a loss of \$47,620 due to the difference in the value of the share between the sale price and the valuation of the share on the day of sale, resulting in loss on the sale of the investment. (15,700/share - 18,900/share = 3,200) and in November 2019 the sale of the total *Gasorient* shares generated a profit of \$86.

<sup>3</sup>In 2020 have been received Dividends for \$ \$89,611 (2019: \$60,356) that consists in \$ 16,786 of subsidiaries and \$ 72,826 of financial instruments, both reflected in the statement of cash flows ( 2019 \$ 3,103 from subsidiaries and \$ 57,253 from financial instruments), remains outstanding \$10,268 of extraordinary dividends of Inversiones Telco.

The equity investments indicated in the table above are not held for trading purposes, but rather are held for strategic medium- and long-term purposes. Management believes that the classification for these strategic

investments provides more reliable financial information, reflecting changes in their fair value immediately in the results of the period.

## Note 14. Leases

### 14.1 Finance lease as a lessor

At the cut-off date, the recorded value of assets with right-of-use is as follows (excluding assets with right-of-use associated with construction in progress, which are included in note 5 Property, plant and equipment):

2020	Right to use land	Right of use of buildings	Right of use plants, ducts and tunnels	Right of use networks, lines and cables	Right of use machinery and equipment	Right of use communication and computing equipment	Right of use Transport, traction and lifting equipment	TOTAL
Cost opening balance	5,370	461,274	1,696,549	15,983	3,859	4,006	10,775	2,197,816
Additions <sup>1</sup>	331	21,335	31,189	804	4,937	103	-	58,699
Transfers	-	1,758	-	-	-	-	-	1,758
Disposals (-)	-	(717)	-	-	-	-	-	(717)
Other changes	-	(1,359)	-	-	-	-	-	(1,359)
<b>Cost final balance</b>	<b>5,701</b>	<b>482,291</b>	<b>1,727,738</b>	<b>16,787</b>	<b>8,796</b>	<b>4,109</b>	<b>10,775</b>	<b>2,256,197</b>
<b>Accrued amortization and impairment</b>								
Beginning balance of accumulated amortization and impairment	(289)	(87,720)	(41,975)	(806)	(1,325)	(1,813)	(3,769)	(137,697)
Amortization of the period	(397)	(15,710)	(43,094)	(900)	(1,012)	(282)	(4,029)	(65,424)
Disposals (-)	-	118	-	-	-	-	-	118
Other changes	-	(4)	-	-	-	-	(21)	(25)
<b>Final balance accrued amortization and impairment</b>	<b>(686)</b>	<b>(103,316)</b>	<b>(85,069)</b>	<b>(1,706)</b>	<b>(2,337)</b>	<b>(2,095)</b>	<b>(7,819)</b>	<b>(203,028)</b>
<b>Total final balance assets for net right of use</b>	<b>5,015</b>	<b>378,975</b>	<b>1,642,669</b>	<b>15,081</b>	<b>6,459</b>	<b>2,014</b>	<b>2,956</b>	<b>2,053,169</b>

Amounts stated in millions of Colombian pesos

2019	Right of use land	Right of use buildings	Right of use plants, ducts and tunnels	Right of use networks, lines and cables	Right of use machinery and equipment	Right of use communication and computer equipment	Right of use transport, traction and lifting equipment	TOTAL
Cost opening balance	-	-	-	-	-	-	-	-
Additions <sup>1</sup>	653	7,800	86,292	7	34	30	(186)	94,630
Re-expression by policy change	5,595	458,210	1,610,257	17,056	1,763	1,596	10,961	2,105,438
Disposals (-)	-	(293)	-	-	-	-	-	(293)
Other changes	(879)	(4,443)	-	(1,080)	2,063	2,380	-	(1,959)
<b>Cost final balance</b>	<b>5,369</b>	<b>461,274</b>	<b>1,696,549</b>	<b>15,983</b>	<b>3,860</b>	<b>4,006</b>	<b>10,775</b>	<b>2,197,816</b>
<b>Accrued amortization and impairment</b>								
Beginning balance of accumulated amortization and impairment	(288)	(13,486)	(41,975)	(806)	(160)	(226)	(3,761)	(60,702)
Re-expression by policy change	-	(77,013)	-	-	-	-	-	(77,013)
Disposals (-)	-	27	-	-	-	-	-	27
Other changes	-	2,751	-	-	(1,164)	(1,587)	(8)	(8)
<b>Final balance accrued amortization and impairment</b>	<b>(288)</b>	<b>(87,721)</b>	<b>(41,975)</b>	<b>(806)</b>	<b>(1,324)</b>	<b>(1,813)</b>	<b>(3,769)</b>	<b>(137,696)</b>
<b>Total final balance assets for net right of use</b>	<b>5,081</b>	<b>373,553</b>	<b>1,654,574</b>	<b>15,177</b>	<b>2,536</b>	<b>2,193</b>	<b>7,006</b>	<b>2,060,120</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Corresponds to the subsequent measurement of the liability for finance leasing, which generates increases each time there are changes in the tariff in its component Average Cost of Investment in pesos per cubic meter



charged by Aguas Nacionales to EPM, this increase is regulated every time the Consumer Price Index (CPI) accumulates 3% and additional on the dates when the increases by tariff are applied.

At the cut-off date, future minimum payments and the present value of the minimum lease liability payments are distributed as follows:

Finance lease	2020		2019	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
One year	191,870	182,920	185,942	177,241
More than one year and up to five years	717,211	539,408	688,252	517,512
More than five years	16,304,571	1,623,258	16,333,712	1,547,936
<b>Total leases</b>	<b>17,213,652</b>	<b>2,345,586</b>	<b>17,207,906</b>	<b>2,242,689</b>
Less - value of unearned interest	14,868,066	-	14,965,217	-
<b>Present value of minimum lease payments</b>	<b>2,345,586</b>	<b>2,345,586</b>	<b>2,242,689</b>	<b>2,242,689</b>

Amounts stated in millions of Colombian pesos

The most relevant finance lease arrangements are:

**Sewer Interconnection Contract CT- 2013-002297-A421** of 26 November 2018, held between *EPM* (THE BENEFICIARY) and *Aguas Nacionales EPM* (THE SUPPLIER), regulates the conditions of interconnection to the wastewater transport and treatment subsystems owned by *Aguas Nacionales*, for the rendering of service by *EPM* of the public sewerage utility to the users of the interconnected system of the Aburrá Valley. This interconnection will also allow for the drying and final disposal of biosolids resulting from the treatment of wastewater from the entire interconnected system.

Termination of the contract is on 1 July 2021, date on which the tariff formula ends, in accordance with Article 113 of Resolution CRA 688 of 2014, modified by Article 41 of Resolution CRA 735 of 2015. If, in accordance with the provisions of the last paragraph of Article 126 of Law 142 of 1994, the validity of the tariff formula is extended, the contract shall be understood to be in effect until the Water and Basic Sanitation Regulation Commission determines a new formula.

Before the expiring of the term of the contract, the parties may by mutual agreement extend the term of the contract by means of a written document, it being understood that there will be no automatic extension of the term of the contract.

EPM does not intend to financially acquire the *Aguas Claras* wastewater treatment plant (WTP) or to enter into any purchase option for said asset.

Lease payments of the contract paid by EPM to *Aguas Nacionales EPM* are per Average Investment Cost, determined in pesos per cubic meter of treated wastewater and are updated as indicated in the following paragraph and Annex No. 4 of the Contract:

**Paragraph first.** The supplier will apply to the reference costs an update factor per Average Investment Cost every time the Consumer Price Index, reported by National Administrative Department of Statistics (DANE, by its Spanish initials) accumulates a variation of at least three percent (3%).

**According to Annex No. 4 of the contract:** the increases per tariff path are as follows:

January 2019: 5.75%

January 2020: 2.40%

January 2021: 2.16%

January 2022: 1.63%

**Empresas Públicas de Medellín Building lease contract CT-085** of 12 February 2002, held between *EPM* (THE COMPANIES) and the *MUNICIPALITY OF MEDELLIN* (MUNICIPALITY), the MUNICIPALITY agrees to lease to THE

COMPANIES, and the latter agree to receive on the same basis, the use and enjoyment of the real estate owned by them called "Edificio Empresas Públicas de Medellín", with all its constructions and improvements.

The term of the contract is 50 years from 21 December 2001, date on which the MUNICIPALITY OF MEDELLIN became the owner of the property.

Contract lease payments are adjusted each year by a percentage equal to the national Consumer Price Index certified by DANE for the immediately preceding year.

Lease liabilities are included in Other financial liabilities in the statement of financial position.

Interest on lease liability amounts to \$222,721 (see note 36 Finance income and expense).

Total cash outflows from leases during the period are \$180,106.

#### 14.2 Operating lease as lessee

The most significant operating lease agreements are for the electrical infrastructure for the installation of networks by telecommunications operators. The contingent payments of these leases are determined based on the updating of the producer price index (PPI) and consumer price index (CPI) variables as well as the updating of the lease payments. Leases agreements provide for an option to be renewed by mutual agreement between the parties and do not provide for a purchase option.

The value of operating lease income is:

Operating leases	2020	2019
Year one	62,223	46,873
Year two	2,811	6,458
Year three	1,553	3,412
Year four	1,494	1,722
Year five	1,494	1,722
More than five years	11,952	13,775
<b>Total leases</b>	<b>81,527</b>	<b>73,962</b>

*Amounts stated in millions of Colombian pesos*

#### 14.3 Leases that do not generate assets by right-of-use as a lessee

The most significant operating lease agreements are for spaces for the installation and operation of antennas in weather stations, shift management system, user printing infrastructure, among others, which have no restrictions. The contingent payments of these leases are determined based on the consumer price index (CPI) as well as the updating of the lease payments and these contracts can be renewed.

At the cut-off date, future commitments for short-time lease are \$7,219.

The total future minimum non-cancellable sublease payments on assets acquired under operating leases is \$54. Lease payments recognized as expense for the period are \$5,119.

Total cash outflows from leases during the period are \$1,942.

## Note 15. Warranties

The company has not granted warranties in which the third party is authorized to sell or pledge without default by the company.

The company has not received warranties in which it is authorized to sell or pledge without default by the owner of the warranty.

## Note 16. Other assets

The breakdown of other assets at the end of the periods being reported is as follows :

Concept	2020	2019
<b>Non-current</b>		
Advance payments <sup>1</sup>	7,631	10,820
Employee benefits	41,005	42,047
Advances to suppliers <sup>2</sup>	9,088	18,995
Deferred loss from leaseback	20,933	21,610
Goods received as dation in payment	1,286	1,285
<b>Total other non-current assets</b>	<b>79,943</b>	<b>94,757</b>
<b>Current</b>		
Advance payments <sup>1</sup>	67,714	67,852
Advances to suppliers <sup>2</sup>	67,097	46,053
Sales tax	99	-
Other recoverables due to other taxes withheld industry and commerce tax	388	1,000
	-	18
Other advance payments or recoverables due to taxes and contributions	93	97
<b>Total other current assets</b>	<b>135,391</b>	<b>115,020</b>
<b>Total other assets</b>	<b>215,334</b>	<b>209,777</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>The non-current portion includes the premium on legal stability contracts for \$6,466 (2019: \$7,357) and leases for \$1,165 (2019: \$1,214). For 2020 there is no non-current portion for the insurances (2019: \$2,249).

The current portion includes insurance for \$55,333 (2019: \$59,233), comprised primarily of all-risk policies for \$37,655 (2019: \$36,865), of which \$1,435 (2019: \$5,620) is from the Ituango Hydroelectric Project, and other insurance for \$17,678 (2019: \$22,368); goods and services for \$8,274 (2019: \$4,423) and leases and maintenance for \$4,108 (2019: \$4,195).

<sup>2</sup>Corresponds to advances and resources given in administration, mainly from agreements with: *Empresa de Desarrollo Urbano - EDU* for \$9,067 (2019: \$18,749), *Corporación Cuencaverde* for \$2,242 (2019: \$630) and *Aguas Regionales* por \$5,000 (2019: \$5,700) and advances to *Chevron* for \$8,867 (2019: \$24,083) and *Ecopetrol* for \$10,910 (2019: \$10,910).

## Note 17. Inventories

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

Inventories	2020	2019
Materials for rendering of services <sup>1</sup>	141,583	114,131
Goods in stock <sup>2</sup>	4,105	3,922
Goods in transit	4,501	818
<b>Total inventories at cost or net realizable value, whichever is lower</b>	<b>150,189</b>	<b>118,871</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Includes materials for the rendering of services held by third parties, which are those delivered to contractors that perform activities related to the rendering of services.

<sup>2</sup>Includes goods in stock that do not require transformation, such as electricity, gas and water meters, and supply goods, as well as those held by third parties.

Inventories were recognised for \$75,947 (2019: \$92,124) as the cost of the merchandise sold or cost to provide the service during the period.

The company has recognized a impairment losses in the inventories for \$ 59 (2019: 84)

The company has no committed inventories as liability guarantee.

## Note 18. Cash and cash equivalents

The composition of cash and cash equivalents at the end of the period is as follows:

Cash and cash equivalents	2020	2019
Cash on hand and in banks	610,057	305,910
Other cash equivalents <sup>2</sup>	254,572	573,113
<b>Total cash and cash equivalents reported in the statement of financial position</b>	<b>864,629</b>	<b>879,023</b>
<b>Cash and cash equivalents reported in the statement of cash flows</b>	<b>864,629</b>	<b>879,023</b>
<b>Restricted cash<sup>1</sup></b>	<b>97,417</b>	<b>84,565</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Of this \$71,708 (2019: \$17,787) corresponds to non-current restricted cash.

<sup>2</sup>Includes \$120,784 of fiduciary commissions and \$ 36,371 of fixed income securities.

Cash investments mature within three months from their date of acquisition and bear market interest rates for this type of investment

The company has restrictions on cash and cash equivalents detailed below. At 31 December 2020, the fair value of restricted cash equivalents is \$97,417 (2019: \$84,565).

Fund or agreement	Destination	2020	2019
Fondo de Vivienda Sintraemdes	Contribute to the acquisition and improvement of housing for employees who are beneficiaries of the agreement signed between EPM and the unions.	28.506	19.199
Fondo de Vivienda Sinpro	Contribute to the acquisition and improvement of housing for employees who are beneficiaries of the agreement signed between EPM and the unions.	27.943	21.318
Renta premio Corpb. 6972005469	Address possible contingencies following the acquisition of EPRIO by EPM.	8.797	-
cuenta de garantía Ituango	Deposit the resources (approximately \$6,000,000,000,000) that EPM must contribute, in order to support the issuance of a bank guarantee for the Ituango Project.	6.666	-
Ministerio de Minas y Energía - Fondo Especial Cuota Fomento	Co-financing agreement for the construction, distribution infrastructure and connection to lower income users in the municipalities of Amagá, Santafé de Antioquia, Sopetrán, San Jerónimo and Ciudad Bolívar. Compressed Natural Gas and connection to users in Don Matías, Entrerrios, San Pedro, Santa Rosa and Yarumal. Agreement No. 106: construction of infrastructure to connect users in Valle de Aburrá, La Ceja, La Unión and El Retiro. Agreement 179: includes the municipality of Sonsón.	5.771	5.635
Convenio firmado entre el Área Metropolitana del valle de aburra y Empresas Públicas de Medellín E.S.P., Acta de ejecución N°4 del convenio marco No. CT 2015-000783 de 2015	Support the construction of the southern interceptor of the Aburra River - Medellín.	2.654	10.760
Contrato No. CT-2019-001105	Contract for the supply of energy and electric power for the unregulated market and support of contracts of the energy distributor and marketer S.A. E.S.P., DICEL S.A. E.S.P.	2.478	2.000
Fondo de Educación Sinpro	Promote the welfare of the servers to meet the needs of payment of tuition, texts and equipment required to advance their own studies and those of the family group.	2.389	2.392
Fondo Entidad Adaptada de Salud y Fondo Fosyga	Control and monitoring mechanism for the collection of contributions of the General Social Security Health contribution System.	2.283	152

*Amounts stated in millions of Colombian pesos*

Fund or agreement	Destination	2020	2019
Fondo de Educación Sintraemdes	Promote the welfare of the servants to attend to the needs of payment of matriculation, texts and equipment that are required to advance their own studies and those of the family group.	2,172	2,274
Convenio puntos SOMOS	Provision of services for the operation of the key capabilities associated with the Points element of the Large Scale Loyalty Program for the EPM Group.	1,775	1,727
Fondo de Calamidad Sintraemdes	Promote the well-being of your servants to meet their urgent and unforeseen needs or those of their primary family group.	1,587	1,674
Fondo de Calamidad Sinpro	Promote the welfare of their servants employees to meet their urgent and unforeseen needs or those of their primary family group.	1,397	1,448
Contrato interadministrativo Número Pc-2017-001532 De 2017,	Construction and intervention of water and sewage network connections in the Pepe Sierra I, Barrios de Jesús, el Progreso and la Cañada del Niño neighborhoods.	611	1,438
Convenio 5 Esc. Indígenas 2019-20	Co-finance the development of indigenous educational centers within the framework of the villages programme, for the improvement of the quality of life of the indigenous communities in the department of Antioquia.	413	995
Fondo de Reparación de motos	To promote the welfare of official workers who work in the regional market and use motorcycles owned by them to carry out their work.	396	426
Crédito BID 2120	Disbursement for the construction of the Bello wastewater treatment plant (PTAR).	351	334
Convenio interadministrativo CT -2017-001388 (460007009)	Agreement for the construction of 7 indigenous schools in 5 municipalities	292	253
Programa Aldeas	To take advantage of the wood that completes its maturation cycle in the forests planted by EPM around its reservoirs, to build social interest housing in the municipalities of Antioquia outside the Aburrá Valley and deliver it to low-income families, preferably in a situation of forced or voluntary displacement.	217	731
Municipio de Medellín - Aguas	Integrated management of water for human consumption by the inhabitants of the municipality of Medellín.	205	509
Convenios tasas de alumbrado público y de aseo con los municipios	Agreement to manage the resources of the territorial entities for the payment to the municipalities with agreements of collection of the rates of public lighting and cleanliness, they are exempt from the 4x1000.	202	51
Depósitos Ley 820	Guarantee demanded by the landlord to the tenant, for the payment of public services. According to Article 15 of Law 820 of 2003 and Regulatory Decree 3130 of 2003.	75	68
Administración de recursos para la construcción de infraestructura en Madera para Emvarias en el relleno sanitario La Pradera.	Administration of resources for the construction of infrastructure in wood for Emvarias in the La Pradera sanitary landfill.	64	114
Municipio de Medellín - Terrenos	Acquisition of land identified and characterized within the watershed protection zones that supply water systems in the municipality of Medellín.	63	61
Espíritu Santo	EPM - Liquidation Espíritu Santo	63	62
Procesos judiciales o administrativos	Posting of seizure for judicial or administrative proceedings	45	-
IDEA Convenio 4600003283	To join efforts for the construction of home gas connections in the different sub-regions of the Department of Antioquia under the "Gas without Borders" program.	1	1

Fund or agreement	Destination	2020	2019
Aporte Municipios de Pueblorrico y Ciudad Bolívar	Agreement for the construction of 7 Indigenous Rural Schools	1	1
Municipio de Medellín - Moravia	Construction, repair and replacement of aqueduct and sewerage networks and teh paving in the municipality of Medellín of the roads affected by these works in the Moravia neighborhood.	-	3
Transacciones internacionales de energía	Guarantee corresponding to the "compensation" that must be made between the invoice for stock exchange transactions and the advance payments, seeking the actual payment to XM.	-	5,274
Departamento de Antioquia, Convenio construcción vía el Aro - Municipio de Ituango	Manage the resources provided by the Government of Antioquia to co-finance the construction of the El Aro Road - Puerto Valdivia Road Connection - Dam site - Municipality of Ituango.	-	2,721
Cuenca Verde	Manage the resources assigned for compliance whit the objectives of the Corporation CuencaVerde.	-	2,167
Municipio de Guatapé y Cornare	Join efforts to improve the technical, economic and social conditions for the execution of phase 1 of the project to improve the environmental and landscape infrastructure of the Malecon San Juan del Puerto, for the development of sustainable tourism in the Municipality of Guatapé.	-	448
Corporación Autónoma de Guatapé	Join efforts to improve the technical, economic and social conditions for the execution of phase 1 of the project to improve the environmental and landscape infrastructure of the Malecon San Juan del Puerto, for the development of sustainable tourism in the Municipality of Guatapé.	-	311
Bogota Galeria Bolívar	Adapting the 51 (Bolívar) race between 44th (San Juan) and 57th (La Paz) streets and converting this segment fo the road into what will be called La Galeria Boívar.	-	15
IDEA convenio 4600003912	Inter-administrative agreement to join efforts for the design and construction of electrical energy generation and distribution systems in rural areas in the Department of Antioquia.	-	2
Ministerio de Minas y Energía	Contributions from the Ministry of Mines and Energy in accordance with the provisions of FAER GGC 430 contract of 2015 for rural electrification works in the Municipality of Ituango.	-	1
<b>Total restricted resources</b>		<b>97,417</b>	<b>84,565</b>

Amounts stated in millions of Colombian pesos

## Note 19. Equity

### 19.1 Capital

The company does not have its capital divided into shares and has not had any increase or decrease in capital in the period reported.

### 19.2 Reserves

Of the items that conform equity, the reserves at the cut-off date were constituted by:

Reserves	2020	2019
<b>Legal reserves</b>		
Initial balance	1,123,219	1,379,435
Release	(95,521)	(256,216)
<b>Final balance of legal reserves</b>	<b>1,027,698</b>	<b>1,123,219</b>
<b>Occasional reserves</b>		
Initial balance	574,008	574,008
<b>Final balance of occasional reserves</b>	<b>574,008</b>	<b>574,008</b>
<b>Other reserves</b>		
Initial balance	7,591	7,591
<b>Final balance other reserves</b>	<b>7,591</b>	<b>7,591</b>
<b>Total reservas</b>	<b>1,609,297</b>	<b>1,704,818</b>

*Amounts stated in millions of Colombian pesos*

The nature and purpose of the company's equity reserve are described below:

#### **Legal Reserves**

The company has constituted legal reserves, in compliance with the tax provisions of Colombia that were contained in Articles 130 of the Tax Code, which was repealed by Law 1819 of 2016 (reserve of 70% for the excess of tax depreciation over the accountable) and Decree 2336 of 1995 (for revenue incorporated to income or loss in the application of the equity method applied under local regulation)..

#### **Occasional Reserves**

In accordance with article 211 of the Tax Code, the company has created the reserves in order to enjoy the special tax treatment and obtain cuts in the income and complementary taxes.

#### **Other Reserves**

Includes equity funds (resources appropriated prior to 1999 for granting housing loans to workers, Financing plan, self-insurance fund, housing fund).

The Board of Directors, at its meetings of 26 March 2020 and 24 March 2019, approved:

- Release reserves of \$95,521 (2019: \$256,216) appropriate in prior periods, by authorization of the Board of Directors.

### **19.3 Accrued profit or loss**

Movement of accrued profit or loss during the period was:



Retained profit	2020	2019
Initial balance	19,408,329	17,677,168
Movement of reserves	95,521	256,216
Surpluses or dividends decreed	(1,488,319)	(1,289,652)
Transfer from other comprehensive income	-	138,392
Equity method for changes in equity	(231)	(79,830)
<b>Total cumulative profit before net income or loss for the year</b>	<b>18,015,300</b>	<b>16,702,294</b>
<b>Net profit for the period</b>	<b>2,539,915</b>	<b>2,706,035</b>
<b>Total retained profit</b>	<b>20,555,215</b>	<b>19,408,329</b>

Amounts stated in millions of Colombian pesos

Surplus paid during the year was \$1,488,319 (2019: \$1,289,652), \$811,810 (2019: \$703,447) ordinary and \$676,509 (2019: \$586,205) extraordinary.

## Note 20. Accumulated other comprehensive income

The breakdown of each component of the other comprehensive income for the separated statement of financial position and the corresponding tax effect is as follows:

Accumulated other comprehensive income	2020			2019		
	Gross	Tax effect	Neto	Gross	Tax effect	Neto
Reclassification of property, plant and equipment and other assets to investment property	13,439	(1,360)	12,079	13,439	(1,360)	12,079
New measurements of defined benefit plan	(65,393)	25,314	(40,079)	(47,962)	19,036	(28,926)
Equity investments measured at fair value through equity	3,360,436	(1)	3,360,435	2,764,339	1,837	2,766,176
Participation in other comprehensive income of subsidiaries	861,965	21,604	883,569	460,679	19,053	479,732
Cash flow hedges	(16,054)	(19,795)	(35,849)	8,016	(29,880)	(21,864)
<b>Total</b>	<b>4,154,393</b>	<b>25,762</b>	<b>4,180,155</b>	<b>3,198,511</b>	<b>8,686</b>	<b>3,207,197</b>

Amounts stated in millions of Colombian pesos

A reconciliation of the opening and closing balances at the cut-off date is presented below for each component of comprehensive income:

### 20.1 Component: reclassification of property, plant and equipment to investment property

The component of reclassification of property, plant and equipment to investment property of other comprehensive income corresponds to transfers from property, plant and equipment to investment property, which are measured at fair value. changes in fair value do not reclassify to profit or loss for the period.

Reclassification of property, plant and equipment to investment property	2020	2019
Initial balance	12,079	12,079
<b>Total</b>	<b>12,079</b>	<b>12,079</b>

Amounts stated in millions of Colombian pesos

## 20.2 Component: new measurements of defined benefit plans

The component of new measurements of defined benefit plans represents the accrued value of actuarial profits or losses, the return on plan assets and changes in the effect of the asset ceiling, excluding the values included in the net interest on the liability (asset) of net defined benefits. The net value of the new measurements is transferred to retained profit and does not reclassify to the results of the period.

Component new measurements of defined benefit plans	2020	2019
Initial balance	(28,926)	(4,968)
Profit or loss for the period due to new measurements of defined benefit plans	(17,430)	(35,969)
Associated income tax (or equivalent)	6,277	12,011
<b>Total</b>	<b>(40,079)</b>	<b>(28,926)</b>

Amounts stated in millions of Colombian pesos

## 20.3 Component: equity investments measured at fair value through equity

The component of other comprehensive income from equity investments measured at fair value through equity represents the accumulated value of the profits or losses from the assessment at fair value less the values transferred to retained profit when these investments have been sold. Changes in fair value do not reclassify to the result of the period.

Equity investments measured at fair value through equity	2020	2019
Initial balance	2,766,176	2,152,465
Net earnings due to changes in the fair value of investment property	596,096	622,447
Associated income tax (or equivalent)	(1,837)	129,657
Accumulated income transferred to the accumulated income for the period	-	(138,393)
<b>Total</b>	<b>3,360,435</b>	<b>2,766,176</b>

Amounts stated in millions of Colombian pesos

## 20.4 Component: participation in other comprehensive income of subsidiaries

The component of other comprehensive income from participation in other comprehensive income of subsidiaries represents the accumulated value of applying the equity method to profits and losses of other comprehensive income of subsidiaries. The accrued value of the profits or losses will be reclassified to the profit or loss for the period or to the accrued profit or loss, depending on the items that originated the equity method, when these investments have been sold.

Participation in other comprehensive income of subsidiaries	2020	2019
Initial balance	479,732	831,193
New measurements of defined benefit plans	(30,673)	(31,836)
Equity investments measured at fair value through equity	191,471	(169,196)
Hedging operations	(2,759)	(1,916)
Result from translation of foreign operations	243,207	(203,267)
Assets held for sale or to be distributed to owners	51	(51)
Associated income tax (or equivalent)	2,586	13,140
<b>Total other comprehensive income for the period</b>	<b>403,883</b>	<b>(393,126)</b>
Accumulated gains (losses) transferred to retained earnings/losses for the period - new defined benefit plan measures	(1)	(728)
Gains transferred to retained earnings of the period - Equity investments measured at fair value through equity	(51)	41,348
Cumulated gain (loss) transferred to retained earnings/loss for the period - Hedging transactions		281
Accumulated losses transferred to retained earnings for the period - Result from translation of foreign operations	40	21
Associated income tax (or equivalent) - Accumulated gains (losses) transferred to the accumulated profits losses of the period	(34)	743
<b>Total accumulated other comprehensive income</b>	<b>(46)</b>	<b>41,665</b>
<b>Total</b>	<b>883,569</b>	<b>479,732</b>

Amounts stated in millions of Colombian pesos

## 20.5 Component: cash flow hedges

The component of other comprehensive income from cash flow hedges represents the accumulated value of the effective portion of the gains or losses that arise from changes in the fair value of hedged items in a cash flow hedge. The accumulated value of the profits or losses will reclassify to the profit or loss for the period only when the hedged transaction affects the profit or loss for the period or the highly probable transaction is not expected to occur, or is included, as part of its recorded value, in a heading non-financial item.

Cash flow hedges	2020	2019
Initial balance	(21,864)	(73,656)
Losses due to changes in fair value of hedging instruments	(399,370)	(49,060)
Associated income tax (or equivalent)	121,948	33,643
Cumulative losses due to changes in the fair value of hedging instruments reclassified as profit/loss for the period	375,299	83,179
Associated income tax (or equivalent)	(111,862)	(15,970)
<b>Total</b>	<b>(35,849)</b>	<b>(21,864)</b>

Amounts stated in millions of Colombian pesos

## Note 21. Loans and borrowings

The following is the breakdown of the recorded value of loans and borrowings:

Loans and borrowings	2020	2019
<b>Non-current</b>		
Commercial bank loans	539,567	530,908
Multilateral bank loans	2,765,208	3,326,049
Development bank loans	835,299	775,412
Bonds and securities issued	12,274,729	-
Other bonds and securities issued	-	9,151,073
<b>Total other loans and borrowings non-current</b>	<b>16,414,803</b>	<b>13,783,442</b>
<b>Current</b>		
Commercial bank loans	1,004,022	40,162
Multilateral bank loans	196,978	268,895
Development bank loans	698,992	210,402
Bonds and securities issued	332,028	392,585
Other bonds and securities issued	-	497,125
<b>Total other loans and borrowings current</b>	<b>2,232,020</b>	<b>1,409,169</b>
<b>Total other loans and credits</b>	<b>18,646,823</b>	<b>15,192,611</b>

Amounts stated in millions of Colombian pesos

During 2020, the following disbursements of credits were received:

April

- HSBC International syndicated and other banks: USD 250 million disbursement

May

- Local loan from Banco Popular for COP 120,000



## Covenant debt / EBITDA

The EPM Group has different financial commitments (covenants), established in the loan agreements signed with the French Development Agency - AFD, Inter-American Development Bank, CAF- Development Bank of Latin America, National Bank for Economic and Social Development - BNDES, HSBC, Bancolombia, IDB Invest and Guarantee of Japan Bank for International Cooperation - JBIC. These contracts include some of the following covenants: Debt/EBITDA LTM, Net Debt/EBITDA LTM, EBITDA/Financial Expenses, Net EBITDA/Financial Expenses, and Long-Term Debt/Equity. The contracts with Bancolombia and HSBC include a clause indicating that the measurement of compliance with the stipulated covenant will only be activated in the event that the company loses the investment grade level in the international scale ratings granted by any of the rating agencies that evaluate the company.

Covenant	Credit Type	December 31, 2020	December 31, 2019	Limit
<b>DEBT / EBITDA LTM</b>	JBIC - AFD	4.37	3.49	3.5
<b>Financial Liabilities</b>		25,150	20,988	
<b>EBITDA last twelve months</b>		5,760	6,011	

Amounts stated in millions of Colombian pesos

Contractually, one of the management schemes to avoid defaulting on this type of commitment is the issuance of waivers by the creditors.

It should be noted that when EPM Group exceeds the agreed Debt/EBITDA covenant, it does not generate a direct activation of the declaration of default by the banks, nor of prepayment, since it is an action contractually subject to the decision of the bank(s) to exercise or not that declaration and additionally to the fact of having remedial periods agreed in the contracts to address a possible default.

The EPM Group must report compliance with the Long-Term Financial Debt/EBITDA indicator as follows: to the Japan Bank for International Cooperation -JBIC- on a quarterly basis and to the French Development Agency - AFD- on a semi-annual basis.

The EPM Group obtained the required waiver for the JBIC loan as of December 2020; with respect to the AFD loan, there is a verbal agreement to contractually modify the covenant to Net Debt/EBITDA  $\leq 4$  times, therefore, a renegotiation process of the Covenant clauses was initiated through an amendment to the contract. This process is being carried out to date in compliance with the requirements of current regulations and is in the approval stage at the Ministry of Finance and Public Credit.

## IDB Invest contract management

On December 29, 2017 EPM and IDB Invest signed a credit contract, which to date presents a bank balance to capital of USD \$ 450 million.

Subsequent to its signing, the parties agreed on the condition of signing an amendment to the credit agreement, with the objective of incorporating a series of technical, environmental and institutional commitments.

In this sense, IDB Invest granted EPM at the end of December 2020 and February 22, 2021 waivers for not having signed the Amendment.

To date, the Amendment clause is in an advanced stage of negotiation of its clauses between EPM and IDB Invest, and then go to its external approval process, in accordance with Colombian regulations on public debt.

## Default events

During the reporting period, the company has not defaulted on any principal or interest payment of its loans.

## Note 22. Trade and other payables

Trade and other payables are measured at amortized cost and consist of:

Trade and other payables	2020	2019
<b>Non-current</b>		
Adquisition of goods and services	628	628
Deposits received as collateral <sup>1</sup>	11,329	2,049
Resources received for management	998	998
Construction contracts	57	51
<b>Total Trade and other payables non-current</b>	<b>13,012</b>	<b>3,726</b>
<b>Current</b>		
Creditors <sup>2</sup>	383,378	459,065
Adquisition of goods and services	570,611	565,920
Allocated grants	24,152	17,206
Deposits received as collateral	310	310
Received advanced payments	506	506
Resources received for management	5,562	14,950
other accounts payable	318	655
Construction contracts	713	361
Commissions payable	2,110	2,110
<b>Total Trade and other payables current</b>	<b>987,660</b>	<b>1,061,083</b>
<b>Total Trade and other payables</b>	<b>1,000,672</b>	<b>1,064,809</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup> The Increase is explained by the merger of EPRIO for \$8,736; the deposits received in guarantee correspond to the value of the guarantee retention fund for purposes of attending the losses suffered by EPM and/or the expenses that EPM has to incur for the attention of processes derived from these losses. The foregoing in accordance with the indemnity obligation of the sellers in exclusive charge of the Municipality of Rionegro contained in the EPRIO purchase and sale agreement, the yields generated in the specific purpose bank account will be a greater value of the guarantee retention fund.

<sup>2</sup>The decrease is explained by the cost and expense saving measures implemented by the company as a consequence of the Covid 19 pandemic

The term for payment to suppliers is generally 30 days with the exception of:

- Payments less than ten (10) legal monthly minimum wages in force (SMMLV).
- Those destined to cover penalties, fines, indemnities, and taxes.
- And others that apply according to business rule 2019-RN-107.

### Default events

During the accounting period, the company has not defaulted on payments of creditors and other accounts payable.

## Note 23. Other financial liabilities

The other financial liabilities consist of:

Other financial liabilities	2020	2019
<b>Non-current</b>		
Finance leases <sup>1</sup>	2,323,709	2,218,947
Derivatives for cash flow hedging purposes <sup>1</sup> (ver nota 24)	347,399	-
Pension bonds	214,099	228,742
Financial liabilities measured at fair value through profit or loss for the period	79,410	-
<b>Total other financial liabilities non-current</b>	<b>2,964,617</b>	<b>2,447,689</b>
<b>Current</b>		
Pension bonds <sup>2</sup>	346,619	313,464
Derivatives for cash flow hedging purposes <sup>1</sup> (ver nota 24)	69,196	-
Financial liabilities measured at fair value through profit or loss for the period	41,018	-
Finance leases <sup>2</sup>	21,877	23,741
<b>Total other financial liabilities current</b>	<b>478,710</b>	<b>337,205</b>
<b>Total other financial liabilities</b>	<b>3,443,327</b>	<b>2,784,894</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>The process of authorization from the Ministry of Finance and Public Credit for the exchange risk hedging of the international bond issue made in 2019 was completed; additionally, the authorization for the exchange hedging of the bond issue in dollars issued in July 2020 and the HSBC international syndicated loan was presented, complying with the requirements of the applicable regulations. With these authorizations, the company was able to develop its market risk management plan and carried out hedging operations for US\$1,350 million in 2020.

<sup>2</sup> Includes the following items: payment of pension bonds for \$6,435 and payment of financial lease liabilities for \$11,580 reflected in the statement of cash flows.

### 23.1 Financial liabilities designated at fair value through profit or loss

Financial liability for premiums payable for the weather derivative, which has been contracted to hedge against dry seasons that imply a decrease in hydroelectric generation and the increase in energy prices in the stock market. It is measured at fair value through profit or loss, in order to achieve the asymmetry or "matching" of the financial asset (derivative/option, measured at fair value through profit or loss) with the financial liability (premiums payable).

#### 23.1.2 Financial liabilities designated at fair value through profit or loss, with the effects of the change in the liability's credit risk recognized in profit or loss for the period.

Concept	2020	2019
Gain (loss) for the period from changes in fair value attributable to changes in credit risk recognized in profit or loss for the period	2,057	-
Difference between the book value and the value payable at the time of liquidation:	(2,626)	-
<b>Recorded value of liability (ies)</b>	<b>120,429</b>	<b>-</b>
Value to be paid at settlement	123,055	-

Amounts stated in millions of Colombian pesos

The Company has determined that presenting the effects of changes in the credit risk of a liability in other comprehensive income would create or increase an accounting asymmetry in the result for the period, this asymmetry is generated given that EPM's rating is BBB and NewRe is AA. It should be clarified that this liability arises from a contract that is linked to an option type derivative instrument, which represents an asset for EPM. The derivative instrument (asset) is valued at fair value (including credit risk) with changes in results since it is not designated in hedge accounting.

## Note 24. Derivatives and hedging

The company carries out cash flow hedging, which consists of hedging the variation in future cash flows attributable to certain risks, such as interest rate and exchange rate that may impact results, whose fair values at the end of the reporting period amounted to a liability of \$354,221 (2019: \$45,062 Right). The risks that have been hedged in these operations are presented below:

Hedge Classification	Description	risk covered	Trench	Hedged item	Recorded value of hedged item	Recorded value of hedged instrument	Changes in the fair value of the hedging instrument for the period	Changes in the fair value of the hedged item for the period	Hedge effectiveness recognized in the profit or loss for the period	Hedge effectiveness recognized in other comprehensive income	Reclassification of other comprehensive income to profit for the period <sup>1</sup>
<b>Cash flow hedging</b>											
Swaps	Cross Currency Swap	USD/COP exchange rate and Libor/fixed rate for debt service	Part of the club deal and AFD credits	Credit in U.S. Dollars	7,010,378	(354,221)	(399,283)	6,259,170	N.A	(399,283)	(356,858)

Amounts stated in millions of Colombian pesos

<sup>1</sup>Reclassification of other comprehensive income to profit or loss for the period, for swap instruments, affected the interest item, difference in exchange, difference in interest and capital of the right; and for the instrument futures contracts affected the item of electricity sales in the stock market. Additionally, \$10,322 were capitalized as borrowing costs mainly to the Ituango Project.

The exchange risk hedging operations are part of the public debt operations regulated in Decree 1068 of 2015, therefore, they require the general approval of the operation via resolution and additional official approval of each of the confirmation letters of the financial entities that may possibly have participation in the respective specific operations. This approval process, according to the entities that govern the subject in the country, can only be initiated once the respective resources have been disbursed. During the period in which the approval process is carried out, there is a stage in which the company is exposed to the exchange risk without having the possibility of executing this type of exchange hedging operations.

During 2020, the process of authorization from the Ministry of Finance and Public Credit for the exchange risk hedging of the international bond issue made in 2019 was completed; additionally, the authorization for the exchange hedging of the bond issue in dollars issued in July 2020 and the HSBC international syndicated loan was presented, complying with the requirements of the applicable regulations. With these authorizations, the company was able to develop its market risk management plan and carried out hedging operations for US\$1.35 billion in 2020.

Conversion to pesos of credits denominated in dollars: some of the IDB credits -public wing-, have a contractual clause that allows the conversion to Colombian peso of the balance in dollars, eliminating the exchange risk of the exposed balance. EPM made the following conversion in 2020:

On June 17, EPM applied a currency conversion to the IDB 2120 loan for USD104 million.



## Hedging cash flow

The characteristics of the main cash flow hedging instruments that are under hedge accounting are the following:

Characteristics										
Hedged Underlying	Loan AFD	Loan AFD	Loan AFD	Loan AFD	Loan AFD	Loan HSBC	Loan HSBC	Loan HSBC	Laon HSBC	
Closing date	3-feb-17	6-feb-17	10-feb-17	24-mar-17	30-mar-17	3-jun-20	18-jun-20	19-jun-20	23-jun-20	
Derivative type	CCS	CCS	CCS	CCS	CCS	CCS	CCS	CCS	CCS	
Counterpart	BNP Paribas	BNP Paribas	BNP Paribas	CITI BANK	CITI BANK	JP Morgan	JP MORGAN	Goldman Sachs	Goldman Sachs	
Nominal amount(USD)	64.750.000	47.381.250	85.312.500	13.164.375	85.312.500	50.000.000	100.000.000	50.000.000	50.000.000	
Spot exchange rate	2.850	2.855	2.850	2.899	2.878	3.587	3.756	3.738	3.709	
Expiring date	31-jul-22	31-jul-22	31-jul-22	31-jul-22	31-jul-22	26-nov-21	26-nov-21	26-nov-21	26-nov-21	

\* CCS : Cross Currency Swap

Characteristics											
Hedged Underlying	bonds 2029	Bonds 2029	Bonds 2029	Bonds 2029	Bonds 2029	Bonds 2029	Bonds 2029	Bonds 2031	Bonds 2031	Bonds 2031	Bonds 2031
Closing date	8-jun-20	7-jul-20	10-jul-20	15-jul-20	15-jul-20	9-nov-20	12-nov-20	11-sep-20	16-sep-20	22-oct-20	23-oct-20
Derivative type	CCS	CCS	CCS	CCS	CCS	CCS	CCS	CCS	CCS	CCS	CCS
Counterpart	BNP PARIBAS	JP Morgan	JP Morgan	Scotia Bank	Goldman Sachs	Goldman Sachs.	BBVA	JP Morgan	JP Morgan	Sumitomo Mitsui Banking Corporation, New York Branch	JP Morgan
Nominal amount(USD)	100.000.000	50.000.000	100.000.000	100.000.000	100.000.000	125.000.000	125.000.000	100.000.000	100.000.000	100.000.000	100.000.000
Spot exchange rate	3.597	3.627	3.617	3.606	3.608	3.657	3.642	3.709	3.708	3.774	3.774
Expiring date	18-jul-29	18-jul-29	18-jul-29	18-jul-29	18-jul-29	18-jul-29	18-jul-29	15-feb-31	15-feb-31	15-feb-31	15-feb-31

\* CCS : Cross Currency Swap

## Note 25. Employee benefits

The item of employee benefits recognized at the reporting date have the following composition:

Employee benefits	2020	2019
<b>Non-current</b>		
Post-employment benefits	344,000	305,919
Long-term benefits	50,712	46,049
<b>Total employee benefits non-current</b>	<b>394,712</b>	<b>351,968</b>
<b>Current</b>		
Short-term benefits	119,271	90,764
Post-employment benefits	51,749	53,608
<b>Total employee benefits current</b>	<b>171,020</b>	<b>144,372</b>
<b>Total</b>	<b>565,732</b>	<b>496,340</b>

Amounts stated in millions of Colombian pesos

### 25.1 Post-employment benefits

Consists of the defined benefit plans and the defined contribution plans detailed below:

#### 25.1.1 Defined benefit plans

Defined benefit plans	Pensions <sup>1</sup>		Retroactive severances <sup>2</sup>		Educational assistance plan <sup>3</sup>		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Current value of liabilities due to defined benefit</b>								
Initial balance	460,939	443,415	92,986	89,675	66	81	553,991	533,171
Current service cost	-	-	2,889	2,954	-	-	2,889	2,954
Profit (or loss) due to interests cost	29,346	29,316	5,115	5,444	2	3	34,463	34,763
Actuarial gains or losses due to changes in:								
Assumptions by experience	(561)	21,805	22	4,524	6	14	(533)	26,343
Financial assumptions	17,535	10,666	4,101	2,662	1	0	21,637	13,328
Cost of past service	-	(4,670)	-	-	-	-	-	(4,670)
Payments made by the plan <sup>5</sup>	(37,152)	(39,593)	(12,402)	(12,206)	(26)	(32)	(49,580)	(51,831)
Other changes - Payments withheld	-	-	-	-	-	-	-	-
<b>Current value of liabilities as of December 31</b>	<b>470,107</b>	<b>460,939</b>	<b>92,711</b>	<b>93,053</b>	<b>49</b>	<b>66</b>	<b>562,867</b>	<b>554,058</b>
<b>Fair value of plan assets</b>								
Initial balance	194,531	220,010	-	-	-	-	194,531	220,010
Payments made by the plan <sup>5</sup>	(42,551)	(43,048)	-	-	-	-	(42,551)	(43,048)
Interest income	11,464	13,884	-	-	-	-	11,464	13,884
Expected plan yields (excluding profits due to interest)	3,674	3,685	-	-	-	-	3,674	3,685
<b>Fair value of plan assets as of December 31</b>	<b>167,118</b>	<b>194,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,118</b>	<b>194,531</b>
<b>Surplus or (deficit) of the defined benefit plan</b>	<b>302,989</b>	<b>266,408</b>	<b>92,711</b>	<b>93,053</b>	<b>49</b>	<b>66</b>	<b>395,749</b>	<b>359,527</b>
<b>Net assets (or liabilities) of the defined benefit plan</b>	<b>302,989</b>	<b>266,408</b>	<b>92,711</b>	<b>93,053</b>	<b>49</b>	<b>66</b>	<b>395,749</b>	<b>359,527</b>
<b>Total defined benefits</b>	<b>302,989</b>	<b>266,408</b>	<b>92,711</b>	<b>93,053</b>	<b>49</b>	<b>66</b>	<b>395,749</b>	<b>359,527</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Includes a retirement pension plan recognized prior to the effective date of the General Pension System of Law 100 of 1993 with its respective replacements, which are distributed in the actuarial calculation by groups, differentiating between life annuities, those shared with *Colpensiones*, pension replacements and those that generate part of the retirement quota. The plan is made up of EPM retirees, and retirees belonging to the pension commutation by the liquidation of *Empresa Antioqueña De Energía EADE*. It includes contributions to social security and funeral assistance. The retirement pensions are of the legal under the parameters of Law 6

of 1945 and Law 33 of 1985. No risks have been identified for EPM, generated by the plan. During the period, the plans have not undergone modifications, reductions or settlements that represent a reduction in the present value of the obligation.

<sup>2</sup>Includes a retroactive severance plan, it is a post-employment benefit that applies to approximately 8% of EPM employees, consisting of the recognition of an average monthly salary multiplied by the years of service, payable through advances and at the time of contract termination. The source that gives rise to the plan is the "Sixth Law of 1945, by which some provisions are issued on labor conventions, professional associations, collective conflicts and special labor jurisdiction" and the National Decree 1160 of 1989, which partially regulates Law 71 of 1988, which issues rules on pensions and other provisions. For the retroactive severance plan, no possible risks or significant modifications are identified during the period.

<sup>3</sup>It includes an educational assistance plan that is provided for each of the children of eligible EPM retirees, including assistance for secondary, technical or university studies. It originates in Article 9 of Law 4 of 1976, which establishes rules on pension matters in the public, official, semi-official and private sectors and provides that companies or employers shall grant scholarships or aid for secondary, technical or university studies to the children of their retired personnel, under the same conditions as they grant or establish for the children of active workers.

The weighted average duration, in years, of the defined benefit plan obligations at the cut-off date is as follows:

Benefit	2020		2019	
	From	To	From	To
EPM Pension	8.5	11.5	8.5	11.5
Educational assistance EPM	1.1	1.1	1.2	1.2
Retroactive severances	5.2	5.2	5.7	5.7

<sup>4</sup>Includes \$48,616 (2019: \$51,831) of amounts paid for plan settlements, corresponding to pensions, retroactive severance payments and educational assistance plan.

The company has no restrictions on the current realization of defined benefit plan surplus.

The company made no defined benefit contributions during 2019 and does not expect to make contributions for the next annual period.

Fair value of the plan assets is composed as follows:

Assets that support the plan	2020		2019	
	% Participation	Fair value	% Participation	Fair value
Cash and cash equivalents	3.25%	5,437	1.17%	2,276
Equity instruments	0.00%	0	0.00%	0
Debt instruments				
AAA	85.01%	142,075	89.67%	174,426
AA+	0.97%	1,621	0.00%	0
AA	5.81%	9,713	6.14%	11,949
Investment funds <sup>1</sup>	4.95%	8,272	3.02%	5,880
Total debt instruments	96.75%	161,681	98.83%	192,255
Total assets that support the plan	100.00%	167,118	100.00%	194,531

Amounts stated in millions of Colombian pesos

<sup>1</sup>Includes a collective investment fund with a conservative profile, with immediate availability of resources called *Rentaliquida*, managed by *Fiduciaria Davivienda*, with a balance of COP 1.576 billion pesos (2018: COP 1.522 billion) and an Exchange Trade Fund (ETF), which follows the behavior of *Colcap*, with a balance of COP 4.304 billion pesos (2019: COP \$4,304 billion).

The main actuarial assumptions used to determine the obligations under the defined benefit plans are as follows:

Assumptions	Post-employment benefits	
	2020	2019
Discount rate (%)	6.10 - 2.70	6.60 - 4.70
Yearly salary increase rate (%)	4.6	4.6
Real rate of return on plan assets	6.96	4.83
Future yearly pension increase rate	3.5	3.5
Yearly inflation rate (%)	3.5	3.5
Mortality rate table	Valid rentiers 2008 table	

The following table shows the effect of a variation of plus 1% and minus 1% in the salary increase, in the discount rate and in the increase in the benefit on the obligation for defined post-employment benefit plans:

Assumptions	Increase in discount rate by +1%.	Decrease in discount rate by -1%.	Salary increase by +1%.	Salary decrease by 1%	Increase in benefit increment by +1%.	Decrease in benefit increment by 1%
EPM pension	324,426	381,232	-	-	-	-
social security contributions epm	23,963	27,896	-	-	-	-
Educational assistance EPM	49	50	-	-	50	49
EADE Pension	82,720	103,012	-	-	-	-
Social security contributions EADE	1,025	1,226	-	-	-	-
Retroactive severance	88,610	97,150	100,496	85,365	-	-
<b>Total post-employment benefits</b>	<b>520,792</b>	<b>610,566</b>	<b>100,496</b>	<b>85,365</b>	<b>50</b>	<b>49</b>

*Amounts stated in millions of Colombian pesos*

The methods and assumptions used to prepare the sensitivity analysis for the Present Value of Defined Benefit Obligations (DBO) were made using the same methodology that for actuarial calculation as of December 31, 2019: Projected Unit of Credit (PUC) Method. The sensibility does not present neither limitations nor changes in the methods or assumptions used to prepare the current period analysis.

#### Pension liabilities and commutations calculation according to current fiscal requirements in Colombia

Resolution 037 of 2017 issued by the General Accountancy of the Nation established the obligation to disclose the calculation of pension liabilities in accordance with the parameters established in Decree 1625 of 2016 and Decree 1833 for pension commutations; therefore, the figures presented below do not correspond to the requirements of IFRS adopted in Colombia.

#### Pension liabilities

The actuarial calculation of pensions was prepared with the following technical bases:

Actuarial assumptions - Pension commutation	2020	2019
Real technical interest rate	4.8	4.8
Salary increase rate	3.64	3.91
Pension increase rate	3.64	3.91
Mortality rate table	RV08 (Valid annuitants)	

The following table is the calculation of the pension liability with the above parameters:

Description	2020		2019	
	Number of people	Amount of the obligation	Number of people	Amount of the obligation
Personnel pensioned entirely by the Company	627	155,709	643	159,241
Personnel pensioned with amounts share with Colpensiones (state pension system)	389	55,820	437	62,414
Personnel benefit shared with Colpensiones	469	61,440	468	61,161
Personnel pensioned with amounts shared with other institutions	384	42,753	356	39,119
<b>Total</b>	<b>1,869</b>	<b>315,722</b>	<b>1,904</b>	<b>321,935</b>

*Amounts stated in millions of Colombian pesos*

Below are Pension Bonuses related to Pension Obligations:

Description	2020		2019	
	Número de personas	Valor de reserva	Número de personas	Valor de reserva
Retirement payment type A modality 1	243	2,832	244	2,707
Retirement payment type A modality 2	4,080	179,414	4,113	175,568
Retirement payment type B	2,227	315,403	2,248	309,734
Retirement payment type T	5	280	5	277
Other -Include type of pension bond-	174	5,349	176	5,175
<b>Difference</b>	<b>6,729</b>	<b>503,278</b>	<b>6,786</b>	<b>493,461</b>

*Amounts stated in millions of Colombian pesos*

Following, the differences between the pension liabilities calculated under IFRS adopted in Colombia and the fiscal pension liabilities are shown:

	2020	2019
Pension commutation liabilities	377,122	370,311
Fiscal pension commutation liability	819,000	815,394
<b>Difference</b>	<b>(441,878)</b>	<b>(445,083)</b>

*Amounts stated in millions of Colombian pesos*

#### Pension commutation liabilities

The actuarial calculation of pension commutation was prepared with the following technical basis:

Actuarial assumptions - Pension commutation	2020	2019
Real technical interest rate	4.8	4.8
Salary increase rate	3.64	3.91
Pension increase rate	3.64	3.91
Mortality rate table	RV08 (Valid annuitants)	

The following table is the calculation of the pension commutation with the previous parameters:

Description	2020		2019	
	Number of people	Amount of the obligation	Number of people	Amount of the obligation
Personnel pensioned entirely by the Company	86	21,911	92	25,716
Personnel pensioned with amounts share with Colpensiones (state pension system)	355	47,999	346	44,513
Personnel benefit shared with Colpensiones	42	4,284	37	3,167
Personnel pensioned with amounts shared with other institutions	21	2,510	31	3,693
<b>Total</b>	<b>504</b>	<b>76,703</b>	<b>506</b>	<b>77,089</b>

*Amounts stated in millions of Colombian pesos*

Below are the pension bonuses related to pension commutation liabilities:

Description	2020		2019	
	Número de personas	Valor de reserva	Número de personas	Valor de reserva
Retirement payment type A modality 1	12	39	12	38
Retirement payment type A modality 2	255	11,309	255	10,803
Retirement payment type B	206	20,662	219	21,928
Retirement payment type T	3	22	3	84
Other -Include type of pension bond-	1	41	3	115
<b>Difference</b>	<b>477</b>	<b>32,074</b>	<b>492</b>	<b>32,968</b>

*Amounts stated in millions of Colombian pesos*

Following, are showed the differences between pension commutation liability as calculated under IFRS adopted in Colombia, and the tax pension commutation liability are shown below:

	2020	2019
Pension commutation liabilities	93,034	90,694
Fiscal pension commutation liability	108,777	110,055
<b>Difference</b>	<b>(15,743)</b>	<b>(19,361)</b>

*Amounts stated in millions of Colombian pesos*

The Company's policy is to prepare actuarial calculations for the annual closing of the period, therefore, the estimated data for 2020 are presented

### 25.1.2 Defined contribution plans

The company made contributions to defined contribution plans for \$65,726 (2019: \$53,999), recognized in profit or loss for the period as an expense \$20,573 (2019: \$17,336), cost \$35,909 (2019: \$29,428) and investment projects \$9,244 (2019: \$7,234).

## 25.2 Long-term employee benefits

Long-term benefits	Seniority premium <sup>1</sup>	
	2020	2019
<b>Current value of liabilities due other long-term benefits</b>		
Initial balance	46,049	42,745
Present service cost	4,848	4,369
Profit (or expenses) due to interests	2,902	2,835
Assumptions by experience	1,420	886
Financial assumptions	1,960	874
Payments made by the plan	(6,468)	(5,660)
<b>Final balance of current value of liabilities</b>	<b>50,711</b>	<b>46,049</b>
<b>Net liabilities due to long-term benefits</b>	<b>50,711</b>	<b>46,049</b>

Amounts stated in millions of Colombian pesos

For these benefits the company has no assets to support the plan.

<sup>1</sup>Includes a seniority premium plan. It is a long-term benefit granted to employees through the collective labor agreement, in EPM it is granted in relation to years of continuous or discontinued service. It is recognized and paid once in the respective period and according to the established terms: every 5 years, 12, 17, 23, 30, 35 and 40 days of basic salary will be paid, respectively. The form of payment may be in money, in time off or a combination of the two at the employee's choice. For personnel who resign from the company to access the old-age or disability pension, they are entitled to proportional payment for the time of service, if they are less than one year away from completing the next five-year period at the time of resignation. For the Seniority Bonus plan, no possible risks were identified.

The weighted average duration in years, of the obligations for long-term benefit plans at the report date, is as follows:

Benefit	2020		2019	
	From	To	From	To
Seniority premium	7	7	6.8	6.8

The company does not expect to make contributions to the plan for the next year period.

The main actuarial assumptions used to determine the obligations for long-term employee benefit plans are the following:

Assumptions	Concept	
	2020	2019
Discount rate (%)	5.8	6.4
Yearly salary increase rate (%)	4.85	4.85
Yearly inflation rate (%)	3.5	3.5
Mortality rate table	RV08 (Valid annuitants)	

The following table shows the effect of a variation of plus 1% and less 1% in the Salary Increase, in the discount rate and in the increase in the benefit over the obligation for long-term benefit plans:

Assumptions	Increase in discount rate by +1%.	Decrease in discount rate by -1%.	Salary increase by +1%.	Salary decrease by -1%.
Seniority premium	47,523	54,331	54,588	47,240
<b>Total long-term benefits</b>	<b>47,523</b>	<b>54,331</b>	<b>54,588</b>	<b>47,240</b>

*Amounts stated in millions of Colombian pesos*

The methods and assumptions used to prepare the sensitivity analysis for the present value of defined benefit obligations (DBO) were made using the same methodology that for actuarial calculation as of 31 December 2020: Projected Unit of Credit (PUC). The sensibility does not present neither limitations nor changes in the methods or assumptions used to prepare the current period analysis.

### 25.3 Short-term employee benefits

The composition of the short-term benefits is as follows:

Short-term benefits	2020	2019
Payroll payable	8,249	3
Severances	42,193	37,395
Interest on severances	4,956	4,356
Vacations	20,126	15,613
Vacation bonus	41,175	31,455
Service premium	-	(6)
Holidays (christmas) bonus	27	18
Bonuses	2,460	1,899
Other bonuses, salaries and legal benefits	85	31
<b>Total Short-term benefits</b>	<b>119,271</b>	<b>90,764</b>

*Amounts stated in millions of Colombian pesos*



## Note 26. Taxes, contributions and rates

The detail of taxes, contributions and rates, other than income tax, is as follows:

Taxes, contributions and rates	2020	2019
<b>Current</b>		
Withholding tax on income and stamp duty	79,669	65,392
Industry and commerce tax	21,543	20,832
Appreciation tax	-	64
Customs tax and charges	2,939	1,431
Cuota de fiscalización y auditaje	2,726	-
Contributions	81,855	7,689
National consumption tax	5	5
Other national taxes	696	696
Other municipal taxes	2	85
Value added tax	4,063	4,442
<b>Total taxes, contributions and rates Current</b>	<b>222,393</b>	<b>116,424</b>
<b>Total taxes, contributions and rates</b>	<b>222,393</b>	<b>116,424</b>

Amounts stated in millions of Colombian pesos

## Note 27. Provisions, contingent assets and liabilities

### 27.1 Provisions

The reconciliation of provisions is as follows:

Concept	Dismantling and restoration <sup>1</sup>	Onerous contracts <sup>2</sup>	Lawsuits	Contingent consideration - Business combinations	Implied subsidiary obligations	Warranties <sup>3</sup>	Other provisions	Total
Initial balance	137,679	32,246	187,772	133,346	60,008	108,630	87,161	746,842
Additions	-	-	22,981	-	-	-	41,338	64,319
Uses	(26,852)	(38,630)	(699)	-	-	-	(69,967)	(136,148)
Unused amounts reversed (-)	(8,722)	-	(12,217)	(46)	-	-	(2,855)	(23,840)
Adjustment for changes in estimates	55,672	5,945	1,564	18,197	3,016	60,100	34,872	179,366
Capitalizable decommissioning	18,579	-	-	-	-	-	-	18,579
Corporate reorganizations	-	-	1,195	-	-	-	-	1,195
Exchange difference	-	-	587	3,177	-	-	-	3,764
Other changes_Financial Expense_	6,187	439	5,375	704	-	5,588	2,697	20,990
<b>Final balance</b>	<b>182,543</b>	<b>-</b>	<b>206,558</b>	<b>155,378</b>	<b>63,024</b>	<b>174,318</b>	<b>93,246</b>	<b>875,067</b>
Non-current	120,122	-	28,612	147,789	63,024	90,787	35,641	485,975
Current	62,421	-	177,946	7,589	-	83,531	57,605	389,092
<b>Total</b>	<b>182,543</b>	<b>-</b>	<b>206,558</b>	<b>155,378</b>	<b>63,024</b>	<b>174,318</b>	<b>93,246</b>	<b>875,067</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup>Increase is due to an adjustment to the valuation of the environmental and social recovery plan for the Ituango Project. (See note 27.1.1).

<sup>2</sup>Correspond to the contract signed with Transportadora de Gas Internacional S.A. E.S.P. (TGI) that was ended in December 2020.

<sup>3</sup>Increase due to a valuation adjustment (See note 27.1.6)

<sup>4</sup>Is disclosed as part of the provisions for tax obligations, insurance and reinsurance and financial restatement in the statement of cash flows.

### 27.1.1. Decommissioning or environmental restoration

EPM is obliged to incur costs for decommissioning or restoring its facilities and assets. Currently EPM keeps three provisions for decommissioning or restoring:

- Provision for environmental impact in the construction of infrastructure projects: this arises as a legal obligation derived from the granting of the environmental license to compensate for the loss of biodiversity during the construction phase, as well as compensation for the subtraction of reserve areas, affectation of prohibited species and forest use; obligations that are formalized through resolutions of the ANLA (National Environmental Licensing Authority), CAR - Regional Autonomous Corporation and / or MADS - Ministry of Environment and Sustainable Development.

The execution of the biotic environmental compensations of the project extends beyond the time in which the asset begins to operate technically, being necessary to implement the figure of the provision with the intention that these expenditures remain as greater value of the construction in course. The Group has committed to compensate the loss of biodiversity, subtraction and closures from 2016 to 2019 according to the resolutions: Res. 1313/2013 ANLA, Res. 519/2014 ANLA, Res LA. 0882/04/08/2014 ANLA, Res. 1166/2013 MADS, Res. 1852/2013 CAR, Res. 2135/2014 CAR, Resolution 1189/22/07/2104 MADS, Res. 1120907/17-03-2015 CORNARE, Res. 141011206/16-10-2014 CORANTIOQUIA, Res LA. EIA1-9872 21/04/2014 CVS, among others. The provision is recognized for the present value of the expected costs to settle the obligation using estimated cash flows. The main assumptions considered in the calculation of the provision are estimated costs, CPI and TES fixed rate.

- Environmental compensation and compulsory investment of 1%: Law 99 of 1993, established the mandatory nature of environmental licensing for the development of any activity that could cause serious damage to renewable natural resources or the environment, or introduce considerable or noticeable modifications to the landscape and depending on the type of activity, the size and location of the project, and assigned the powers in relation to environmental licensing to the National Environmental Licensing Authority, the Regional Autonomous Corporations, or the metropolitan areas.

Article 321 of Law 1955 of 2019 indicates that all holders of an environmental license who have investments pending as of 25 May 2019 may benefit from the percentage increase in the value of the liquidation basis of the compulsory investment of not less than 1%, according to the year of commencement of activities authorized in the environmental license and defined the requirements and procedures to update pending investments and benefit from new terms of execution subject to the approval of the ANLA.

For EPM, the relative obligations for the use of water taken directly from natural sources, in the projects carried out in La Sierra, Porce II, Porce III and Hidroitungo are contemplated.

- Jepírachi: Due to non-compliance with the technical standard issued by resolution CREG 060 of 2019, it was determined that the Jepírachi Wind Farm should be removed from the National Interconnected System and the respective decommissioning should be carried out. The main assumptions considered in the calculation of the provision are estimated costs, CPI and TES fixed rate. As of 31 December 2019, the provision was recorded for \$8,722.

- As a result of the Hidroituango project contingency, caused by the rising waters of the Cauca River as a consequence of the collapse and subsequent uncovering of the project's diversion tunnel, which occurred between April and May 2018, a provision of \$31,388 was created in the same year to attend to the recovery of the affected infrastructure in the municipalities located downstream of the project. It also includes the environmental restoration caused by the closure of the floodgates of the tunnel in 2019, which reduced the flow of the Cauca River and the events that could arise from the technical milestones to be reached, typical of the contingency, as well as the execution of the project itself.

In December 2020 an upward adjustment was made to the social and environmental recovery plan for \$1,590; this took into account the evaluation of the status of concentrations of mercury, lead, nickel, chromium, cadmium and arsenic, methylmercury in fish, water, sediments and suspended material, cyanobacteria in water and possible health effects on the riparian inhabitants of the middle and lower Cauca river basin; and the Humboldt Framework Agreement: Biodiversity (Standardization of monitoring in the middle and lower Cauca River basin, compliance with pending commitments in the compensation plan, analysis of possible reserve area).

The specific action plan for recovery should consider three framework programs:

- Recovery of affected bogs
- Recovery of affected fish fauna
- Re-establishment of the aquatic habitats located in the affected area

These three programs correspond to the environmental component as a response to the identifying of the caused damage, as well as the discretionary actions. Also included are social programs, economic activities, infrastructure, and risk management, among others.

The different actions are to be developed between the municipalities of Valdivia to Nechí, however, if they are identified in the municipalities that are part of La Mojana, will also be the subject of intervention.

The balance of the provision as of December 31, 2020 is \$88,547, during the year the provision has been adjusted by \$57,989 and payments of \$24,295 have been made.

### **27.1.2. Onerous Contracts**

As of December 31, 2020, the provision for the fuel supply and transportation contract signed between EPM and TGI-Transportadora de Gas Internacional S.A. is terminated. E.S.P, since 2008, has the objective of supporting the Termosierra plant and obtaining the income from the reliability charge established by the Energy and Gas Regulatory Commission through the resolution CREG 071 of 2006.

The main assumptions considered in the calculation of the provision were: costs associated to the contract with the conditions referred to in each quarter, utilization factor or cessation of payments for maintenance of the contract, Libor rate, fixed rate in pesos TES (Colombian Government debt security), TRM of the quarter and macroeconomic scenario.

The main assumptions used on the events were: Suspension of the contract for 30 days during the year and its use for only 15 days due to generation of the Termosierra plant and the rest of the time without using the contract would be paid (only fixed costs).

### **27.1.3. Lawsuits**

This provision covers the estimated probable losses related to labor, administrative, civil and tax lawsuits arising in the operations of EPM. The main assumptions considered for calculating the provision are: Average CPI to

actual data in previous years and projected data in future years, fixed rate TES in Colombian pesos to discount, estimated value to be paid, and the estimated payment date for those lawsuits rated as probable. As of today, no future events have been foreseen that may affect the calculation of the provision.

In order to minimize the uncertainty that may arise regarding estimated dates of payment and values to be paid in a lawsuit rated as probable, the company uses business rules based on statistic studies to obtain the average length of processes per action as well as case law to estimate the maximum amounts the law defines for the value of the extra-economic or intangible claims when they exceed their amount, as described below:

## Average duration of processes per action

### Administrative and tax processes

Type of legal action or procedure	Average length (in years)
Abbreviated	4
Petition for compliance	4
Group action	6
Representative actions	4
Conciliation (pre-trial)	2
Partie civile proceedings	4
Contractual (Breach of contract)	13
Survey and demarcation	5
Executive	5
Singular executive	3
Expropriation	4
Comprehensive reparation incident (criminal)	2
Imposition of easements	4
Nullification of administrative acts	5
Nullification and reinstatement of rights	10
Nullification and reinstatement of labour rights	11
Ordinary litigation	7
Ordinary of membership	5
Accusatory Criminal (Law 906 of 2004)	4
Division's lawsuit	4
Protection of consumer rights	6
Police grievance	3
Right to reclaim	7
Direct compensation	12
Oral	5

### Labor processes

Type of legal action or procedure	Average length (in years)
Labor solidarity	3.5
Pension	3.5
Extra hour	3.5
Job reinstatement	4
Salary scale equalization	3.5
Unfair dismissal compensation	3.5
Reassessment of social benefits	3.5
Compensation for work accident	4
Refund of Health_Pension contribution	4

## Application of case law

**Typology:** the values of claims for compensation of extra-patrimonial damages will be recorded according to the following typology:

- Non-material damage.
- Damage to health (physiological or biological damage), derived from a physical or psychophysical injury.
- Damage to relationship life.
- Damage to constitutional and conventional property.

The values of other extra-matrimonial claims not recognized by the jurisprudence will not be recorded, unless it can be inferred from the claim that, despite its name, it corresponds to one of the accepted typologies. Nor shall claims for extra-patrimonial compensation for damage to property be recorded.

**Quantification:** The amounts of extra-patrimonial damage claims will be recorded uniformly as follows, regardless of its typology:

Direct victim compensation	100 monthly minimum legal wage enforced (MMLWE)
Indirect victim compensation	50 monthly minimum legal wage enforced (MMLWE)

The following are the recognised lawsuits:

Third party (Plaintiff)	Complaint	Amount
Oscar Elias Arboleda Lopera	It includes 173 plaintiffs who worked for EADE; and, they state that in the dissolution and liquidation of said company there was an employer substitution with EPM, which obligates it to all labor claims.	105,258
Consorcio Dragados Porce II	To pay to the plaintiffs, among others, the sums of money resulting from the refund of the total compensation illegally deducted by EPM in the contracting process No. CD002376.	28,696
Varios laborales	149 processes with an average of \$117 and an amount of less than \$1,074.	17,480
Departamento del Valle del Cauca	By way of reestablishment of rights, the Department of Valle del Cauca is ordered to return the amounts withheld in respect of Stamps for Pro-Public University Hospitals and Pro-Universities of Valle del Cauca with the respective interest.	8,092
Municipio de Yumbo (Valle)	Industry and commerce and its complementary signs and boards and public lighting.	5,156
Varios administrativos	21 processes with an average of \$233 and an amount of less than \$916.	4,885
Consorcio Dragados Porce II	That EPM be ordered to recognize and pay the amount of damages caused to the good name of the companies that constituted the CONSORCIO DRAGADOS CONCRETO PORCE II.	4,276
John Walter Jaramillo	Declare the nullity of the dismissal, with their respective salaries and their increases, social benefits until he/she is effectively reinstated.	4,266
Oliver Antonio Aguirre Soto	Request for reinstatement, salaries and social benefits.	3,283
Varios fiscales	9 processes with an average of \$290 and an amount of less than \$5,156.	2,610
Unión Temporal Energía Solar S.A. y Estructuras Arbi Ltda.	Declare that the bid submitted by the plaintiffs to bid No. ES-2043- GI called by EPM, was legally apt to be taken into account at the time of awarding the respective contract of bid No. ES-2043- GI.	2,050
General Fire Control Ltda.	To declare the nullity of the Communications subscribed by EPM, whereby the fines imposed, as of 07/04/2011 at USD 153,957.00, at 03/09/2009 for non-compliance in the delivery term, for US\$263,368.60, based on numeral 5.13 Conditions of the Contracting Process No. 029158, and on the occasion of the execution of Contract No. 29990329557, are updated.	2,033
Construcciones Pico y Pala Ltda.	That resolutions 95070 of 04/05/1999, issued by EPM, whereby it unilaterally liquidated contract 1/DJ-682/15 executed between EPM and Consorcio Trainco S.A. and 113701 of 03/15/2000, also issued by EPM, whereby it negatively resolved the appeal for reconsideration filed against resolution 95070 of 04/05/1999, are null and void.	1,886
Humberto Hernando Gómez Franco	To declare EPM administratively and patrimonially liable, for the injuries suffered by Mr. HUMBERTO HENANDO GÓMEZ FRANCO, when he was electrocuted by high voltage cables owned by the defendant entity, on 10/23/2013, at the La Playa farm owned by Mr. Antonio Lopera, located in the La Virgen sector, in the Hoyorrico Village, jurisdiction of the Municipality of Santa Rosa de Osos.	1,864
General Fire Control Ltda.	That EPM be ordered to pay the material damages, consequential damages and loss of profits that were caused, with the non-recognition and payment of the claimed concepts in accordance with what is proven in the process, amount that must be updated in its value in accordance with the provisions of article 178 of the C.C.A. That EPM be ordered to pay the costs. That the judgment that puts an end to the process shall be complied with in accordance with the terms of Articles 176 and 177 of the C.C.A.	1,783
Francisco Javier Muñoz Usman	Decree the nullity of the conciliation agreement signed due to a defect in consent and consequently order the reestablishment of the employment contract, the reinstatement, the payment of all salaries and benefits foregone, as well as the payment of social security contributions from the time of dismissal until the plaintiff is effectively reinstated.	1,702
Carlos Olimpo Cardona	That the plaintiffs be reintegrated to the same position or trade or another of equal or higher category that they had been performing, and that as a consequential compensation, all salaries and legal social benefits foregone should be paid, in addition to all contributions made to the Integral Social Security System.	1,330
Seguros del Estado S.A.	That in the event that the Policy has been enforced, EPM be ordered to reimburse the insurer the amount paid for the indemnity, duly updated. USD285,000	1,305
Accesorios y Sistemas S.A.	To declare the nullity of resolution 3077 of 11/12/200, issued by the General Manager of EPM, by means of which it was resolved to declare the realization of the risk of quality and correct operation of the vehicles object of contract 090321557.	1,268
Carga de Saldos PPA de EP Río		1,195
Consultel Ltda.	To declare EPM responsible for the breach of Contract No: 299901-26731, whose object is "CONSTRUCTION OF INTERNAL AND EXTERNAL GAS NETWORKS AND CONNECTION OF CUSTOMERS TO THE NATURAL GAS DISTRIBUTION SYSTEM OF EPM, IN THE VALLEY OF ABURRÁ AND ITS CONNECTED WORKS AND ACTIVITIES".	1,164
TRAINCO S.A.	Declare the nullity of resolutions 161052 of 05/03/2001, issued by EPM, whereby it unilaterally liquidated contract 2101870 executed between EPM and Trainco S.A. and 178702 of 07/06/2001.	1,108
Didier De Jesús Restrepo Montoya	The plaintiffs claim payment of moral damages allegedly caused by the eviction of their homes installed on a property owned by EPM for the construction of the Porce III Hydroelectric Project, which were subject to eviction ordered by the Mayor's Office of the Municipality of Anorí.	1,081
Omar Augusto Lugo Hoyos	Decree the nullity of the conciliation agreement signed due to a defect in consent and consequently order the reestablishment of the employment contract, the reinstatement, the payment of all salaries and benefits foregone, as well as the payment of social security contributions from the time of dismissal until the plaintiff is effectively reinstated.	1,075
General Fire Control Ltda.	That EPM be ordered to return the amounts withheld due to the imposition of fines for not complying with the technical specifications and guaranteed characteristics, plus the moratorium interest caused from the date of the withholding and until the date of the actual return based on Item 5.13 DEDUCTIONS FOR NONCOMPLIANCE (FINES), of the bidding conditions of contracting process No. 029158, and due to the execution of contract No. 29990329557.	916
Consorcio Dragados Porce II	Record difference in exchange Account 2711005 Litigation N° 14000857, 14000832 and 14000893.	796
<b>Total recognised lawsuits</b>		<b>206,558</b>

Amounts stated in millions of Colombian pesos

#### 27.1.4. Contingent consideration - on business combination

Corresponds to contingent considerations mainly related to the acquisition of the following group of assets that constitute a business: Espiritu Santo Energy S. de R.L. subsidiary and Empresas Varias de Medellín S.A. E.S.P. - EMVARIAS subsidiary, the balance as of 31 December 2019 is \$133,346.

The main assumptions considered in the calculation of the contingent consideration related to the acquisition of Espiritu Santo are: the estimated date of occurrence of the milestones associated with the contingent payment, the associated probability of occurrence and additionally, the discount of the payment flows was considered by applying a discount rate (LIBOR rate) in accordance with the risk of the liability. To date, no future events that could affect the calculation of the provision have been evidenced.

The main assumption used in the future events of the contingent consideration related to the acquisition of EMVARIAS are: ongoing lawsuits against EMVARIAS at the date of the transaction, definition of the year of materialization of each lawsuit, definition of the related amount to each of the disputes, estimate of future contingent outlays related to the estimated lawsuits for each year and discount rate (TES fixed rate) to discount future contingent expense flows. To date, there have been no future events that could affect the calculation of the provision.

#### 27.1.5. Implicit subsidiary obligations

Corresponds to the implicit obligation of the subsidiary EPM Capital México S.A. de CV derived from the application of the equity method.

#### 27.1.6. Warranties

Constitution, in June 2018, of the provision for guarantee No. 10090002278 - Reliability charge of USD 41.5 million (\$121,633) to cover the construction and commissioning of the Hydroelectric Plant and its monthly adjustments. In accordance with Resolution CREG 061 of 2017, the warranties of the reliability charge for the entry of new electricity generation projects are executed when the entry into commercial operation of the plant is delayed by more than one year. The contingencies presented in the diversion tunnel cause the Ituango Hydroelectric Project to incur in this type of delay and, therefore, under the current regulations, this guarantee must be executed.

EPM managed before the Energy and Gas Regulatory Commission (CREG, by its Spanish initials) and the Government in general, an amendment to the regulation of guarantees of the charge for reliability that would provide some opportunity to continue with the obligations of steady energy and in turn prevent the execution of the guarantee in question. However, through Resolution 154 of 2019, CREG confirmed its Resolution 101 of 2019 in which it had declared the loss of Hidroituango's energy obligations with a starting date of 1 December 2018. The consequence of this decision is the loss of income associated with these obligations and the execution of a guarantee in the amount of USD 43.1 million.

In December 2018 EPM created for \$107,797 (approximately USD 3.5 million per month) a provision for the default that would be incurred, from January to October 2021, to the transporter Intercolombia for the months following the entry into operation of the Ituango project connection infrastructure. In December 2020, the provision for non-compliance of the transmission project was adjusted and the operation start date was moved from October 2021 to November 2022 (20 months) in the amount of \$74,693 million. In 2020, \$65,687 has been recognized as a provision and no payments have been made, for a balance of \$174,318.

### 27.1.7. Other provisions

- Other contingency provisions \_ Attention affected Ituango: Provision for the attention of the affected people of Puerto Valdivia who were evacuated and sheltered, and to whom compensation was recognized for consequential damages, loss of profits and moral damages; the recovery of the families affected by the total or partial loss of their homes and economic activities caused by the Hidroituango Project when there was a rise in the waters of the Cauca River as a result of the unclogging of the project's detour tunnel on May 12, 2018. The balance of the provision as of December 31, 2020 is \$45,985, during the year the provision has been adjusted by \$35,043 and payments have been made for \$24,931.

- **Environmental sanctioning procedure:** Corresponds to sanctions imposed on EPM for not implementing environmental management measures for the execution of works or executing them without the respective authorization or modification of the environmental license. As of 31 December 2020, there is a balance of \$7,533 for four fines imposed by the ANLA and one by Corantioquia.

#### ANLA:

- The first for building or modifying a tunnel without prior authorization and disposing of excess material on the road to San Andrés de Cuerquia (\$1,718);
- the second for having initiated activities related to the construction of the Auxiliary Deviation System (SAD) and its associated infrastructure within the Ituango Project without having previously processed and obtained the modification of the environmental license.

The balance of the provision as of December 31, 2020 is \$5,510, during the year the provision has been adjusted by (\$-1,105) and payments have been made for \$5,249.

On the other hand, Corantioquia declared EPM environmentally responsible for carrying out an intervention on natural forest, in March 2014, in Vereda las Palmas of the Municipality of Envigado without having requested or obtained the permit (\$305).

- **Sanctions:** Fines imposed by the competent authority for not applying the law or regulation indicated by the respective body. As of December 2020, there is a provision of \$1,216 imposed by the Superintendency of Residential Public Services - SSPD- due to a failure in the provision of the SDL service
- EPM keeps other provisions oriented to the welfare and quality of life of its employees and family group, such as: employer policy, multiplier points, *Somos* program, technical reserve and provision for high cost and catastrophic diseases.
- The main assumptions considered for the calculation of welfare and quality of life provisions are:

**Employer policy:** Awarded to EPM workers as an extralegal benefit. An aggregate deductible was taken out from 1 July 2019 through 31 July 2020, for \$4,000. The main assumptions considered in the calculation for each type of provision are fixed rate TES discount rate, estimated value to be paid and estimated date of payment. To date, no future events that could affect the calculation of the provision have been evidenced.

**Multiplier points:** Points obtained during the year must be recognized at the request of the interested party or by decision of the Directorate of Human Talent Development and each accounting closure of the period must be paid through payroll. The value of each point is equivalent to 1% of the minimum wage (SMMLV) and point accumulation is not to be allowed from one year to the other, so all points must be exchanged every year.

**Puntos Verdes GNV program:** This program works under the point accumulation modality. According to the behavior of the statistics the points are counted with a probability of 80% of redemption

**High cost and catastrophic diseases:** The basis for calculating this provision is that corresponding to the analysis of the entire population of members and beneficiaries of the Adapted Health Entity (EAS) of EPM, who suffer from any of the authorized pathologies.

- **Technical reserve:** The basis for calculating the reserve is that corresponding to all service authorizations issued and which on the cut-off date have not been redeemed, except those corresponding to authorizations with more than twelve months of issue or those which, at least four months after they have been issued, are known not to have been used.
- **Other provisions for contingency Ituango:** Provision created for the reconstruction of community infrastructure destroyed by the rising waters of the Cauca River, which was caused by the opening of the Ituango project's diversion tunnel on 12 May 2018. As of December 31, 2020, the balance of the provision amounts to \$ 5,616, during 2020, \$ 7,323 has been recognized between estimated expense and interest and payments have been made in the amount of \$ 5,963
- **Union contribution:** In 2018 a collective bargaining process was advanced between EPM and the union organization UNIGEEP, since the parties did not reach an agreement for the signing of a Collective Bargaining Agreement, an Arbitration Court was convened, as established in the Substantive Labor Code. Thus, in February 2020, this Court issued an Arbitration Award ordering EPM to pay the amount of \$150 for union dues, divided in \$75 per year of validity (2020-2021). To date, this decision is being reviewed by the Supreme Court of Justice and therefore it has not been complied with; for this reason, since there is no certainty as to the date of the decision of this entity and given the probability that in 2021 it will be notified, it is necessary to provision this item, in case the decision is unfavorable for EPM.

### 27.1.8. Estimated payments

The estimate of the dates on which the company may have to disburse payments related to contingent liabilities included in the statement of financial position of EPM at the cut-off date, is the following:

Estimated payments	Dismantling and restoration	Lawsuits	Contingent consideration	Subsidiary constructive obligations	Warranties	Other provisions	Total
2021	63,698	178,256	7,589	-	83,531	55,202	388,276
2022	57,984	10,849	4	-	90,787	17,175	176,799
2023	24,742	2,100	143	-	-	4,087	31,072
2024 and others	38,543	18,717	147,642	63,024	-	7,428	275,354
<b>Total</b>	<b>184,967</b>	<b>209,922</b>	<b>155,378</b>	<b>63,024</b>	<b>174,318</b>	<b>83,892</b>	<b>871,501</b>

Amounts stated in millions of Colombian pesos

### 27.2 Contingent assets and liabilities

The composition of contingent assets and liabilities is as follows:

Description	Contingent liabilities	Contingent assets	Neto
Lawsuits	1,363,289	33,480	(1,329,809)
<b>Total</b>	<b>1,363,289</b>	<b>33,480</b>	<b>(1,329,809)</b>

Amounts stated in millions of Colombian pesos

The company has lawsuits or procedures currently in progress before jurisdictional, administrative and arbitral bodies. Considering the reports of the legal advisors, it is reasonable to appreciate that such lawsuits will not significantly affect the financial situation or solvency, even in the event of an unfavorable conclusion of any of them.

The main pending lawsuits and judicial and extrajudicial disputes to which the company is party as of the court date are indicated below:



## Contingent liabilities

Third party (Plaintiff)	Complaint	Amount
ISAGEN S.A. E.S.P.	Order EPM to compensate ISAGEN for the damages it suffered as a consequence of the fire and the consequent unavailability of the Guatapé Power Plant.	330,964
Various Administrative	319 Litigios inferiores a \$10,112 con promedio de \$927.	295,792
Galadier Diaz Rivera	It is declared to the Consorcio Hidroeléctrica Hidroituango S.A. E.S.P., Nation - Ministry of Environment and Sustainable Development, Nation - Special Administrative Unit "National Authority of Environmental Licenses - ANLA", Nation - Ministry of Mines and Energy, Nation - Mining and Energy Planning Unit, CORPOURABA, CORANTIOQUIA, INGETEC S.A.S, SEDIC S.A., Construccoes e Comercio Camargo Correa S.A., Constructora Conconcreto S.A., Coninsa Ramón H. S.A - Department of Antioquia - EPM and the Mayor's Office of Medellín, jointly and severally and administratively liable for all the pecuniary and non-pecuniary damages caused to the plaintiffs, due to the overflowing of the Cauca River that originated in the Ituango Hydroelectric Project. The defendant entities to pay EIGHTY SEVEN MILLION SEVEN HUNDRED EIGHTY THOUSAND THREE HUNDRED PESOS \$87,780,300 for each of the plaintiffs for moral damages.	172,884
Elis María Ramos	It is declared to the Consorcio Hidroeléctrica Hidroituango S.A. E.S.P., Nation - Ministry of Environment and Sustainable Development, Nation - Special Administrative Unit "National Authority of Environmental Licenses - ANLA", Nation - Ministry of Mines and Energy, Nation - Mining and Energy Planning Unit, CORPOURABA, CORANTIOQUIA, INGETEC S.A.S, SEDIC S.A., Construccoes e Comercio Camargo Correa S.A., Constructora Conconcreto S.A., Coninsa Ramón H. S.A - Department of Antioquia - EPM and the Mayor's Office of Medellín, jointly and severally and administratively liable for all the pecuniary and non-pecuniary damages caused to the plaintiffs, due to the overflowing of the Cauca River that originated in the Ituango Hydroelectric Project. The defendant entities to pay EIGHTY SEVEN MILLION SEVEN HUNDRED EIGHTY THOUSAND THREE HUNDRED PESOS \$87,780,300 for each of the plaintiffs for moral damages.	154,686
Elsa María Sajayo Carvajal	It is declared to the Consorcio Hidroeléctrica Hidroituango S.A. E.S.P., Nation - Ministry of Environment and Sustainable Development, Nation - Special Administrative Unit "National Authority of Environmental Licenses - ANLA", Nation - Ministry of Mines and Energy, Nation - Mining and Energy Planning Unit, CORPOURABA, CORANTIOQUIA, INGETEC S.A.S, SEDIC S.A., Construccoes e Comercio Camargo Correa S.A., Constructora Conconcreto S.A., Coninsa Ramón H. S.A - Department of Antioquia - EPM and the Mayor's Office of Medellín, jointly and severally and administratively liable for all the pecuniary and non-pecuniary damages caused to the plaintiffs, due to the overflowing of the Cauca River that originated in the Ituango Hydroelectric Project. The defendant entities to pay EIGHTY SEVEN MILLION SEVEN HUNDRED EIGHTY THOUSAND THREE HUNDRED PESOS \$87,780,300 for each of the plaintiffs for moral damages.	109,190
Barrio Villa Esperanza	Immaterial damage in the amount of 100 SMLMV for each of the members of the group, that is, for one thousand two hundred and ninety-six (1296) persons, which in total is equivalent to One hundred and thirteen thousand seven hundred and sixty-three million one hundred and thirty-nine thousand two hundred pesos (\$113,763,139,200). Material damage by way of consequential damage for the destruction of each one of the houses, calculated in an individual value per house of five million pesos (\$5,000,000), which in total amounts to 377, for a total of one thousand eight hundred eighty-five million pesos (\$1,885,000,000).	106,452
Aura De Jesús Salazar Mazo	They request 100 SMLMV for damage to the mining activity; and for moral damages, which they appraise at an equivalent of 200 SMLMV for each of the persons in the group, approximately 113.	40,817
Aura De Jesús Salazar Mazo	Collective right approximately 113 people each claiming \$1,133,400 for Consolidated Loss of Profit and \$78,753,854 for Future Loss of Profit, for destroying, interrupting and cutting the ancestral bridle paths that lead from the Alto Chiri trail in the municipality of Briceño to the Valle de Toledo township.	32,024
Obras Civiles E Inmobiliarias S.A - Oceisa	Declare that EPM's failure to comply with the main obligation to deliver studies and designs prevented OCEISA from executing the contract and that it is not contractually liable for those portions of the work that could not be executed by third parties due to events beyond the control of the parties that prevented the normal execution of the contract.	18,801
Luis Fernando Anchico Indaburo	Declare EPM administratively liable as the cause of the antijudicial damage for having destroyed the fishery resource of the Montecristo marsh complex, which is due to the construction of the IHP (Ituango Hydroelectric Project) and request the recognition and payment of a minimum wage for each family nucleus from February 2019 until the judgment is rendered, this is called by the plaintiffs as consolidated loss of profits.	16,051
Luis Fernando Anchico Indaburo	To declare EPM administratively liable, as the cause of the antijudicial damage by having destroyed the fishery resource of the Montecristo marsh complex, which is due to the construction of the IHP (Ituango Hydroelectric Project); that a minimum wage be recognized and paid for each family nucleus from February 2019 until the judgment is rendered and the recognition of a future loss of earnings that goes from the time of the judgment until the probable period of life of each one of the plaintiffs.	16,045
Various Labor	162 Litigation under \$1,290 with an average of \$94.	15,190
Unión Temporal Nueva Esperanza	Declare that EPM breached and unbalanced the contract CT-2013-000641 whose purpose was the execution of the construction and electromechanical assembly works of the transmission lines at 230KV Guavio - Nueva Esperanza and associated reconfigurations paraíso - Nueva Esperanza - Circo and paraíso - Nueva Esperanza - San Mateo.	12,947
Maikol Arenales Chaves	Declare the defendants administratively liable as the cause of the antijudicial damage caused by the destruction of the fishery resource of the Ciénagas de Montecristo complex, which is due to the construction of the IHP.	11,980
Maikol Arenales Chaves	Declare the defendants administratively liable as the cause of the antijudicial damage caused by the destruction of the fishery resource of the Ciénagas de Montecristo complex, which is due to the construction of the IHP.	11,980
Javier Maure Rojas	Declare EPM administratively liable as the cause of the antijudicial damage for having destroyed the fishery resource of the Montecristo marsh complex, which is due to the construction of the IHP (Ituango Hydroelectric Project) and request the recognition and payment of a minimum wage for each family nucleus from February 2019 until the judgment is rendered, this is called by the plaintiffs as consolidated loss of profits.	10,113
Moraine Olave De Larios	Relatives of former Integral worker who died in Ituango, claim for full compensation for moral damages caused. Solidarity.	5,763
Rosa Disney Quintero Florez	The families of some deceased former workers of the contractor CONSORCIO REDES DE IGUANÁ, formed by the companies Sanear S.A. and Paecia S.A.S. were sued. Also, Seguros del Estado S.A., Sociedad Estudios Técnico S.A.S. and Seguros Generales Suramericana S.A. were sued.	1,290
Ciudadela Comercial Unicentro Medellín PH	Declare the nullity of the administrative act issued by EPM with file number 20190130037817 of 2019-02-27. Order the reestablishment of the plaintiffs' rights by ceasing the collection of the electric energy tax contemplated by Law 142 of 1994, Law 143 of 1994 and Law 223 of 1995; and, make the refund of what was paid for said concept from January 1, 2017 and until the date of judicial notification that puts an end to the	320
<b>Total contingent liabilities</b>		<b>1,363,289</b>

Amounts stated in millions of Colombian pesos

Regarding the uncertainty of the estimated payment date and the estimated value payable, the same business rules indicated in note 14.1.3 apply to contingent liabilities.

EPM also has as a contingent liability, Environmental Sanctioning Procedures, with the following information:

Third party (Plaintiff)	Complaint	Amount
Área Metropolitana del Valle de Aburrá	Discharge of wastewater from the San Fernando WWTP failing to comply with the removal level of minimum 80% for the parameters BOD5_Biochemical Oxygen Demand, TSS_Total Suspended Solids, fats and oils established in Article 72, new user, of Decree 1594 of 1984, Metropolitan Resolution No. S.A. 000415 of April 28, 2014.	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	Construction of mini power plant without authorization and use of ecological flow to generate energy without being authorized in environmental license (Porce III hydroelectric power plant)_Auto 4335 of December 17, 2013.	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	Charge against EPM for having prevented the contribution of the ecological flow, by closing the bottom discharge valves of the Porce III Hydroelectric Power Plant, in order to carry out the repair activities of the slopes of the spillway dissipation basin, the dam and the discharge of the ecological flow without having the pronouncement of the competent environmental authority. Auto 04260 of September 26, 2017.	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	Termosierra 1. For performing the air quality sampling reported in AQI 13, 14 and 15, without the periodicity established by the Industrial Air Quality Surveillance System, authorized in the environmental instrument corresponding to this project. 2. For performing environmental noise monitoring reported in ICA 13, 14 and 15, with an Environmental Laboratory not accredited by IDEAM._Auto 350 of February 5, 2018.	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	Use of explosives in the construction of the Nueva Esperanza tower. The environmental license granted by this resolution does not cover any type of work or activity different from those described in the Environmental Impact Study, the Environmental Management Plan and in this administrative act. Auto 02574 of June 27, 2017 ANLA_.	Not possible to know the sanction to be imposed.
Área Metropolitana del Valle de Aburrá	Discharge of domestic wastewater from the rupture of the sewage pipe that carries such water, on a pasture and then on the Doña María stream, property called Torremolino.	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	For having disposed leftover material from the excavation activities of the construction of the Puerto Valdivia Road (Dam Site - Ituango) on the bed and protection strip of the "Quebrada Tamara"; and, for having carried out the replacement of the bridges located along the Puerto Valdivia Road to build two (2) Box Culverts without the authorization to do so; and, for having discharged wastewater to an infiltration field in the property "El Ciruelar". (SAN0143-00-2018_Auto 3196 of 2018).	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	To have carried out the occupation of the "Río Ituango" riverbed for the installation of a pumping system without having the respective authorization; and, to have carried out the collection of water resources from the "Río Ituango" source by pumping without having previously obtained the modification of the environmental license. (SAN0047-00-2019_Auto 2919 of 2015).	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	Failure to implement the environmental management measures established in the Environmental License granted for the development of the "Construction and Operation of the Pescadero - Ituango Hydroelectric Power Plant" project related to the management and proper disposal of excess excavation material from the construction of the Puerto Valdivia road, dumping it on the slopes of the road and the "Río Cauca" and "Quebrada La Guamera" water sources; and, to have formed the deposits "La Planta" and "Cacharimé" less than thirty meters (30 meters) from the water source "Río Cauca". (SAN0046-2019_Auto 0523 of 2016).	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	To have carried out inadequate practices with respect to surface water sources in the area of influence of the project; to have collected water from the "El Roble", "Burundá", "Bolivia" and "Guacimal" streams, in flows higher than those granted and/or authorized for the development of the project; Not having implemented in each of the concessioned water bodies, the infrastructure that would allow monitoring the remaining flows, in order to be presented in the environmental compliance reports; not having carried out and delivered the monitoring of water quality and hydrobiological communities in the "Río Cauca", under the conditions established in the environmental license.  For not having carried out the reformation and recovery of the riverbed of the "Río San Andres" and its flood zone to its natural conditions, within the granted term; for having carried out the exploitation of petreous materials coming from the "Río San Andres", without the updated environmental permits; for not having delivered the results of the sediment monitoring of the "Río Cauca", in order to establish the baseline for comparison at the moment of starting the operation phase of the project.  Having exceeded the maximum permissible levels of PST (particulate matter) and atmospheric contaminants in the asphalt plant located in the "El Valle" Industrial Zone; for not having built the necessary facilities and infrastructure in the chimney of the asphalt plant to monitor emissions from stationary sources; for failing to comply with the management measures of the "Plan de Manejo y Disposición de Materiales y Zonas de Botadero" (Materials Management and Disposal Plan and Landfill Areas); for disposing of plant material mixed with inert material inside the deposits; and for not signaling the material disposal areas that remain active.  All this in the area of influence of the project "construction, filling and operation of the Pescadero - Ituango Hydroelectric Project... (SAN0033-00-2019_Auto 2920 of 2015).	Not possible to know the sanction to be imposed.
Dirección de Bosques, Biodiversidad y Servicios Ecosistémicos del Ministerio de Ambiente y Desarrollo Sostenible	For having intervened 100 HAS that contained forest species subject to national prohibition without the previous Resolution authorizing its lifting and that were located in the area of the Ituango Hydroelectric Project reservoir. (SAN027 (Minambiente)_Resolution 835 of 2017).  Presentation of discharges with file number E1-2017-032747 of November 28, 2017_probative period Auto 273 of June 2018.	Not possible to know the sanction to be imposed.
Autoridad Nacional de Licencias Ambientales "ANLA"	Auto 00009 of January 8, 2021 the ANLA initiates the environmental sanctioning procedure for the contingency associated with the auxiliary detour system, to verify the following facts:  1. failure to report within the term provided by law (24 hours) the contingent event occurred on April 28, 2018.  2. To have continued with the construction of the SAD and its infrastructure, without having sufficient technical information related to the environmental characterization of the intervened area for the geology and geotechnical components.  3. For allegedly generating negative impacts to renewable natural resources.  4. Not having guaranteed for the first days of May 2018 and before the evacuation of dammed water from the Cauca River by the project's powerhouse began, the ecological flow of said source downstream of the dam site, to ensure the integrity of ecosystem services and environmental protection assets that are part of the water source.  for the contingency associated with the Auxiliary Diversion System.  *No charges have been filed; however, a request for the cessation of the sanctioning procedure was filed through file No. 201808064395-1-	Not possible to know the sanction to be imposed.

Third party (Plaintiff)	Complaint	Amount
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>*Initiation of an environmental administrative sanctioning procedure for having carried out forest harvesting activities outside the authorized area for the execution of works that are part of the construction of the Puerto Valdivia - Presa road (Zona Organi).</p> <p>*No charges have been filed. (SAN0013-2017_Auto 04965 of 2018)</p>	Without charges it is considered by the lawyer as possible.
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>*Initiation of sanctioning procedure for not guaranteeing downstream of the dam of the "Construction and operation of the Pescadero - Ituango hydroelectric project" project the ecological flow to ensure the integrity of ecosystem services and environmental protection assets that are part of the "Cauca River" water source.</p> <p>*No charges have been filed. (SAN0001-2019_Auto 0060 of 2019)</p>	Without charges it is considered by the lawyer as possible.
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>1. Discharge into intermittent dry riverbed at coordinates X=1157241 and Y=1281506.</p> <p>2. Discharge into the rainwater channel from the mixer washing system located in the industrial zone of the main works.</p> <p>ANLA opened a sanctioning file but it has not been formally initiated.</p> <p>Through Resolution N° 1222 of December 03, 2013 the ANLA imposed a preventive measure of suspension of the discharge. Through Resolution N° 1363 of October 31, 2017, the ANLA lifted the preventive measure in mention. Through Order No. 01282 of March 22, 2019, the ANLA breaks down the proceedings related to this preventive measure of the license file LAM2233 so that they are included in the file SAN0031-2019.</p>	Without charges it is considered by the lawyer as possible.
Autoridad Nacional de Acuicultura y Pesca "AUNAP"	<p>*Preliminary investigation initiated for damage to fishing activity during the closure of the powerhouse gates.</p> <p>*No charges have been filed. (no file AUNAP_Auto 002 of February 14, 2019).</p>	Without charges it is considered by the lawyer as possible.
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>Repeated failure to comply with obligations imposed. Auto 11359 of December 19, 2019.</p> <p>SAN0284-00-2018 _December 19, 2019_.</p>	Situation not resolved. No charges have been filed to date.
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>HIDROELÉCTRICA ITUANGO S.A. E.S.P. - HIDROITUANGO S.A. E.S.P. Non-compliance with contingency obligations:</p> <ul style="list-style-type: none"> <li>- Failure to permanently carry out adequate management of non-domestic wastewater and seepage on the left margin of Gallery 380 MI.</li> <li>- Failure to submit the hydrogeological model of the right margin of the project. - Failure to submit cartographic information related to water quality and hydrobiological monitoring that should have been carried out at different points downstream of the project's dam site.</li> <li>- Failure to submit the results of the monitoring of offensive odors, water quality and physicochemical quality of the sludge during the pumping activity of the powerhouse. Order No. 2423 of March 30, 2020, which initiates environmental sanctioning proceedings.</li> </ul> <p>SAN003030-00-2020_ March 30, 2020_ To date no charges have been filed.</p>	Situation not resolved. No charges have been filed to date.
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>HIDROELÉCTRICA ITUANGO S.A. E.S.P. - HIDROITUANGO S.A. E.S.P. Repeated failure to comply with the obligations imposed in the context of the contingency. Initiation of the environmental sanction procedure by means of Order No. 06576 of July 13, 2020.</p> <p>SAN1285-00-2019 _ July 13, 2020_ To date no charges have been filed.</p>	Situation not resolved. No charges have been filed to date.
Autoridad Nacional de Licencias Ambientales "ANLA"	<p>HIDROELÉCTRICA ITUANGO S.A. E.S.P. - HIDROITUANGO S.A. E.S.P. _ To carry out air quality and odor monitoring without complying with the protocols established by the Ministry of Environment. Perform analysis of samples for air quality and odor sampling by laboratories not accredited by IDEAM.</p> <p>Initiation of the environmental sanction procedure by means of Order No. 07774 of August 14, 2010.</p> <p>SAN1258-00-2019 _ August 14, 2020_ To date no charges have been filed.</p>	Situation not resolved. No charges have been filed to date.

## Contingent assets

Third party (Plaintiff)	Complaint	Amount
La Nación Ministerio de Salud y Protección Social	MINSALUD has the legal and constitutional obligation to recognize and cancel the value of the services rendered to the affiliates in relation to medicines and/or procedures, interventions or elements not included in the Mandatory Health Plan (POS).	8,369
Various Administrative	112 Procesos de cuantía inferior a \$889 con promedio \$64.	7,189
Constructora Monserrate de Colombia SAS	the expropriation in favor of EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. for the Project "Expansion of the Primary Distribution Capacity in the Western Sector of Medellín - Western Chain - Calazans Tank", property named Lot 7, located in the sector Altos de Calazans, Municipality of Medellín, owned by the Company CONSTRUCTORA MONSERRATE DE COLOMBIA SAS.	7,124
Interconexión Eléctrica S.A. E.S.P. ISA	Declare that Interconexión Eléctrica S.A. E.S.P., ISA is civilly liable for not recognizing to EPM, the value that corresponds to it, of the remuneration that ISA received between 1995 and 1999, for the line modules that correspond to assets of use of the STN in the Playas and Guatapé substations represented by it, in which there is shared property, value that to date has not been made, generating an unjust enrichment by increasing the patrimony of the defendant at the expense and to the detriment of the plaintiff's	3,744
Poblado Club Campestre Ejecutivo S.A.	To declare Poblado Club Campestre Ejecutivo S.A., Optima S.A. Vivienda y Construcción and the Municipality of Envigado responsible for the damage to the collector owned by EPM, which collects and transports the wastewater from the sanitary basin of the La Honda stream in the Municipality of Envigado, and to indemnify EPM for the value of all the proven pecuniary damages resulting from the damage to the collector that collects and transports the wastewater from said sanitary basin.	3,567
Fiduciaria Bogotá S.A. - FIDUBOGOTÁ S.A.	Impose in favor of EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. an energy conduction easement over the land lot or property named LA BOCA DEL PANTANO, with real estate registration number 50 C-1497258 located in a rural area of the Municipality of Madrid (Cundinamarca) for the 500 Kv transmission lines, and for one (1) tower point (with its grounding) of the Nueva Esperanza Transmission Project.	960
Municipality of Envigado	To declare the nullity of the administrative act contained in Resolutions 2656 of August 13, 2007 and 4176 of October 26 corresponding to the sanction imposed for the alleged violation of Municipal Decree 259 of August 14, 2002; to declare the inapplicability of Decree 259 of August 14, 2002 of the Municipality of Envigado (Antioquia), "Whereby urban development sanctions are established", for being contrary to the Political Constitution, the Law and the Regime of Domiciliary Public Services. Order, by way of reestablishment of rights, that EPM be reimbursed \$655'460,000 for the sanction imposed in the administrative acts whose nullity is requested.	889
CORANTIOQUIA - Corporación Autónoma Regional del Centro de Antioquia	To declare the nullity of Article Five of Resolution No. 130 TH - 1302 - 9864 issued by the Territorial Director TAHAMIES of "CORANTIOQUIA" for the fee for the use of surface water for the period 2011, of the source Río Grande, in a flow of 19.5 mts3/sec; to reimburse Empresas Públicas de Medellín E.S.P., the higher amount paid for the fee for the use of surface water Dec. 155 - 4742, Hydrological Unit: RIO MAGDALENA - CAUCA, between January 1, 2011 and December 31, made through invoice TH - 1927 of April 30, 2012. That Corantioquia be CONDEMNED to recognize and pay to EPM the legal interest, current and default interest legally caused; to pay the costs and agencies at law that may be applicable in accordance with the provisions of Article 188 of Law 1437 of 2011 and other concordant rules.	804
Municipality of Caloto	ZERO PROVISION. 1) Declare the nullity of: -Resolution No. 035 of 2012, (Declares not proven the exceptions proposed by EPM against the payment order and orders to go ahead with the execution) and, -Resolution No. 039 of 2012, (Resolves Appeal for Reposition). //2) That by way of reinstatement, the Municipality of Caloto reimburse EPM for any amount paid by EPM for ICA, by virtue of what has been raised in this lawsuit, and that said amount be returned with commercial interest //3) That the Municipality be ordered to pay the costs.	767
Other fiscal	Proceeding for amounts less than \$766	67
<b>Total contingent assets</b>		<b>33,480</b>

Amounts stated in millions of Colombian pesos

As of 30 December 2020, the amount determined by the experts to compensate is \$33,480.

## Estimated payments and collections

The estimated dates on which the company expects to make payments related to the contingent liabilities or receive collections related to the contingent assets included in this note to the statement of financial position of EPM at the cut-off date are as follows:

Year	Contingent liabilities	Contingent Assets
2021	86,562	12,514
2022	40,600	1,991
2023	27,237	4,056
2024 and other	2,084,740	18,160
<b>Total</b>	<b>2,239,139</b>	<b>36,721</b>

*Amounts stated in millions of Colombian pesos*

## Note 28. Other liabilities

The composition of other liabilities is as follows:

Other liabilities	2020	2019
<b>Non-current</b>		
collections in favor of third parties <sup>1</sup>	10	10
Income received in advance <sup>2</sup>	2,478	2,685
Assets received from customers or third parties	7,904	7,990
Other deferred credits	21,019	21,089
<b>Subtotal other liabilities, non-current</b>	<b>31,411</b>	<b>31,774</b>
<b>Current</b>		
collections in favor of third parties <sup>1</sup>	123,844	158,430
Income received in advance <sup>2</sup>	71,254	102,411
<b>Subtotal other liabilities current</b>	<b>195,098</b>	<b>260,841</b>
<b>Total other liabilities</b>	<b>226,509</b>	<b>292,615</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup> The decrease is explained by the lower collections received from the sewage tax to Emvarias, public lighting to the different municipalities of Antioquia and the commercial representation contract that EPM has with ESSA and CHEC, as a consequence of the Covid 19 pandemic.

<sup>2</sup>Corresponds to the collection associated with the long-term energy sales and biller's compensation.

### 28.1 Payment received in advance

The breakdown of payment received in advance as of the cut-off date was:

Payment received in advance	2020	2019
<b>Non-current</b>		
Leases	1,857	2,030
Sale of energy utility	621	655
<b>Total non-current Payment received in advance</b>	<b>2,478</b>	<b>2,685</b>
<b>Current</b>		
Leases	173	173
Sales	40,797	70,947
Sale of energy utility	9,578	13,040
Sale of fuel gas utility	2,534	-
Sale of fuel gas service	2,483	10,277
Other payment received in advance	15,689	7,974
<b>Total current payment received in advance</b>	<b>71,254</b>	<b>102,411</b>
<b>Total payment received in advance</b>	<b>73,732</b>	<b>105,096</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup> The decrease is explained by lower values received in long-term energy contracts.

## Note 29. Changes in liabilities due to financing

The reconciliation of liabilities due to financing activities is as follows:

Reconciliation of liabilities due to financing activities 2020	Initial balance	Cash flows	changes other than cash		Other changes <sup>1</sup>	Total
			Foreign exchange	Changes in fair value		
Loans and borrowings (see note 21)	15,192,611	3,358,568	24,286	-	71,356	18,646,821
Lease liabilities (see notes 14 and 23)	2,242,689	(11,580)	-	-	114,477	2,345,586
Pension bonds (see note 25)	542,206	(6,435)	-	-	24,945	560,716
Hedging instruments (see notes 13, 23 and 24)	(45,062)	19,586	-	399,283	(19,586)	354,221
Dividends or surpluses paid (see note 19)	-	(1,488,319)	-	-	1,488,319	-
Other financing cash flows	-	177,614	-	-	(177,614)	-
<b>Total liabilities from financing activities</b>	<b>17,932,444</b>	<b>2,049,434</b>	<b>24,286</b>	<b>399,283</b>	<b>1,501,897</b>	<b>21,907,344</b>

Amounts stated in millions of Colombian pesos

Reconciliation of liabilities due to financing activities 2019	Initial balance	Cash flows	changes other than cash		Other changes <sup>1</sup>	Total
			Foreign exchange	Changes in fair value		
Loans and borrowings (see note 21)	15,844,613	(617,818)	98,879	-	(133,062)	15,192,612
Lease liabilities (see notes 14 and 23)	1,805,579	(10,010)	-	-	432,219	2,227,788
Pension bonds (see note 25)	535,050	(19,515)	-	-	26,672	542,207
Hedging instruments (see notes 13, 23 and 24)	(186,230)	(92,131)	-	47,249	186,050	(45,062)
Dividends or surpluses paid (see note 19)	-	(1,289,652)	-	-	1,289,652	-
Other financing cash flows	-	143,447	-	-	(143,447)	-
<b>Total liabilities from financing activities</b>	<b>17,999,012</b>	<b>(1,885,679)</b>	<b>98,879</b>	<b>47,249</b>	<b>1,658,084</b>	<b>17,917,545</b>

Amounts stated in millions of Colombian pesos

<sup>1</sup> Includes interest paid during the year for \$998,372 (2019: \$1,232,367), that by company's policy are classified as operating activities in the statement of cash flows; the variation in the measurement at amortized cost of loans and borrowings \$729,002 (2019: \$794,754); and dividends earned and not paid during the year are classified as investing activities in the statement of cash flows.

## Note 30. Revenue

For presentation purposes, the company breaks down its income from the services it provides according to the lines of business in which it participates and the way in which management analyses them. The detail of revenue is as follows:

Revenue from ordinary activities	2020	2019
Sales of goods	4,922	733
Rendering of services		
Electricity generation services <sup>1</sup>	3,833,028	2,959,949
Electricity distribution services	3,404,025	3,382,717
Electricity transmission service	174,261	172,786
Fuel gas service	907,076	869,777
Aqueduct service	683,198	643,799
Sanitation service	531,682	507,461
Financing services	-	-
Financing component	55,287	-
Other services	52,627	56,789
Billing and collection services	30,102	-
IT services	9,474	7,679
Commissions	804	29,606
Fees	737	6,267
Construction contracts	71	501
Refunds	(217,179)	(152,525)
<b>Total services rendered</b>	<b>9,470,115</b>	<b>8,485,539</b>
Leases	43,565	51,520
<b>Total</b>	<b>9,513,680</b>	<b>8,537,059</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup> The increase in the generation service is mainly originated in EPM Parent Company due to higher energy sales in long-term contracts for new contracts signed based on the expected power generation of the Ituango project and higher sales to the EPM distributor.

As of December 31, 2020, the impacts of the coronavirus pandemic (COVID -19) that have been estimated in relation to revenue from ordinary activities are: lower consumption or demand of public services for (\$213,320), lower invoiced rates for (\$261,543) and discount for timely payment in national subsidiaries according to Resolution No. 517 of 2020 for (\$10,179).

The Company recognizes all of its revenues from the satisfaction of performance obligations and most of its contracts with customers have a duration of less than one year.

The company recognized the following values in the period, for the contracts in effect at the cut-off date described in the previous paragraph:

## Other contracts with customers

2020	Contract asset balance at beginning of period	Contract asset balance at the end of the period	Contract liability at the beginning of the period	Contract liability at the end of the period	Income recognized during the period corresponding to prior period liabilities	Income recognized during the period from performance obligations satisfied in prior periods
Contract of Uniform Conditions for Regulated Services <sup>1</sup>	504,423	405,449	13,875	6,851	3,190	9,615
Non-Regulated Market - MNR or Large Customers <sup>2</sup>	126,680	126,329	10,098	8,365	3,072	-
<b>Total</b>	<b>631,103</b>	<b>531,778</b>	<b>23,973</b>	<b>15,216</b>	<b>6,262</b>	<b>9,615</b>

Amounts stated in millions of Colombian pesos

2019	Contract asset balance at beginning of period	Contract asset balance at the end of the period	Contract liability at the beginning of the period	Contract liability at the end of the period	Income recognized during the period corresponding to prior period liabilities	Income recognized during the period from performance obligations satisfied in prior periods
Contract of Uniform Conditions for Regulated Services <sup>1</sup>	352,720	504,423	14,086	13,875	4,359	-
Non-Regulated Market - MNR or Large Customers <sup>2</sup>	136,800	126,680	34,642	10,098	86,962	-
<b>Total</b>	<b>489,520</b>	<b>631,103</b>	<b>48,728</b>	<b>23,973</b>	<b>91,321</b>	

Amounts stated in millions of Colombian pesos

<sup>1</sup> The purpose of this contract is to define the uniform conditions by which Empresas Públicas de Medellín E.S.P., identified with TIN 890904996-1, hereinafter EPM, provides public residential utilities of water and/or sewage in exchange for a price in money, which will be fixed according to the current rates, and according to the use given to the service by the users, subscribers or owners of properties, hereinafter the USER, who by benefiting from the water and/or sewage utilities provided by EPM, accepts and abides by all the provisions defined herein

<sup>2</sup> Resolution 131 of 23 December 1998 of the Energy and Gas Regulation Commission (CREG) establishes the conditions for the supply of energy and power to large consumers and indicates in Article 2 the power or energy limits for a user to contract for the supply of energy in the competitive market; The aforementioned resolution allows the conclusion of contracts with large consumers to establish by common agreement the prices for the supply of energy and power; the object of the contract is to supply energy and power to the consumer, as an unregulated user, to meet its own demand.

Another important contract is the XM representation contract, which is not disclosed since there are no balances in assets and liabilities.



## Note 31. Other income

The detail of other income, which forms part of revenue, is as follows:

Other income	2020	2019
Valuation of investment properties <sup>1</sup>	5,694	51,942
Surpluses	302	-
Recoveries <sup>2 5</sup>	239,740	145,613
Leverages	5,085	4,857
Compensation <sup>3</sup>	88,110	104,087
Other ordinary income <sup>4</sup>	45,679	5,720
<b>Total</b>	<b>384,610</b>	<b>312,219</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>This decrease obeys the 2019 valuation of some properties due to urban developments in the sectors around these.

<sup>2</sup>Mainly includes \$ 89,527 for the return judgment in favor of EPM of the judicial process, advanced by the company against the Municipality of Bello, based on the lawsuit filed against the administrative act that determined the participation and liquidation of the capital gain generated by the change in land use in the area where some properties owned by the company are located; \$ 73,832 for the commissioning of the assets of the Jepírachi Wind Farm permitted by CREG resolution 136 of 2020; \$ 14,630 for compensation for consequential damage due to the incident that occurred in 2017 at the Playas Hydroelectric Power Plant; \$ 8,597 recovery of provisions for administrative litigation and \$ 8,011 recovery of provision for high-cost illnesses.

<sup>3</sup>Corresponds in EPM Parent to the compensation received from loss of earnings for the low hydrology policy \$ 65,848 (USD 17.6 million); \$ 9,241 for loss of earnings due to the incident that occurred in 2017 at the Playas Hydroelectric Power Plant; \$ 8,000 for non-contractual civil liability of the Ituango project and \$ 4,107 received for lost profits from the Jepírachi Wind Farm

<sup>4</sup>Mainly includes in EPM Matrix \$ 42,206 of the indexation since December 29, 2009, the date on which the payment of the tax was made and until the execution of the sentence (December 10, 2020) of the processing of the judicial process, advanced by EPM against the Municipality of Bello.

<sup>5</sup>Includes \$ 98,451 of ineffective recoveries from the statement of cash flows.

## Note 32. Gain on sale of property, plant, and equipment

The detail of the gain on sale of property, plant and equipment is as follows:

Gain on sale of assets	2020	2019
Gain on sale of property, plant and equipment <sup>1</sup>	2	265
Gain on disposal of rights of use	73	15
Gain on sale of investment properties	45	104
<b>Total</b>	<b>120</b>	<b>384</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>The variation is due to the vehicle sales, which could not be performed for the coronavirus pandemic (COVID-19)

## Note 33. Costs of goods sold and services rendered

The detail of the costs of services rendered is as follows:

Costs for services rendered	2020	2019
Block purchases <sup>1</sup>	1,300,670	636,795
Use of lines, networks and pipelines	1,063,665	963,668
Purchases in exchange <sup>1</sup>	762,702	558,725
Cost of distribution and/or commercialization of natural gas <sup>2</sup>	540,410	349,249
Personal services	540,785	488,261
Depreciation	462,226	422,584
Orders and contracts for other services	287,511	293,716
Licenses, contributions and royalties	238,358	143,737
Maintenance and repair orders and contracts	141,572	149,194
Materials and other operating costs	88,026	107,363
Insurance	84,643	99,135
General	72,559	58,788
Connection cost <sup>3</sup>	53,133	50,091
Amortization of rights of use	50,847	47,758
Amortization	43,415	40,491
Taxes and fees	37,000	37,132
Commercial and financial management of the service	25,763	25,021
Fees	25,030	27,878
Consumption of direct inputs	23,193	30,260
Utility services	10,013	7,425
Liquefied natural gas	7,477	4,979
Other	6,002	1,109
Leases	4,263	4,074
Costs associated with wholesale market transactions	1,707	943
<b>Total</b>	<b>5,870,970</b>	<b>4,548,376</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>Increase is explained by higher energy purchases in long term contracts for new contracts based in the expected energy generation of the Ituango project and for the increase of the purchases in the energy exchange due to the lower power generation given for the low hydrology. Furthermore, the effects of the Covid-19 pandemic were reflected in lower purchases in the energy exchange estimated in lower costs of \$163,137.

<sup>2</sup>The growth is explained by the demand increase and for the higher prices due the exchange rate impact. Furthermore, the effects of the Covid-19 pandemic were reflected in lower costs of services rendered estimated in \$10,183.

<sup>3</sup>Includes the impacts of the coronavirus pandemic (COVID-19) for \$2,247 that were allocated for the reconnection of public services. Additionally, due to the pandemic, costs of \$ 10,458 were allocated mainly for the implementation of biosafety measures.

## Note 34. Administrative expenses

The breakdown of administrative expenses is as follows:

Administrative expenses	2020	2019
<b>Personnel expenses</b>		
Wages and salaries	261,009	239,794
Social security expenses	83,482	88,418
Pension expenses <sup>4</sup>	17,881	15,450
Other post-employment benefit plans other than pensions <sup>4</sup>	1,506	1,676
Other long-term benefits	4,004	3,248
Termination benefits	-	-
Interest rate benefits to employees	6,308	6,563
<b>Total personnel expenses</b>	<b>374,190</b>	<b>355,149</b>
Taxes, contributions and fees	104,213	103,314
Commissions, fees and services	70,091	59,692
Provision for guarantees <sup>1 4</sup>	60,099	15,756
Provision for contingencies <sup>2 4</sup>	58,909	17,444
Maintenance	57,545	46,609
Provision for decommissioning, retirement or rehabilitation <sup>4</sup>	55,672	60,880
Intangible assets	52,720	38,214
Depreciation of property, plant and equipment	36,593	33,687
Other miscellaneous provisions <sup>4</sup>	40,605	37,275
General insurance <sup>3</sup>	33,621	10,935
Other general expenses	30,575	32,327
Amortization of intangibles	16,320	20,270
Amortization of rights of use	14,576	12,944
Christmas lighting	10,731	10,925
Studies and projects	9,017	19,753
Surveillance and security	7,519	6,376
Promotion and dissemination	7,503	8,380
Advertising and publicity	7,010	12,000
Provision for onerous contracts <sup>4</sup>	5,945	801
<b>Total general expenses</b>	<b>679,264</b>	<b>547,582</b>
<b>Total</b>	<b>1,053,454</b>	<b>902,731</b>

*Amounts in millions of Colombian pesos.*

- <sup>1</sup> Corresponds to the update of the provision in the parent EPM of the guarantee for non-compliance from April 2021 to November 2022, to the Intercolombia transporter for the months after the connection infrastructure of the Ituango project enters operation.
- <sup>2</sup> Increase due to the updating of provisions, mainly in the provision for the care of those affected by the Ituango project, which represented an expense of \$33,509.
- <sup>3</sup> Explained increase in the premiums of the all-risk policy due to high claims and in the directors and administrator's policy.
- <sup>4</sup> It is disclosed under provisions, post-employment, and long-term defined benefit plans in the statement of cash flows.

Additionally, as of December 31, 2020, the impacts of the coronavirus pandemic (COVID -19) that have been estimated in relation to administration expenses represent an increase of \$9,920 due to biosecurity measures and other expenses associated with the management of the COVID-19 and that had an effect on general expenses and personal services.

## Note 35. Other expenses

The detail of other expenses is as follows:

Other expenses	2020	2019
Loss on retirement of property, plant and equipment <sup>1 5</sup>	4,073	85,096
Contributions in non-corporate entities	15,869	14,947
Judgments	1,099	353
Arbitration awards and out-of-court settlements	2,598	2,565
Loss on changes in the fair value of investment properties <sup>2</sup>	22,734	291
Loss on retirement of inventories	42	-
Loss on disposal of intangible assets <sup>4</sup>	3	-
Loss on sale of investment property <sup>4 6</sup>	2,413	-
Effective interest financing services	128	-
Other ordinary expenses <sup>3</sup>	11,868	27,815
<b>Total</b>	<b>60,827</b>	<b>131,067</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>In December 2019 was included the retirement of the Parque Eólico Jepírachi assets

<sup>2</sup>The Increase is explained for the appraisal made in 2020, because some properties have a lower fair value than the previous year

<sup>3</sup>The is Decrease explained for the care given to the affected of the Ituango project contingency recognized in 2019

<sup>4</sup>It is disclosed as result of disposal of property, plant and equipment, rights of use, intangibles and investment properties, less \$ 120 for profit from the sale of assets (note 32) of the statement of cash flows.

<sup>5</sup>It is disclosed as withdrawal of property, plant and equipment, rights of use, intangibles and investment properties of the statement of cash flows.

<sup>6</sup>It is disclosed as disposal of property, plant and equipment decreasing the following items: \$ 11 for profit on sale of property, plant and equipment, \$4 for loss in retirement of intangibles, \$73 of gains in withdrawal of use rights, \$ 44 for profit on sale of investment properties and adding \$8 for disposal of property, plant and equipment of the cash flow statement.

## Note 36. Finance income and expense

### 36.1 Finance income

The breakdown of finance income is as follows:

Financial income	2020	2019
<b>Interest revenue:</b>		
Bank deposits <sup>4</sup>	9,219	17,391
Interest on receivables and arrears <sup>1 4</sup>	96,206	211,944
Restricted funds <sup>4</sup>	1,593	-
Funds received in administration <sup>4</sup>	2,314	-
Gain from valuation of financial instruments at fair value <sup>2 3</sup>	32,741	79,240
Profit on trust rights <sup>3</sup>	34,907	29,949
Other financial income <sup>4</sup>	2,422	2,060
<b>Total financial income</b>	<b>179,402</b>	<b>340,584</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup>Decrease due to the suspension of the collection of delinquent interest to users for the implementation of relief measures for the coronavirus pandemic (COVID -19) for \$9,127.

<sup>2</sup> Decrease in the valuation of financial instruments that is explained by the behavior of the market that has presented significant devaluations and is thus reflected in the temporary investments of the portfolio. They are included in the caption of results for valuation of financial instruments and hedge accounting of the statement of cash flows.

<sup>3</sup> It is disclosed as part of the results from valuation of financial instruments and hedge accounting in the statement of cash flows.

<sup>4</sup> It is disclosed under the heading of interest income and income in the statement of cash flows

### 36.2 Financial expenses

The breakdown of finance expenses is as follows:

Financial expenses	2020	2019
<b>Interest income:</b>		
Interest on obligations under lease <sup>4</sup>	222.721	209.583
Other interest expense <sup>4</sup>	146	441
<b>Total interest</b>	<b>222.867</b>	<b>210.024</b>
Short-term domestic financing operations <sup>1 4</sup>	3.632	30.464
Long-term internal financing operations <sup>1 4</sup>	114.419	158.318
Short-term external financing operations <sup>4</sup>	7.190	-
Long-term external financing transactions <sup>4</sup>	603.762	605.971
Financial instruments for hedging purposes <sup>4</sup>	42.777	-
Fees and commissions other than amounts included in the determination of the effective interest rate <sup>4</sup>	1.892	2.114
Other financial expenses <sup>2 3</sup>	104.981	96.907
<b>Total financial expenses</b>	<b>1.101.520</b>	<b>1.103.798</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup> Decrease in EPM Parent company due to the partial prepayment of the Bancolombia loan, renegotiation of interest rates and payments due to maturity of some local bond issues, additional in 2019 included several treasury loans.

<sup>2</sup> Includes in EPM a loss from valuation of financial instruments and other investments for \$ 83,297 and the financial update of provisions for \$ 20,988, mainly the valuation of provisions of the Ituango project: \$ 5,588 provision of guarantee, \$ 2,759 provision corresponding to the environmental and social recovery plan, \$ 2,167 forced investment of 1% and \$ 1,807 provision for the care of those affected, thus reflecting higher financial expenses.

<sup>3</sup> Includes the following items: \$11,161 for loss from valuation of financial instruments at fair value, \$30,379 for amortized cost, \$41,756 for non-hedging derivatives, \$32 for loss on trust rights, \$649 for administration and issuance of securities and \$15 for other financial expenses from the result of valuation of financial instruments and hedge accounting of the statement of cash flows.

<sup>4</sup> It is disclosed in the item of expenses for interests and commissions of the statement of cash flows.

## Note 37. Net foreign exchange difference

The effect of transactions in foreign currency is the following:

Foreign exchange difference, net	2020	2019
<b>Foreign exchange difference gain, net</b>		
<u>Own position</u>		
For goods and services and others	29,658	32,820
For liquidity	65,511	12,777
Receivables	117,526	292,368
Other exchange difference adjustments	121	-
<u>Financing transaction</u>		
Gross income	358,392	22,207
Debt hedging	-	-
<b>Total foreign exchange difference income</b>	<b>571,208</b>	<b>360,172</b>
<b>Foreign exchange difference expense</b>		
<u>Own position</u>		
For goods and services and others	3,752	11,115
For liquidity	213,249	18,459
Receivable accounts	1,002	254,050
Other exchange difference adjustments	24,924	2,004
<u>Financing operation</u>		
Gross expense	382,679	121,086
Debt coverage	309,748	-
<b>Total foreign exchange difference expense</b>	<b>935,354</b>	<b>406,714</b>
<b>Foreign exchange difference, net</b>	<b>(364,146)</b>	<b>(46,542)</b>

*Amounts stated in millions of Colombian pesos*

The accumulated net expense of \$ 374,260 corresponds mainly in EPM Parent Company to the restatement of the debt in dollars, associated with the accumulated devaluation of the Colombian peso of 4.74% and a rate of closing \$ 3,432.50.

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

Currency	Currency code	Direct exchange rate conversion to USD as of December 31		Exchange rate as of December 31		Average exchange rate	
		2020	2019	2020	2019	2020	2019
Dólar de Estados Unidos	USD	1.00	1.00	3,432.50	3,277.14	3,693.36	3,281.09
Quetzal	GTQ	7.79	7.70	440.41	425.67	478.29	426.21
Peso mexicano	MXN	19.93	18.88	172.27	173.54	172.27	170.45
Peso chileno	CLP	710.50	751.95	4.83	4.36	4.67	4.67
Euro	EUR	0.82	0.89	4,199.84	3,678.59	4,214.08	3,671.66
Yen	JPY	103.25	108.67	33.25	30.16	34.61	30.11
Libra	GBP	0.73	0.75	4,692.06	4,341.39	4,735.59	4,188.11
Franco Suizo	CHF	0.88	0.97	3,883.14	3,384.25	3,937.95	3,302.52

## Note 38. Gain on equity investments

The Participation on Equity Investments is as follows:

Participation in equity investments	2020	2019
Dividends and participations 1	99,880	60,356
Result from business combinations 2	1,353,203	-
Gain (loss) on sale of equity investments <sup>3</sup>	-	(47,534)
Impairment of investments in subsidiaries, associates and joint ventures <sup>4</sup>	(879,062)	-
<b>Total</b>	<b>574,021</b>	<b>12,822</b>

*Amounts stated in millions of Colombian pesos*

<sup>1</sup> Includes dividends of investments classified in Financial Instruments for \$99,880 (2019 \$60,356) See note 13. Other financial assets.

<sup>2</sup> During the period, a business combination result of \$1,353,203 was recognized for the acquisition of control on October 1, 2020 of the subsidiary Caribemar de la Costa S.A.S. E.S.P. - AFINIA, arising from the difference between the consideration transferred and the fair value of the identifiable net assets acquired.

The consideration transferred was established based on the valuation of the company that considers the future investments (investments in capital assets - capex - that were executed when a business invests in the purchase of a fixed asset or to add value to an existing asset) that it must make to guarantee its viability and an adequate provision of public services; which generates a negative value of the same.

<sup>3</sup> Corresponds to the loss generated in July 2019 on the sale of 14,881,134 ISA shares, arising from the difference between sale price and share valuation on the day of the transaction (\$15,700 COP/share - \$18,900 COP/share = \$-3,200 COP/share) and the sale of all the *Gasorient* shares, generating a profit of \$86.

<sup>4</sup> Corresponds to the subsidiary Caribemar de la Costa S.A.S. E.S.P. - AFINIA, (see note 11).

## Note 39. Income tax

### 39.1 Tax provisions

Tax Provisions applicable and in effect, establish the following

- The nominal Income tax rate is 32%.
- Tax income from occasional income tax is taxed at 10% rate.
- Public domestic utilities provider companies in Colombia are excluded from determining income tax by the presumptive income system calculated on the basis of fiscal liquid assets of the immediately preceding year.

On June 11, 2008, EPM and the Nation (through the Ministry of Mines and Energy) entered into a legal stability contract for the Power Generation activity for a 20-year period. Among the stabilized tax regulations are: ordinary income tax rate, equity tax, presumptive income, tax cost of fixed assets, depreciation deduction, special deduction of 40% for investments in real productive fixed assets.

#### **Ley de Financiamiento Colombia (Financing Law Colombia)**

In the taxable year 2018, the National Government issued Law 1943, which introduced important changes in tax matters. During 2019, this Law was the subject of lawsuits filed with the Constitutional Court, seeking a declaration of unconstitutionality due to procedural defects in its formation.

Thus, through Ruling C - 481 of 16 October 2019, the Constitutional Court accepted the claims of one of the lawsuits and declared that the articles contained in the financing law are unconstitutional. Thus, the rules contained in Law 1943 of 2018, remain in force during the taxable period 2019, since the ruling of the Constitutional Court was made with deferred effect, that is, maintaining the validity of the law until 31 December 2019.

According to the above, the Congress of the Republic had a limited term to issue a regime to ratify, repeal, modify or subrogate the contents of the law that was declared unconstitutional.

#### **Ley de Crecimiento Económico 2019 Colombia (Economic Growth Act 2019 Colombia)**

During the last quarter of 2019, the National Government submitted to Congress a bill on economic growth, in order to comply with the Constitutional Court's ruling.

Under this scenario and after exhausting the stages required by the Colombian legal system for the creation of the law, on 27 December 2019, Law 2101 of 2019 was passed "By means of which regulations are adopted for the promotion of economic growth, employment, investment, the strengthening of public finances and the progressiveness, equity and efficiency of the tax system, in accordance with the objectives that Law 1943 of 2018 promoted on this matter, and other provisions are issued".

Thus, among the main modifications, we can highlight:

General rate of income and supplementary taxes:

**The income tax rate will have the following modification:**

Year 2020: will be 32%

Year 2021: will be 31%

Year 2022: will be 30%

**Presumptive Income**

Year 2020: will be 0.5%



Year 2021 and following: will be 0%

### Other elements

- In accordance with the provisions of Article 258-1 ET, the VAT paid on the acquisition, importation, construction and formation of real productive fixed assets, including the services necessary to put the good in conditions of use, and the assets acquired through leasing, is maintained as a tax discount in the income tax. It is important to point out that the Constitutional Court by Ruling C-379/20 of September 2, 2020 declared conditionally executory this article under the understanding that the benefit is also applicable for taxpayers not liable for sales tax.
- The possibility of taking as a tax deduction of 50% of the payed industry and commerce tax is kept. The economic growth law establishes that as from the year 2022 this discount will be 100%.
- The tax on dividends received by national companies continues in effect to the general rate of 7.5% by way of withholding tax on income, that will be transferable and imputable to the resident natural person or investor resident abroad.
- The sale of electricity generated from wind energy, biomass or agricultural waste, solar, geothermal or sea energy by electricity generating companies, as defined in Law 1715 of 2014 and Decree 2755 of 2003, will continue to be exempt of income tax for a period of 15 years as from 2017, as defined by Law 1715 of 2014 and Decree 2755 of 2003.
- The Colombian Holding Companies (CHC) framework is ratified as an instrument to promote foreign investment in the country.
- Decree 1157 of 2020 regulated the requirements for accessing the tax benefits of the Mega-Investment mechanism with the possibility of accessing a tax stability regime.
- The amendments made by Law 1943 of 2018 to the sub-capitalisation rule in Article 118-1 of the Tax Code remain in force, limiting the deductibility of interest paid when there is over-indebtedness, specifying that such limitations only apply to debts incurred between economic associates.
- Article 117 of Law 2010 of 2019 modified the term of finality for income tax returns in which tax losses are liquidated or compensated, or which are subject to the transfer pricing regime, to 5 years.
- It should be clarified that this term of firmness contained in Article 714 of the tax code was modified by Law 1819 of 2016 to 6 years. For this reason, tax returns filed by EPM as of 2017 will be covered by the above-mentioned provision, but the 2019 return to be filed in 2020 will be subject to the change established in law 2010.

### New regulation

During 2020, due to the situations derived from the declaration by the National Government of the economic, social and ecological emergency, added to the declaration and extension of the sanitary emergency decreed by the Ministry of Health and Social Protection, several regulations with tax scope were issued that generate effects in the recognition of the economic facts by the company and in the determination of its tax burden.

A favorable aspect was the decrease in the value added tax from 19% to 5%, effective until December 31, 2021, for passenger air transportation, a situation that occurred through the issuance of Decree 575 of April 15, 2020. This reduction favors the execution of costs and expenses of the entity in the use of air transportation by employees. The validity of this measure was extended until December 31, 2022 by Law 2068 of 2020

Through Decree 789 of June 4, 2020, it was determined the exclusion of the value added tax to all hotel and tourism services in the country until December 31, 2020, this situation also generates benefits in the execution of costs and expenses in the cases in which the employees make use of the lodging service. This regulation will be in force until December 31, 2021 in accordance with Law 2068 of 2020.

Legislative Decree 799 of 2020 ordered the temporary suspension, until December 31, 2020, of the payment of the surcharge or special contribution in the electricity sector referred to in paragraph 2. of article 211 of the Tax Statute -ET- for tourism service providers with active and current registration in the National Tourism Registry and that develop as main economic activity one of those described by the regulation. Although this decision constitutes a relief in the costs of the hotel sector, it may generate an imbalance in the reconciliation of subsidies and contributions for the domiciliary public utilities companies, to the extent that these are contributions that are no longer collected. The validity of this rule was extended until December 31, 2021 according to Law 2068 of 2020.

On the other hand, a circumstance that favors the growth and massification in the use of non-conventional renewable energy sources, a business of high importance for the company, is the incorporation as exempt goods in Article 477 of the Tax Statute by Law 2069 of 2020, of components for electricity generation through solar panels..

Law 2069 of 2020 incorporates as a tax deduction and discount, in articles 158-1 and 256 of the Tax Statute, the donations made in favor of iNNpulsa Colombia by taxpayers.

Finally, Law 2070 of 2020 adds a subsection to Article 392 of the Tax Statute in order to establish a withholding tax rate of 4% for cultural and creative activities.

### **39.2 Effective rate Reconciliation**

Reconciliation between the applicable tax rate and the effective rate and the composition of income tax expense for the periods 2020 and 2019 is as follows:

Income tax and complementary	2020	%	2019	%
<b>Income before taxes</b>	2,813,463		3,311,270	
<b>Nominal income tax rate</b>		32%		33%
<b>Income tax nominal rate</b>	900,308		1,092,719	
Effects of changes in tax rates	-			0%
Effect of permanent tax differences:	<b>(505,688)</b>	<b>-18%</b>	<b>(340,691)</b>	<b>-10%</b>
Dividend income	113,576	4%	249,910	8%
Impairment of subsidiary investments	281,300	10%	0	
Tax-only income	118,304	4%	194,444	6%
Special deduction refund	37,307	1%	118,768	4%
Non-deductible provisions	37,566	1%	43,612	1%
Loss on asset	1,303	0%	28,082	1%
Equity method	(214,949)	-8%	(328,122)	-10%
Gain on bargain purchase	(433,025)	-15%	-	0%
Untaxed dividends	(140,063)	-5%	(147,548)	-4%
Compensation for consequential damages	(125,794)	-4%	(173,991)	-5%
Exempt income	(15,403)	-1%	(138,605)	-4%
Special deduction of real productive fixed assets	(184,580)	-7%	(196,923)	-6%
Net result of other permanent differences	18,769	1%	9,681	0%
Rate difference adjustment (current/different tax)	13,912	0%	-67,136	-2%
Tax deductions	(31,163)	-1%	(39,146)	-1%
Occasional Profits	2,487	0%	133	0%
Income adjustments from previous years	(106,308)	-4%	-406,444	-1%
<b>Income tax at effective rate</b>	<b>273,548</b>	<b>10%</b>	<b>605,235</b>	<b>-12%</b>
Detail of current and deferred expense				
Current tax	397,757	14%	600,557	18%
Deferred tax	(124,209)	-4%	4,678	0%
<b>Current tax</b>	<b>273,548</b>	<b>10%</b>	<b>600,557</b>	<b>18%</b>

Amounts stated in millions of Colombian pesos

The best indicator to measure the tax burden is the effective tax rate. This directly measures the total tax burden imposed by national regulations on companies, in proportion to the profits they make from their activities

In accordance with the above, to arrive from the tax calculated from the nominal rate, to the effective tax that will affect the profit or loss of the company, fiscal depositions are executed in conformity to the regulations in force and the result obtained is the tax to be paid by the Entity.

Thus, in the years 2020 and 2019 it can be observed in the amendment that there are several items that reduce the tax calculated at the nominal rate and that make the theoretical tax to be modified as a result of application of tax provisions.

### 39.3 Income tax recognized through profit or loss

The most significant components of income tax expense at the cut-off date are:

Income tax	2020	2019
<b>Current income tax</b>		
Expense ( revenue) due to current income taxes	535,228	680,347
Adjustments recognized in the current period related to current income tax of previous periods	(106,308)	(40,645)
Tax benefits from tax losses, tax credits or temporary differences utilized in the period	(31,163)	(39,145)
<b>Total current income tax</b>	<b>397,757</b>	<b>600,557</b>
<b>Deferred income tax</b>		
Net deferred tax expense ( revenue) due to deferred tax related to the origen and reversal of temporary differences	(12,347)	4,678
Reclassification of deferred tax from other comprehensive income to profit or loss for the period	(111,862)	-
<b>Total deferred tax</b>	<b>(124,209)</b>	<b>4,678</b>
<b>Income tax</b>	<b>273,548</b>	<b>605,235</b>

*Amounts stated in millions of Colombian pesos*

The rates used to determine deferred tax are:

Year	2021	2022	2023
Income	31%	30%	30%
<b>Total rate</b>	<b>31%</b>	<b>30%</b>	<b>30%</b>

#### 39.4 Income tax assets and liabilities

The value of the current income tax asset or liability is as follows:

Description	2020	2019
<b>Asset or liability for current income taxes</b>		
<b>Total asset current tax</b>	<b>118,757</b>	<b>56,027</b>
recoverable balance of income tax	118,757	56,027
<b>Total assets income tax</b>	<b>232,864</b>	<b>34,413</b>
Income tax credit balance	232,864	34,413
<b>Total assets (or liabilities) for income taxes</b>	<b>114,107</b>	<b>(21,614)</b>

*Amounts stated in millions of Colombian pesos*

#### 39.5 Income tax through other comprehensive income

The breakdown of the tax effect corresponding to each component of "other comprehensive income" in the separated statement of comprehensive income is as follows:

Other comprehensive income in the statement of comprehensive income	2020			2019		
	Gross	Tax effect	Net	Gross	Tax effect	Net
<b>Items that will not be reclassified subsequently to profit or loss for the period</b>						
Re-measurement of defined benefit plans	(17,431)	6,277	(11,154)	(35,969)	12,011	(23,958)
Equity investments measured at fair value through shareholders' equity	596,096	(1,837)	594,259	622,447	129,657	752,104
Participation in other comprehensive income of subsidiaries	160,798	1,722	162,520	(201,032)	11,823	(189,209)
<b>Items that can be reclassified subsequently to profit or loss for the period</b>						
Cash flow hedges	(24,071)	10,086	(13,985)	34,119	17,673	51,792
Participation in other comprehensive income of subsidiaries	240,499	866	241,365	(205,235)	1,317	(203,918)
<b>Total</b>	<b>955,891</b>	<b>17,113</b>	<b>973,004</b>	<b>214,330</b>	<b>172,481</b>	<b>386,811</b>

Amounts stated in millions of Colombian pesos

## 39.6 Deferred tax

The breakdown of deferred tax is as follows:

Deferred tax assets	2020	2019
Deferred tax assets	873,760	509,907
Deferred tax liability	2,733,270	2,512,071
<b>Total net deferred tax assets</b>	<b>(1,859,510)</b>	<b>(2,002,164)</b>

Amounts stated in millions of Colombian pesos

### 39.6.1 Deferred tax asset

Deferred tax assets	Initial balance 2019	Net changes included in profit or loss 2019	Changes included in ORI 2019	Final balance 2019	Net changes included in profit or loss 2020	Changes included in ORI 2020	Recognized directly to equity	Final balance 2020
<b>Assets</b>	<b>183,462</b>	<b>31,251</b>	<b>1,836</b>	<b>216,549</b>	<b>146,932</b>	<b>(1,837)</b>	<b>4,096</b>	<b>365,740</b>
Property, plant and equipment	40,560	(40,558)	-	2	(3,266)	-	3,266	2
Intangible property	7,119	(7,119)	-	-	(2)	-	2	-
Right of use assets	-	51,801	-	51,801	87,674	-	-	139,475
Investments and derivative instruments	-	-	1,836	1,836	75,635	(1,837)	-	75,634
Receivables	119,881	4,926	-	124,807	23,551	-	828	149,186
Cash and cash equivalents	-	-	-	-	1,231	-	-	1,231
Other assets	15,902	22,201	-	38,103	(37,891)	-	-	212
<b>Liabilities</b>	<b>473,514</b>	<b>(192,167)</b>	<b>12,011</b>	<b>293,358</b>	<b>191,970</b>	<b>21,477</b>	<b>1,215</b>	<b>508,020</b>
Loans and borrowings	212,677	(115,300)	-	97,377	7,344	-	-	104,721
Payables	-	6,031	-	6,031	17,929	-	404	24,364
Employee benefits	18,161	8,347	12,011	38,519	(4,089)	6,276	-	40,706
Derivatives	223	(223)	-	-	111,860	15,201	-	127,061
Provisions	158,032	(18,278)	-	139,754	53,330	-	-	193,084
Other liabilities	84,421	(72,744)	-	11,677	5,596	-	811	18,084
<b>Deferred tax assets</b>	<b>656,976</b>	<b>(160,916)</b>	<b>13,847</b>	<b>509,907</b>	<b>338,902</b>	<b>19,640</b>	<b>5,311</b>	<b>873,760</b>

Amounts stated in millions of Colombian pesos

### 39.6.2 Deferred tax liability

Deferred tax liabilities	Initial balance 2019	Net changes included in profit or loss 2019	Changes included in ORI 2019	Final balance 2019	Net changes included in profit or loss 2020	Changes included in ORI 2020	Recognized directly to equity	Final balance 2020
<b>Assets</b>	<b>2,682,532</b>	<b>(94,930)</b>	<b>(97,942)</b>	<b>2,489,660</b>	<b>197,334</b>	<b>5,115</b>	<b>974</b>	<b>2,693,083</b>
Property, plant and equipment	2,414,901	10,967	-	2,425,868	99,186	-	3	2,525,057
Intangible assets	23,943	5,459	-	29,402	9,069	-	50	38,521
Investment property	1,360	10,910	-	12,270	2,739	-	-	15,009
Right of use assets	-	-	-	-	54,988	-	-	54,988
Investments and derivative instruments	199,064	(87,113)	(97,942)	14,009	(98)	5,115	-	19,026
Receivables	33,301	(33,301)	-	-	34,337	-	921	35,258
Other assets	9,963	(1,852)	-	8,111	(2,887)	-	-	5,224
<b>Liabilities</b>	<b>131,272</b>	<b>(61,308)</b>	<b>(47,553)</b>	<b>22,411</b>	<b>17,359</b>	<b>-</b>	<b>417</b>	<b>40,187</b>
Loans and receivables	-	316	-	316	33,798	-	-	34,114
Payables	69,256	(50,011)	-	19,245	(13,589)	-	417	6,073
Employee benefits	4,287	(1,437)	-	2,850	(2,850)	-	-	-
Derivatives	57,729	(10,176)	(47,553)	-	-	-	-	-
<b>Deferred tax liabilities</b>	<b>2,813,804</b>	<b>(156,238)</b>	<b>(145,495)</b>	<b>2,512,071</b>	<b>214,693</b>	<b>5,115</b>	<b>1,391</b>	<b>2,733,270</b>
<b>Total deferred tax asset/liability</b>	<b>2,156,828</b>	<b>4,678</b>	<b>(159,342)</b>	<b>2,002,164</b>	<b>(124,209)</b>	<b>(14,525)</b>	<b>(3,920)</b>	<b>1,859,510</b>

Amounts stated in millions of Colombian pesos

### 39.6.3 Temporary differences

Temporary differences associated with investments in subsidiaries, associates and joint ventures, for which no deferred tax liabilities have been recognized, amount to \$5,832,720 (2019 \$4,661,434).

The greatest impacts on deferred tax are represented by property, plant and equipment, which presents significant differences in tax and accounting costs, basically originated in the recognition of the attributed cost, tax inflation adjustments and in the use of different useful lives and depreciation methods; in accounts receivable in relation to portfolio impairment due to the difference presented in the application of the accounting and tax standard and due to the effect of the implicit interest recognized in the accounting standard. The unrealized exchange difference on accounts receivable, is another representative item in temporary differences, a concept introduced by Law 1819/2016.

With respect to liabilities, the items that have the greatest impact on the calculation of deferred tax are: long-term employee benefits, accounting provisions and unrealized exchange differences on loans and accounts payable.

The temporary differences on which no deferred tax was generated included investments in subsidiaries, associates and joint ventures, in accordance with paragraph 39 of IAS 12, and items that do not have future tax consequences, such as tax liabilities and finance income generated on plan assets, for being exempt.

The approval of dividends after the presentation date and before the financial statements were authorized for publication, does not generate income tax consequences since it is an established policy for national subsidiaries to distribute only non-taxed profits and reserves. Tax effects that could be generated by dividends declared by the foreign subsidiaries, with the entry into force of Article 69 of Law 1943/2018, will be considered exempt income from capital in application of the Colombian Holding Companies (CHC) regime.

## Note 40. Information to be disclosed on related parties

EPM is a decentralized municipal entity, whose sole owner is the Municipality of Medellín. The capital with which it was constituted and operates, as well as its assets, is of a public nature. The Mayor of Medellín chairs EPM's Board of Directors.

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

The total value of the transactions performed by the company with its related parties during the corresponding period is presented below:

Transactions and balances with related parties	Income <sup>1</sup>	Costs/ expenses <sup>2</sup>	Amounts receivable <sup>3</sup>	Amounts payable <sup>4</sup>	Guarantees received
<b>Subsidiaries</b>					
2020	916,908	400,702	1,348,495	133,236	-
2019	566,511	406,004	1,230,790	89,002	-
<b>Associates</b>					
2020	75,033	38,448	2,132	7,498	-
2019	67,377	30,926	6,539	4,411	-
<b>Key management personnel from the company or its controller:</b>					
2020		9,807	1,068	2,784	288
2019		8,675	627	2,380	521
<b>Other related parties:</b>					
2020	84,253	87,076	23,646	8,992	-
2019	49,517	63,479	16,997	2,846	-

Amounts stated in millions of Colombian pesos

Transactions between EPM and its related parties are performed under conditions equivalent to those existing in transactions between independent parties, in terms of their purpose and conditions.

<sup>1</sup> The breakdown of income obtained from the company's related parties is as follows:

	Income	2020	2019
Subsidiaries	Sale of goods and rendering services	706,701	414,478
	Interests	168,562	116,775
	Professional fees	4,492	8,035
	Other	37,152	27,223
<b>Total Subsidiaries</b>		<b>916,907</b>	<b>566,511</b>
Associates	Sale of goods and rendering services	49,333	46,365
	Other	25,700	21,012
<b>Total Associates</b>		<b>75,033</b>	<b>67,377</b>
Other related parties	Sale of goods and rendering services	81,014	45,724
	Interests	1,526	-
	Professional fees	28	34
	Other	1,685	3,759
<b>Total Other related parties</b>		<b>84,253</b>	<b>49,517</b>

Amounts stated in millions of Colombian pesos

<sup>2</sup>The breakdown of costs and expenses incurred by the company with its related parties is as follows:

	Costs and expenses	2020	2019
Subsidiaries	Purchase of goods and services	396,188	402,964
	Interests	-	4
	Professional fees	753	753
	Other	3,761	2,283
<b>Total Subsidiaries</b>		<b>400,702</b>	<b>406,004</b>
Associates	Purchase of goods and services	36,013	28,861
	Professional fees	2,393	2,048
	Otros	42	17
<b>Total Associates</b>		<b>38,448</b>	<b>30,926</b>
Other related parties	Purchase of goods and services	39,365	41,741
	Interests	4	1
	Professional fees	242	1,143
	Other	47,465	20,594
<b>Total Other related parties</b>		<b>87,076</b>	<b>63,479</b>

Amounts stated in millions of Colombian pesos

<sup>3</sup>The breakdown of loans made by the company to its related parties is as follows:

	Granted Loans	Original currency	Term	Nominal interest rate	2020			2019		
					Nominal value	Amortized cost value	Total amount	Nominal value	Amortized cost value	Total amount
Hidroecológica del Teribe S.A. HET	Loan 1	USD	23 years	Libor 3M + 4.43	190,803	11,816	202,620	195,179	14,800	209,979
HIDROSUR	Loan 1	CLP	8,5 years	0.072	958,355	1,377	959,732	952,214	1,116	953,330
Aguas de Malambo	Loan 1	COP	1 year	IBR 6M + 3.47	1,000	20	1,020	-	-	-
	Loan 2	COP	1 year	IBR 6M + 3.47	402	4	406	-	-	-

Amounts stated in millions of Colombian pesos

<sup>4</sup>Transactions between the company and its related parties are performed under conditions equivalent to those existing in transactions between independent parties, in terms of their purpose and conditions.

#### Transactions and balances with government- related entities

The total financial surplus paid to the Municipality of Medellín as of December 2020 was \$1,488,319 (2019 \$1,289,652).

#### Compensation to the Board of Directors and key Personnel of the company:

The members of the Key management personnel of the company includes:

Description	2020	2019
Wages and other short-term employee benefits	9,073	6,936
Other long-term employee benefits	734	918
<b>Compensation to key management personnel</b>	<b>9,807</b>	<b>7,854</b>

Amounts stated in millions of Colombian pesos

Amounts disclosed are those recognized as Costs or Expenses during the period report for compensation to key management personnel.



## Note 41. Capital management

Capital of the company includes indebtedness through the Capital Market, Commercial Banks, Development Banks, Development Agencies and Multilateral Banks, at national and international level.

The company manages its capital in order to plan, manage and assess the attainment of financial resources in the national and international financial markets, for strategic investments, and investment projects, through different options that optimize costs, that guarantee the stability of adequate financial indicators and adequate credit rating, and minimize financial risk. For this, the following capital management policies and processes have been defined:

**Financing Management:** financing management comprises 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, striving to optimizing financing costs.

The company has not made any changes to its capital financing management objectives, policies and processes during the period ended as of 31 December 2020 and December 2019.

In order to face the changes in the economic conditions, the company implements proactive management mechanisms for its financing, enabling as far as it is feasible, different financing alternatives, so that at the time performance of any long-term credit operation is required, there will be access to the source that each time has availability of competitive market conditions at the necessary time.

Below are presented the values that the company manages as capital:

	2020	2019
Bonds and loans		9,648,197
Commercial bank loans	1,543,589	571,071
Multilateral bank loans	2,962,186	3,594,944
Development bank loans	1,534,291	985,814
Bonds and securities issued	12,606,757	392,585
<b>Total debt</b>	<b>18,646,823</b>	<b>15,192,611</b>

*Amounts stated in millions of Colombian pesos*

## Note 42. Financial risk management objectives and policies

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

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

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

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

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

The objective of the Integral Risk Management Department is to lead the definition and implementation of strategies for integral risk management, to achieve adequate protection and assurance of the assets, resources and interests of the EPM Group.

The Group's policy is to manage risks that affect its activity and environment, adopting the best practices and international standards of Integrated Risk Management (IRM), as a way of facilitating compliance with the purpose, strategy, objectives and business goals, both statutory and legal. It has an information system that facilitates integral risk management, guarantees the confidentiality, availability and reliability of the information and allows analysis and monitoring of risks and improvement plans. It has implemented an integral risk management system and deploys a methodology for the identification, analysis, assessment, control and monitoring of risks, among which are those associated with money laundering and financing of terrorism, which allows reducing vulnerability, and propose and implement effective mechanisms for the proper development of business, processes, projects and contracts. As valuation criteria there are tables for the evaluation of the consequences of the materialization of risks and probability tables, which are applicable to the different management levels defined in the methodological guide for integral risk management.

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

- The implementation strategy for integrated risk management.
- Changes in the internal and external context that imply adjusting the treatment of identified risks or that generate new risks.
- The variation of risks in terms of frequency, probability and consequence.
- The assessment criteria for the probability and consequence of the risks.
- The implementation and effectiveness of the treatment plans.

EPM manages financial risks associated with the different levels of management by identifying the risks within the market, liquidity and credit groupings that are classified as financial risks, quantifying their impact and implementing strategies to mitigate them.

## 42.1 Market risk

### 42.1.1 Pricing risk

Price risk is the risk that the fair value of the future cash flows of a financial instrument may fluctuate because of changes in market prices. The company has identified that the financial instruments affected by price risk include:

- Cash and cash equivalents
  - Fiduciary assignment
- Other financial assets:
  - Fixed income securities
  - Investments pledged as collateral

- Swaps

The methods and assumptions used in developing the sensitivity analysis consist of:

- For cash and cash equivalents, fixed income securities and investments pledged as collateral: the methodology used for measuring price risk is Value at Risk (VaR), which consists of quantifying the maximum loss that the portfolio could present in a month with a 95% reliability level. For the quantification of VaR, an own methodology defined within the EPM Group is used.

The sensitivity to market prices is detailed below:

	VaR COP diary*	VaR % COP
Investment portfolio	51,253	1.58%

*\*Amounts stated in millions of Colombian pesos*

- For swaps, the sensitivity analyses were performed under the assumption of maintaining constant the hedges contracted according to their indexation rates.

#### 42.1.2 Interest rate risk

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates. EPM has identified that financial instruments affected by interest rate risk include:

- Cash and cash equivalents
  - Fiduciary assignment
- Other financial assets:
  - Fixed income securities
  - Investments pledged as collateral
  - Swaps
- Loans and borrowings
- Trade and other receivables

Concentration of Interest Rate Risk materializes when there are large individual exposures and significant exposures to counterparties whose probability of default is determined by factors such as the economic sector, currency and credit ratings. Interest rate risk management seeks to preserve capital and maintain or increase profitability. EPM has defined policies on risk in interest rates through the identification of risks, the determination of the position of rates and the simulation of possible hedging strategies. This assist decision making, oriented to maintaining the position to hedge it, and later the results of the executed strategies are assessed.

#### Analysis of sensitivity to interest rates

The following table indicates the sensitivity to a possible reasonable change in the interest rates of financial instruments exposed to this risk, without considering the effect of hedge accounting. Keeping all other variables constant, the pre-tax income or loss and the equity of EPM would be affected by changes in variable interest rates as follows:

	Increase/decrease in basic points	Value Exposed	Financial effect	
			In earnings before taxes	In equity
<b>2020</b>				
<b>Financial assets measured at fair value through profit or loss</b>				
Investments at fair value with change in profit or loss	100	2,031,798	(5,234)	(4,187)
	(100)	2,031,798	5,234	4,187
<b>Financial assets measured at amortized cost</b>				
Receivables in foreign currency	100	202,620	2,026	1,621
	(100)	202,620	(2,026)	(1,621)
<b>Financial liabilities measured at amortized cost</b>				
Loans and borrowings	100	3,506,307	(35,063)	(28,050)
	(100)	3,506,307	35,063	28,050
<b>Financial liabilities measured at fair value with changes in other comprehensive income</b>				
Derivative instruments	100	213,715	(46,666)	(37,333)
	(100)	213,715	46,666	37,333
<b>2019</b>				
<b>Financial assets measured at fair value through profit or loss</b>				
Investments at fair value with change in profit or loss	100	814,769	(1,407)	(1,126)
	(100)	814,769	1,407	1,126
<b>Financial assets measured at amortized cost</b>				
Receivables in foreign currency	100	210,028	2,100	1,680
	(100)	210,028	(2,100)	(1,680)
<b>Financial liabilities measured at amortized cost</b>				
Loans and borrowings	100	4,332,069	(54,287)	(43,430)
	(100)	4,332,069	54,287	43,430
<b>Financial liabilities measured at fair value with changes in other comprehensive income</b>				
Derivative instruments	100	186,230	(6,451)	(5,160)
	(100)	186,230	6,451	5,160

Amounts stated in millions of Colombian pesos

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

### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

EPM has identified that financial instruments affected by foreign exchange risk include:

- Cash and cash equivalents
  - Fiduciary assignment
- Other financial assets:
  - Fixed income securities
  - Investments pledged as collateral
- Swaps
- Loans and borrowings
- Trade and other receivables
- Loans to economic associates

The exposure to foreign exchange rate risk relates, firstly, to financing activities in a currency other than the functional currency and to contracted hedging operations. The company manages its foreign exchange rate risk by means of hedging operations on a medium-term horizon. It is EPM's policy not to close speculative hedging transactions, so the terms of the hedging derivative instruments replicate the terms of the underlying in order to maximize the effectiveness of the hedge. EPM covers its exposure to exchange rate fluctuations by using different hedging instruments, among which are Swaps, Forwards and Options at different terms.

## Analysis of sensitivity to foreign exchange rates

The following table indicates the sensitivity to a possible reasonable change in foreign exchange rates for \$100 pesos in the currency against the U.S. dollar without considering the effect of hedge accounting. The impact is caused by the change in monetary and non-monetary assets. Holding all other variables constant, pre-tax income or loss and equity would be affected by changes in foreign exchange rates as follows:

	Increase/decrease in COP	Value Exposed	Financial effect	
			In earnings before taxes	In equity
<b>2020</b>				
<b>Financial assets measured at fair value through change in profit or loss</b>				
Other financial assets -Fixed income securities	100	2,002,066	58,327	46,662
	(100)	2,002,066	(58,327)	(46,662)
Cash and cash equivalents	100	127,813	3,724	2,979
	(100)	127,813	(3,724)	(2,979)
<b>Financial assets measured at amortized cost</b>				
Receivables in foreign currency	100	1,162,351	2,140	1,712
	(100)	1,162,351	(2,140)	(1,712)
<b>Financial liabilities measured at amortized cost</b>				
Loans and borrowings	100	9,510,531	(277,073)	(221,658)
	(100)	9,510,531	277,073	221,658
<b>Financial liabilities measured at fair value with change in other comprehensive income</b>				
Derivative instruments	100	4,827,351	140,637	112,509
	(100)	4,827,351	(140,637)	(112,509)
<b>2019</b>				
<b>Financial assets measured at fair value through change in profit or loss</b>				
Other financial assets -Fixed income securities	100	497,866	1,176	941
	(100)	497,866	(1,176)	(941)
Cash and cash equivalents	100	38,550	15,192	12,154
	(100)	38,550	(15,192)	(12,154)
<b>Financial assets measured at amortized cost</b>				
Receivables in foreign currency	100	1,234,058	2,477	1,981
	(100)	1,234,058	(2,477)	(1,981)
<b>Financial liabilities measured at amortized cost</b>				
Loans and borrowings	100	6,875,899	(228,458)	(182,766)
	(100)	6,875,899	228,458	182,766
<b>Financial liabilities measured at fair value with change in other comprehensive income</b>				
Derivative instruments	100	277,078	8,455	6,764
	(100)	277,078	(8,455)	(6,764)

Amounts stated in millions of Colombian pesos

The company considers that the sensitivity analysis is representative in respect to the exposure of the foreign Exchange Risk.

## 42.2 Credit Risk

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

- Cash and cash equivalents
- Other financial assets:
  - Fixed income securities
  - Investments pledged as collateral
- Swaps
- Trade and other receivables

Credit Risk Management by type of financial instrument is detailed below:

- **Cash and cash equivalents, fixed income securities and investments pledged as collateral:** For credit risk management in EPM, quotas are assigned per issuer, per counterparty and intermediary, taking into account the financial, risk and fundamental analysis of the entities, emphasizing shareholder support. The methodology considers the characteristics of the investment portfolio and applicable regulations. Credit risk concentration is limited since it obeys the provisions of the business rules manual for treasury operations. The description of the factors that define risk concentration is as follows:

- Quotas are updated quarterly based on the latest available financial statements of the entities analyzed.
- When the value of the consolidated portfolio of temporary investments exceeds the equivalent of 10,000 minimum wages (SMMLV), no more than 20% of this value must be concentrated in the same issuer, counterparty or intermediary, with the exception of securities issued by governments that comply with current regulations.
- Securities market intermediaries, other than supervised banking establishments, may act as counterparties for transactions but cannot be considered as eligible issuers.
- Brokerage firms acting as counterparties to treasury operations must have at least the second risk rating in strength or quality of portfolio management.
- Stockbrokerage companies backed by banks, i.e. banked counterparties, must have a minimum net worth of 30,000 minimum wages (SMLMV).

Finally, efforts to avoid the concentration of risk are aimed at establishing, analyzing, monitoring and controlling quotas, for which purpose the current quotas and their occupation status are controlled. Justifications related to the need to temporarily exceed the quotas are submitted for approval.

Investments referred to are constituted with banking establishments that have the following risk rating, according to the term of the investment:

- For investments with a term equal to or less than one (1) year, the banking establishment must have a current rating corresponding to the maximum category for the short term in accordance with the rating scheme used by the rating companies that grant it and must have at least the second best current rating for the long term used by the respective companies;
- For investments with a term greater than one (1) year, the banking establishment must have the maximum rating in force for the long term according to the rating scheme used by the rating companies and the maximum rating for the short term according to the scale used for this term.

**Swaps:** EPM is exposed to the risk that a counterparty will not recognize the right and to mitigate this risk, the level of risk of each of the entities with which it intends to execute a transaction is assessed beforehand.

**Trade and other receivables:** EPM is exposed to the risk that users of residential public utilities may default on payment for such services. Receivables from public sector debtors are classified into two major groups: those arising from arrears in payment and the other group relates to financing or payment agreements with customers as a portfolio recovery strategy or for the linking of new customers.

EPM evaluates at the end of each period the behavior and value of receivables to determine if there is objective evidence that the portfolio is impaired and to identify its possible impact on future cash flows. The criteria used to determine objective evidence of an impairment loss are:

- Evidences default in a customers' payment for two (2) or more accounts.
- It is known or there is evidence of the customer entering processes of corporate restructuring or in insolvency or liquidation.

- The rise of social turmoil, be it of public order or natural disasters, which according to experience are directly correlated with default of accounts.

In order to avoid excessive concentration of risk, EPM has developed and implemented various strategies to mitigate the risk of default in the portfolio, including:

- Persuasive collection by making phone calls and sending letters to customers with the support of specialized collection agencies.
- Segmentation of customers to identify those of greater risk, due to their value, to carry out personalized collection activities with them.
- Possibility of making payment agreements or partial payments that lead to the recovery of the exposed capital.
- Offsetting of receivables against payables for EPM with customer-suppliers.
- When the above strategies do not generate satisfactory results, coercive collection actions are taken by suspending and disconnecting the service.
- If the above strategies do not produce satisfactory results, the portfolio is collected through legal proceedings.

Similarly, we seek expansion of the product portfolio to customers in a way that facilitates debt repayment, e.g. prepaid energy and water.

As mentioned above, EPM makes payment or financing agreements, which are executed as a portfolio recovery strategy or for the acquiring of new customers. These agreements give right to fixed or determinable payments and are included in current assets, except for those with a maturity of more than 12 months from the date of generation of the balance, in which case they are classified in non-current assets.

In general terms, to guarantee debt settlement of customers, blank promissory notes with letters of instruction are constituted, and when the value of the financing exceeds pre-established amounts in the internal regulations, real or bank guarantees are requested, and in cases where the customer is a state entity, resources are pledged which EPM, by prior agreement, collects from the customer.

For credit risk management of accounts receivable in its different stages (risk cycle), methodologies, procedures, guidelines, and business rules are incorporated, complying with commercial and financial policies, in order to achieve an integral and sustainable vision of customers.

In order to leverage the stages of the credit risk cycle, there are different statistical methodologies that allow obtaining an estimate of future payment behavior of the accounts. These methodologies are described below:

- **CREDIT SCORING**

Allows to obtain the risk profile of a customer from its payment behavior and own characteristics, which helps in the segmentation of the population, suggesting the optimal candidates for offers of assignment of basic services and/or added value.

- **APPROVAL SCORING FOR VALUE-ADDED PRODUCTS**

Profiles customers who apply for value-added credit, assigns a level of risk to the applicants and according to established business rules contributes to making the final decision of approval or denial.

- **PORTFOLIO CLASSIFICATION MODEL**

Assigns the probability of short-term (2 months) default of subscribed services, in order to design collection prioritization strategies.

- **MODEL FOR CALCULATING EXPECTED LOSS**

Allows finding the probability that the subscribed services may go into default within 12 months, which is used to calculate the expected loss of the accounts.

The company considers that the value that best represents its exposure to credit risk at the end of the period, without considering any collateral taken or other credit enhancements is:

Description	2020	2019
Cash and cash equivalents	864,631	879,024
Investments in debt instruments	1,995,427	545,481
Investments in equity instruments	2,518,382	1,922,285
Receivables	(371,427)	(307,551)
Other receivables	(60,451)	(58,756)
<b>Maximum exposure to credit risk</b>	<b>4,946,562</b>	<b>2,980,483</b>

Amounts stated in millions of Colombian pesos

### 42.3 Liquidity Risk

Refers to the possibility of insufficient resources for the timely payment of operations and commitments of the entity, and thus EPM would be forced to obtain liquidity in the market or to liquidate investments in an onerous manner. It is also understood as the possibility of not finding buyers for offered bonds.

EPM has identified that the financial instruments affected by liquidity risk include:

- Cash and cash equivalents
- Other financial assets:
  - Fixed income securities
  - Investments pledged as collateral
- Swaps
- Trade and other debtors

To control liquidity risk, time comparisons of figures, benchmarks and liquidity levels are made over different time horizons. From this analysis, investment strategies that do not affect the liquidity of the Companies are developed, considering the cash budget and market risk analyses to assess the diversification of the sources of funds, the capacity to sell assets and the creation of contingency plans.

Generally, the main aspects considered in the analysis are:

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



The following table shows the remaining contractual maturity analysis for non-derivative financial assets and liabilities:

	Average effective interest rate	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	More than 4 years	Total contractual obligation
<b>2020</b>							
Non-derivative financial liabilities with variable interest rate	4.40%	1,051,434	909,154	565,409	480,441	2,897,040	5,903,479
Non-derivative financial liabilities with fixed interest rate	6.47%	339,585	208,763	399,058	1,174,508	10,522,734	12,644,647
Non-derivative financial assets	2.77%	2,055,439	8,000		8,500		2,071,939
Non-derivative financial assets - Portfolio	6.51%	280,850	512,543	253,152	230,468	888,843	2,165,856
<b>Total</b>		<b>3,727,308</b>	<b>1,638,460</b>	<b>1,217,620</b>	<b>1,893,917</b>	<b>14,308,617</b>	<b>22,785,921</b>
<b>2019</b>							
Non-derivative financial liabilities with variable interest rate	6.55%	329,759	99,445	923,466	574,383	3,539,931	5,466,984
Non-derivative financial liabilities with fixed interest rate	6.73%	177,325	308,147	177,325	367,620	8,631,037	9,661,454
Non-derivative financial assets	4.8%	813,053	1,250	8,000		6,100	828,403
Non-derivative financial assets - Portfolio	7.62%	96,563	200,568	257,323	258,691	1,592,506	2,405,651
<b>Total</b>		<b>1,416,700</b>	<b>609,409</b>	<b>1,366,114</b>	<b>1,200,695</b>	<b>13,769,574</b>	<b>18,362,492</b>

Amounts stated in millions of Colombian pesos

Values included in the above tables for non-derivative financial assets and liabilities may change because of fluctuations in the variable interest rate relative to the estimated interest rate at the end of the reporting period. The Company believes that cash flows may not occur earlier than indicated above.

The following table shows the analysis of contractual maturity of remaining derivative financial liabilities:

	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	More than 4 years	Total contractual obligation
<b>2020</b>						
Swap contracts	157,138	61,100	90,966	91,581	766,656	1,167,440
<b>Total</b>	<b>157,138</b>	<b>61,100</b>	<b>90,966</b>	<b>91,581</b>	<b>766,656</b>	<b>1,167,440</b>
<b>2019</b>						
Swap contracts	(13,699)	(14,592)	(17,561)	-	-	(45,853)
<b>Total</b>	<b>(13,698)</b>	<b>(14,592)</b>	<b>(17,561)</b>	<b>-</b>	<b>-</b>	<b>(45,852)</b>

Amounts stated in millions of Colombian pesos

The main method for measuring and monitoring liquidity is cash flow forecasting which is carried out in EPM and consolidated in the cash budget. As a result, its cash position is monitored daily and projections are made on an ongoing basis in order to:

- Monitor liquidity needs related to operating and investing activities associated with the acquisition and disposal of long-term assets.
- Pay, pre-pay, refinance and/or obtain new loans, according to cash flow generation capacity in EPM.

These projections consider EPM's debt financing plans, compliance with ratios, compliance with organizational objectives and applicable regulations.

## Note 43. 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 assessment techniques based on whether the variables used in the determination of the fair value are observable or not. The company determines the fair value on a recurring and non-recurring basis, as well as for disclosure purposes:

- Based on prices quoted in assets or liabilities markets identical to those the company can access on the measurement date (level 1).
- Based on inputs applied on valuation methodologies commonly used by market participants, which are different from observable quoted prices for assets or liabilities, directly or indirectly (level 2).
- Based on internal valuation techniques of cash flow discounts or other valuation models, using variables estimated by the company that are non-observable for the asset or liability, in the absence of variables observed in the market (level 3).

During 2020 in EPM no transfers have been made between the fair value hierarchy levels, either for transfers in or out of the levels.

### Assessment techniques and variables used in the company for measurement of fair value for recognition and disclosure:

**Cash and cash equivalents:** include cash and banks and highly liquid investments, easily convertible into a specified amount of cash and subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition. EPM uses the market approach as a valuation technique for this item, these items are classified in Level 1 of the fair value hierarchy.

**Fair value investments through profit or loss and through equity:** includes investments made to optimize surplus liquidity, i.e. all those resources that are not immediately allocated to the development of the activities that constitute the corporate purpose of the companies. EPM uses the market approach as a valuation technique, these items are classified in level 1 of the fair value hierarchy.

**Equity investments:** corresponds to the resources placed in participative securities of national entities, represented in shares or parts of social interests. The methodologies used are: the market price for those listed on the stock exchange (level 1) and the discount cash flows for the rest (level 3).

**Fiduciary rights:** corresponds to the rights originated for the celebration of trust contracts. EPM uses the market approach as a valuation technique, these items are classified at level 1.

**Derivative instruments - Swaps:** EPM uses derivative financial instruments such as forward contracts, futures contracts, swaps and options to hedge various financial risks, primarily interest rate, foreign exchange and

commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. EPM uses as a valuation technique for swaps the discounted cash flow, in an income approach. The variables used are: Interest rate swap curve for dollar-denominated rates, to discount dollar flows; and external interest rate swap curve for Colombian peso-denominated rates, to discount flows in Colombian pesos. These items are classified in level 2 of the fair value hierarchy.

Additionally, for the put option of the climate derivative, the Monte Carlo method is used as a valuation technique, which simulates the non-financial variable (rainfall measured at two meteorological stations that are located in the basins of two of the most important rivers in the EPM's area of influence: Río Abajo and Riogrande I) in a series of situations or possible scenarios for a specific event, including the limits and the present value of the flows defined in the contract. This item is classified in Level 3 of the fair value hierarchy because the variables used are no obtained from observable data in the market.

**Accounts receivables:** include the account receivable originated in the business combination by the acquisition of the subsidiary Empresas Públicas de Rionegro, for its valuation is considered the discounted payment flow applying the weekly deposit rates for certificates of deposits at 360 days published by the Bank of the Republic; and the account receivable associated with the supply contract for liquid fuel (ACPM).

**Investment properties:** Are properties (lands or buildings, considered as a whole, a part or both) that are held to earn incomes, capital appreciation, or both; instead of:

- Be used in the production or supply of goods or services, or for administrative purposes; and
- held for sale in the ordinary course of business

EPM uses two valuation techniques for these items. Within the market approach, is used the comparative or market method, which consists in deduce of the price by comparison of transactions or appraisal of similar or comparable properties the adjustments for time, conformation, and location. Within the cost approach, is used the residual method, that is applied only to buildings and is based on the determination of the construction cost, less depreciation and state of conservation. Both items are classified in level 3 of the fair value hierarchy.

**Contingent considerations:** originated in the business combination by the acquisition of the subsidiaries Espíritu Santo Energy S. de R.L. and Empresas Varias de Medellín S.A E.S.P. - EMVARIAS, for its valuation is considered the discounted payment flow applying the discount rates: Libor and TES, respectively. These items are classified in level 3 of the fair value hierarchy.

**Other payables:** corresponds to the premium payable of the climate derivative whose valuation technique is the average of the expected future flows, discounted at a risk-free rate plus a spread that contemplates the possibility of default (own credit risk). This item is classified in Level 3 of the fair value hierarchy because the variables used are no obtained from observable data in the market.

The following tables shows for each level of the fair value hierarchy, the company's assets and liabilities measured at fair value on a recurring basis, as of 2020 and 2019:

2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents	157,155	-	-	157,155
<b>Total marketable or designated at fair value (See Note 18)</b>	<b>157,155</b>	<b>-</b>	<b>-</b>	<b>157,155</b>
<b>Fixed-income securities</b>				
Fixed-income securities	1,994,631	-	-	1,994,631
Variable-income securities	119,210	-	-	119,210
Investments pledged as collateral or pledged as security	796	-	-	796
<b>Total other investments at fair value (See Note 13)</b>	<b>2,114,637</b>	<b>-</b>	<b>-</b>	<b>2,114,637</b>
<b>Variable income securities other equity investments</b>				
Variable income securities other equity investments	2,511,649	-	6,733	2,518,382
<b>Total other equity investments (See Note 13)</b>	<b>2,511,649</b>	<b>-</b>	<b>6,733</b>	<b>2,518,382</b>
<b>Trust rights in administration</b>				
Trust rights in administration	423,102	-	-	423,102
<b>Total fiduciary rights (See Note 13)</b>	<b>423,102</b>	<b>-</b>	<b>-</b>	<b>423,102</b>
<b>Swaps</b>				
Swaps	-	62,374	-	62,374
Options	-	-	128,204	128,204
<b>Total derivatives (See Note 13)</b>	<b>-</b>	<b>62,374</b>	<b>128,204</b>	<b>190,578</b>
<b>Other accounts receivable - Business combination</b>				
Other accounts receivable - Business combination	-	-	23,237	23,237
<b>Total receivables (See Note 12)</b>	<b>-</b>	<b>-</b>	<b>23,237</b>	<b>23,237</b>
<b>Investment properties Urban and rural land</b>				
Investment properties Urban and rural land	-	-	116,532	116,532
Investment properties Buildings and houses	-	-	35,833	35,833
<b>Total investment properties (See Note 6)</b>	<b>-</b>	<b>-</b>	<b>152,365</b>	<b>152,365</b>
<b>Liabilities</b>				
<b>Swaps</b>				
Swaps	-	416,595	-	416,595
<b>Total derivative liabilities (See Note 23)</b>	<b>-</b>	<b>416,595</b>	<b>-</b>	<b>416,595</b>
<b>Provisions - business combinations</b>				
Provisions - business combinations	-	-	155,378	155,378
<b>Total contingent consideration (See Note 27)</b>	<b>-</b>	<b>-</b>	<b>155,378</b>	<b>155,378</b>
<b>Other payables</b>				
Other payables	-	-	120,428	120,428
<b>Total Other payables (See Note 23)</b>	<b>-</b>	<b>-</b>	<b>120,428</b>	<b>120,428</b>
<b>Total fair value on a recurring basis</b>	<b>5,206,543</b>	<b>(354,221)</b>	<b>34,733</b>	<b>4,887,055</b>
<i>Amounts stated in millions of Colombian pesos</i>	<b>107%</b>	<b>-7%</b>	<b>1%</b>	

2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents	488,548	-	-	488,548
<b>Total marketable or designated at fair value (See Note 13)</b>	<b>488,548</b>	-	-	<b>488,548</b>
<b>Fixed-income securities</b>				
Fixed-income securities	539,511	-	-	539,511
Variable-income securities	98,348	-	-	98,348
Investments pledged as collateral or pledged as security	5,970	-	-	5,970
<b>Total other investments at fair value (See Note 13)</b>	<b>643,829</b>	-	-	<b>643,829</b>
<b>Variable income securities other equity investments</b>				
Variable income securities other equity investments	1,915,552	-	6,733	1,922,285
<b>Total other equity investments (See Note 13)</b>	<b>1,915,552</b>	-	<b>6,733</b>	<b>1,922,285</b>
<b>Trust rights in administration</b>				
Trust rights in administration	404,365	-	-	404,365
<b>Total fiduciary rights (See Note 13)</b>	<b>404,365</b>	-	-	<b>404,365</b>
<b>Swaps</b>				
Swaps	-	45,062	-	45,062
<b>Total derivative liabilities (See Note 13)</b>	-	<b>45,062</b>	-	<b>45,062</b>
<b>Investment properties Urban and rural land</b>				
Investment properties Urban and rural land	-	-	110,116	110,116
Investment properties Buildings and houses	-	-	16,706	16,706
<b>Total investment properties (See Note 6)</b>	-	-	<b>126,822</b>	<b>126,822</b>
<b>Liabilities</b>				
Provisions - business combinations	-	-	133,346	133,346
<b>Total contingent consideration (See Note 27)</b>	-	-	<b>133,346</b>	<b>133,346</b>
<b>Total fair value on a recurring basis</b>	<b>3,452,294</b>	<b>45,062</b>	<b>209</b>	<b>3,497,565</b>
<i>Amounts stated in millions of Colombian pesos</i>	71%	1%	0%	

Recorded value and estimated fair value of the company's assets and liabilities that are not recognized at fair value in the separate statement of financial position, but require disclosure at fair value, as of 31 December 2020 and 2019 are as follows:

Description	2020			2019	
	Recorded value	Estimate fair value		Estimate fair value	
		Level 2	Total	Level 2	Total
<b>Assets</b>					
Public utilities accounts receivable	1,829,032	1,821,665	1,821,665	1,753,485	1,753,485
Employee loans	121,480	126,283	126,283	125,990	125,990
Associates	1,163,777	1,163,777	1,163,777	1,163,309	1,163,309
Other receivables	784,642	786,498	786,498	704,482	704,482
<b>Total assets</b>	<b>3,898,931</b>	<b>3,898,223</b>	<b>3,898,223</b>	<b>3,747,266</b>	<b>3,747,266</b>
<b>Liabilities</b>					
Other issued bonds and securities				9,648,197	9,648,197
Commercial bank loans	1,543,589	1,543,589	1,543,589	571,071	571,071
Multilateral bank loans	2,962,186	2,962,186	2,962,186	3,594,944	3,594,944
Development bank loans	1,534,291	1,534,291	1,534,291	985,814	985,814
Issued bonds and securities	12,606,757	13,693,376	13,693,376	392,585	392,585
<b>Total liabilities</b>	<b>18,646,823</b>	<b>19,733,442</b>	<b>19,733,442</b>	<b>15,192,611</b>	<b>15,192,611</b>
<b>Total</b>	<b>(14,747,892)</b>	<b>(15,835,219)</b>	<b>(15,835,219)</b>	<b>(11,445,345)</b>	<b>(11,445,345)</b>
<i>Amounts stated in millions of Colombian pesos</i>		100%		100%	

As of 31 December 2020, and 2019, there were no items in levels 1 and 3.

## Note 44. Service concession arrangements

At 31 December 2020, the company manages as operator various concessions that contain provisions for the construction, operation and maintenance of facilities, as well as the provision of public services such as water supply and wastewater collection and treatment, in accordance with applicable regulations.

The remaining period of the concessions where the company acts as an operator is detailed below:

Entity/agreement	Contract No.	Signing day	Activity	Country	Concession period	Initial remaining period
Empresas públicas de Medellín - Municipio de Caldas	1401288	No date	The Municipality undertakes to put layout and facilitate the use of the networks and other infrastructure for the provision of water and sewage.	Colombia	30 years (extendable)	8 years
Empresas públicas de Medellín - Municipio de Sabaneta	1/DJ/-7885/19	03/10/1984	The Municipality undertakes to put layout and facilitate the use of the networks and other infrastructure for the provision of water and sewage.	Colombia	10 years (extendable)	4 years
Empresas públicas de Medellín - Municipio de La Estrella	1/DJ/-7835/17	10/09/1984	Execution of works and provision of water supply services drinking water and sewerage.	Colombia	10 years (extendable)	4 years
Empresas públicas de Medellín - Municipio de Envigado	1/DJ/-5941/30 1/DJ/-7982/5	03/08/1977 27/02/1985	Provision of water and sewerage and construction of works for the provision of water and sewage services	Colombia	10 years (extendable)	7 years
Empresas públicas de Medellín - Municipio de Itagüí	1/DJ/-6199/10 2/DJ/-1190/33 1/DJ/-2079/58 2801799	06/09/1978 10/10/1994 04/07/1996 02/09/1998	Construction of the aqueduct networks and sewers for the provision of service to the assigned neighborhoods. Construction of collector parallel to the La Justa stream and sewage system on 36th Street at the height of Ditaires Park. Construction of the collector parallel to the coverage of La Muñoz creek. Handing over of hydraulic structures to provide the sewage service in the municipality and provide sanitation to the Medellín River.	Colombia	30 years (extendable)	27 years
Empresas públicas de Medellín - Municipio de Bello	1/DJ/-6208/11	05/09/1978	Execution of works and provision of water and sewage services.	Colombia	10 years (extendable)	3 years
Empresas públicas de Medellín - Municipio de Copacabana	1/DJ-9994/9	31/10/1990	Execution of works for the drinking water supply, sewerage and provision of such services.	Colombia	20 years (extendable)	10 years
Empresas públicas de Medellín - Municipio de Girardota	1/JD-591/2	12/04/1993	Provision of water service and sewerage.	Colombia	20 years (extendable)	12 years
Empresas públicas de Medellín - Municipio de Barbosa	1401287	02/10/1997	The Municipality undertakes to put layout and facilitate the use of the networks and other infrastructure for the provision of water and sewerage.	Colombia	30 years (extendable)	7 years

As of the cut-off date, no income and costs incurred for construction services have been recognized in exchange for a financial asset or an intangible asset.

### Service concession arrangements

The concession arrangements between EPM and the municipalities establish the conditions under which the water and sewerage networks are managed, operated, and maintained to provide drinking water and wastewater treatment services to their inhabitants, under the terms, conditions, and rates established by the Commission for the Regulation of Drinking Water and Basic Sanitation (CRA).

The user is charged via tariffs according to the intervention of replacement, expansion or interventions in the networks with the execution of the projects under construction (Construction in progress). Following the parameters and conditions established by the C.R.A (Water Regulation Commission).

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

- The right to receive from the municipality the totality of the water and sewage networks and to have exclusivity as system operator.
- Obligation to make exclusive use of the water and sewage networks for the purposes for which they are intended, maintain and return them under the use conditions in which they were received.
- Some concession agreements have the option to be renewed automatically for equal periods unless one of the parties expresses the intention not to continue.
- The concession agreements do not establish the obligation of construction of property, plant and equipment elements.

Upon termination of the concession, EPM must return the water and sewage networks without any consideration to the municipalities. No changes have occurred in the terms of the concession agreements during the period.

The intangible asset model applies to these arrangements. See Note 7 Goodwill and other intangible assets.

## Note 45. Facts occurred after the period being reported

### Environmental sanction of the National Environmental Licensing Authority (ANLA) to the Ituango Hydroelectric Project:

At 15 January 2021, the ANLA issued the Resolution 172 that confirms the decision adopted in the first article of the Resolution 2854 of December 30, 2019, for which it is imposed an environmental sanction of \$ 5.510 and other determinations are made, in facts or omissions occurred within framework of the development of the project "Construction, filling and operation of the Pescadero - Ituango hydroelectric project". This sanction does not represent an adjustment to the figures of the financial statements as of December 31, 2020, because it was recognized for the same amount as a provision liability.

**Direct repair Ríos Vivos Movement Colombia:**

Through a request for direct reparation, 632 individualized persons, who belong to the Movement Ríos Vivos seeks a prior declaration of responsibility for the alleged violation of rights environmental, cultural, social and human, as well as against the impact of the solidarity economy and living conditions of the population on the occasion of the Ituango Hydroelectric project and the contingency that was presented in the same, in addition to the assumption by all the defendant entities of measures satisfaction in favor of the affected communities, all damages are recognized and paid patrimonial and extra-patrimonial caused to each of the summons (plaintiffs). The amount of the claims amount to \$705,854.

After the date of presentation of the separate financial statements and before the date of authorization of their publication, no other relevant facts were presented that would imply adjustments to the figures.