



# **Consolidated Statements of Financial Position**

# STATUTORY AUDITOR'S REPORT

**To the shareholders of  
Grupo Energía Bogotá S.A. E.S.P.:  
AND ITS SUBSIDIARIES,**

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

I have audited the attached consolidated financial statements of GRUPO ENERGÍA BOGOTÁ S.A. E.S.P. AND ITS SUBSIDIARIES, which comprise the statement of financial position at December 31, 2018, the statements of income and other comprehensive income, of changes in net equity and of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and adequate presentation of these financial statements in accordance with Colombia's Generally Accepted Accounting and Financial Reporting Standards, and for the internal control that management considers appropriate for the preparation and adequate presentation of financial statements that are free from material misstatements, either due to fraud or error; for selecting appropriate accounting policies and for making accounting estimates that are reasonable under the circumstances.

I believe the audit evidence I have obtained provides a reasonable basis to issue my opinion, except for what I will mention in the following paragraph.

### **Statutory Auditor's Responsibility**

My responsibility is to issue an opinion on said consolidated financial statements based on my audit. I have performed the audit in accordance with the International Standards on Auditing

accepted in Colombia. Such standards require me to fulfill certain ethical requirements and to plan and perform my audit in order to obtain reasonable assurance as to whether the financial statements are free from material misstatements. An audit consists in performing procedures to obtain audit evidence on the amounts and disclosures of the financial statements. The selected procedures depend on the professional judgment of the auditor, including the auditor's assessment of the risk of material misstatements in the financial statements. In assessing such risk, the auditor takes into consideration the Company's internal controls that are relevant for the preparation and reasonable presentation of the financial statements, in order to design audit procedures that are appropriate under the circumstances. An audit also includes an assessment of the accounting policies used and the significant accounting estimations made by management, as well as an assessment of the overall presentation of the consolidated financial statements.

### **Basis for Qualifying my Opinion**

At December 31, 2018, GRUPO ENERGÍA BOGOTÁ S.A. E.S.P. holds investments in joint ventures through its affiliate, GEBBRAS Participações Ltda., for COP 589,861 million, which is equivalent to 2% of the Group's total assets. Their main businesses are energy transmission concessions, which are accounted for using the equity method, as indicated in Note 15 to the attached financial statements.

Starting on January 1, 2018, said concessions adopted IFRS 15 (contract asset) as their accounting policy, replacing IFRIC 12 (financial asset). This accounting change, required by currently effective Accounting Standards, gave rise to a revision of the implicit interest rates of the contract assets, which replaced the internal rates of return used for the financial assets under IFRIC 12. The audit procedures performed to date at the affiliate were insufficient in order to establish whether the implicit interest rates adopted by management reflect market conditions on the start date of the joint ventures' transmission concession periods.

### **Opinion**

In my opinion, except for the matter described in the above paragraph, the attached consolidated financial statements, taken from the accounting books, reasonably present, for all material effects, the financial position of GRUPO ENERGÍA BOGOTÁ S.A. E.S.P. AND ITS SUBSIDIARIES at December 31, 2018, the results of its operations and the cash flows for the year then ended, in accordance with Colombia's Generally Accepted Accounting and Financial Reporting Standards.

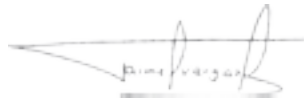
### **Other Matters of Emphasis**

The attached separate financial statements were prepared in order to comply with legal requirements on statutory information the Company is subject to as an independent legal entity and, consequently, they do not include the adjustments or eliminations required for the presentation of the consolidated financial position and results of the

Company and its subsidiaries. These separate financial statements must be read together with the consolidated financial statements of GRUPO ENERGÍA BOGOTÁ S.A. E.S.P. and its subsidiaries.

**Other Matters**

The financial statements at December 31, 2017 are included solely for comparative purposes; they were audited by me and on February 15, 2018, I issued a clean opinion on them.

A handwritten signature in black ink, appearing to read 'Jaime Vargas', written over a horizontal line.

**JAIME ALBERTO VARGAS ZAMBRANO**

Statutory Auditor

Professional License 81.100-T

Designated by Deloitte & Touche Ltda.

February 22, 2019

Grupo Energía Bogotá S.A. E.S.P. and its subsidiaries

**Consolidated statements of financial position at December 31, 2018 and 2017**

(In millions of Colombian pesos)

<b>Assets</b>	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 7)	1,128,112	1,569,021
Investments (Note 8)	28,198	145,540
Accounts receivable (Note 9)	769,660	543,917
Accounts receivable from related parties (Note 35)	242,360	152,642
Tax assets (Note 10)	80,859	180,873
Inventories (Note 11)	160,581	175,416
Assets available for sale (Note 12)	722,633	550,941
Other assets (Note 13)	25,312	27,261
<b>Total current assets</b>	<b>3,157,715</b>	<b>3,345,611</b>
<b>NON-CURRENT ASSETS:</b>		
Investments in associates and joint ventures (Note 15)	7,184,261	6,951,662
Property, plant and equipment (Note 16)	10,158,128	9,018,704
Investment properties (Note 17)	29,781	210,796
Investments (Note 8)	12,385	14,061
Accounts receivable (Note 9)	149,523	226,033
Goodwill (Note 18)	84,618	50,171
Intangible assets (Note 19)	4,308,278	3,744,080
Tax assets (Note 10)	109,246	105,820
Deferred tax assets (Note 25)	67,576	97,225
Other assets (Note 13)	19,334	24,238
<b>Total non-current assets</b>	<b>22,123,130</b>	<b>20,442,790</b>
<b>Total assets</b>	<b>25,280,845</b>	<b>23,788,401</b>

Liabilities and equity	December 31	
	2018	2017
<b>CURRENT LIABILITIES:</b>		
Financial debt (Note 20)	1,543,977	153,611
Accounts payable (Note 21)	475,955	431,668
Accounts payable to related parties (Note 35)	7	5,604
Employee benefit provisions (Note 22)	93,803	79,624
Other provisions (Note 23)	39,443	141,821
Tax liabilities (Note 24)	47,938	179,047
Other liabilities (Note 26)	205,892	193,363
<b>Total current liabilities</b>	<b>2,407,015</b>	<b>1,184,738</b>
<b>NON-CURRENT LIABILITIES:</b>		
Financial debt (Note 20)	8,081,825	8,730,150
Tax liabilities (Note 24)	1,164	780
Employee benefit provisions (Note 22)	148,006	169,514
Other provisions (Note 23)	229,471	260,918
Deferred tax liabilities (Note 25)	1,406,726	1,451,903
Other liabilities (Note 26)	13,583	24,246
<b>Total non-current liabilities</b>	<b>9,880,775</b>	<b>10,637,511</b>
<b>Total liabilities</b>	<b>12,287,790</b>	<b>11,822,249</b>
<b>EQUITY (NOTE 28)</b>		
Issued capital	492,111	492,111
Share issue premium	837,799	837,799
Reserves	2,999,690	2,555,404
Retained earnings	6,189,340	6,090,854
Other comprehensive income	2,037,511	1,604,301
<b>Total equity of the parent company</b>	<b>12,556,451</b>	<b>11,580,469</b>
Non-controlling interest	436,604	385,683
<b>Total equity</b>	<b>12,993,055</b>	<b>11,966,152</b>
<b>Total equity and liabilities</b>	<b>25,280,845</b>	<b>23,788,401</b>

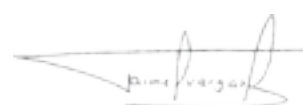
The attached notes form integral part of the financial statements.



**Astrid Álvarez Hernández**  
President



**Óscar Cerra Jerez**  
Accounting Manager  
Professional License 136.393-T



**Jaime Alberto Vargas Zambrano**  
Statutory auditor (see my attached report)  
Designated by Deloitte & Touche Ltda.

Grupo Energía Bogotá S.A. E.S.P. and its subsidiaries

**Consolidated statements of income and other comprehensive income for the years ended on December 31, 2018 and 2017**

(In millions of Colombian pesos)

	2018	2017
<b>REVENUES</b>		
Natural gas distribution (Note 29)	2,241,048	2,017,384
Natural gas transportation (Note 29)	1,312,833	1,221,394
Electricity transmission (Note 29)	447,873	339,347
<b>Total revenue</b>	<b>4,001,754</b>	<b>3,578,125</b>
<b>COSTS AND EXPENSES</b>		
Natural gas distribution (Note 30)	(2,014,359)	(1,727,795)
Natural gas transportation (Note 30)	(569,943)	(491,127)
Electricity transmission (Note 30)	(227,299)	(189,453)
Administrative expenses (Note 31)	(181,656)	(137,410)
Other revenues (expenses), net (Note 32)	293,997	69,924
<b>Operating revenue</b>	<b>1,302,494</b>	<b>1,102,264</b>
Financial revenue (Note 33)	105,267	204,011
Financial expenses (Note 34)	(539,057)	(597,670)
Net gain (expense) from differences in currency translation	(52,302)	(35,997)
Equity method in associates and joint ventures (Note 15)	1,055,060	1,029,542
<b>Pre-tax earnings</b>	<b>1,871,462</b>	<b>1,702,150</b>
<b>LESS INCOME TAX EXPENSE (NOTE 25)</b>		
Current	(196,510)	(299,444)
Deferred	110,216	166,189
<b>Consolidated net profit for the period</b>	<b>1,785,168</b>	<b>1,568,895</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items not reclassified through profit or loss		
Re-measurement of defined benefit obligations	19,203	(22,211)
Net gain in fair value of equity instruments	-	74,486
Items to be reclassified through income in the future		
Difference in currency translation of foreign transactions	454,022	(85,262)
Earnings or losses from associates' other comprehensive income	(9,477)	(499)
<b>Total other comprehensive income for the period</b>	<b>463,748</b>	<b>(33,486)</b>
<b>CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,248,916</b>	<b>1,535,409</b>
<b>Consolidated net profit for the period attributable to:</b>		
Controlling interest	1,703,693	1,500,121
Non-controlling interest	81,475	68,774
	<b>1,785,168</b>	<b>1,568,895</b>
<b>Consolidated comprehensive income for the period attributable to:</b>		
Controlling interest	2,136,903	1,527,453
Non-controlling interest	112,013	7,956
	<b>2,248,916</b>	<b>1,535,409</b>
<b>EARNINGS PER SHARE</b>	<b>COP 185.56</b>	<b>COP 163.39</b>

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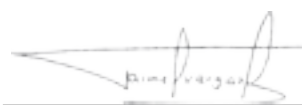
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**Consolidated statements of cash flow for the years ended on December 31, 2018 and 2017**


(In millions of Colombian pesos)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	1,785,168	1,568,895
<b>"Adjustments to reconcile net profit to net cash provided by operating activities:"</b>		
Income taxes recognized through profit and loss	86,294	133,255
Income from equity method in associates and joint ventures	(1,055,060)	(1,029,542)
Financial expenses	539,057	597,670
Financial revenue	(105,267)	(204,011)
Depreciation and amortization	402,189	331,072
Loss (gain) on sale or de-recognition of fixed assets	558	1,246
Currency exchange difference	52,302	35,997
Provisions (recoveries), net	56,449	17,302
	<b>1,761,690</b>	<b>1,451,884</b>
<b>NET CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>		
Accounts receivable	(269,632)	170,390
Inventories	4,372	(28,522)
Other assets	3,879	142,456
Accounts payable	(40,184)	131,205
Provisions for employee benefits	(1,398)	8,361
Provisions	(34,136)	210,846
Other liabilities	(92,614)	2,721
Taxes paid	(220,964)	(374,178)
Net cash flow provided by operating activities	<b>1,111,013</b>	<b>1,715,163</b>
<b>CASH FLOW IN INVESTMENT ACTIVITIES:</b>		
Sale of assets available for sale	-	15,243
Dividends received	822,550	763,797
Gain on sale of fixed assets	433	111
Interests received	90,711	83,594
Loans to related parties	-	11,662
Increase in investments	159,633	295,315
Acquisition of property, plant and equipment	(622,305)	(731,948)
Acquisition of investment properties	(326)	-
Acquisition of intangible assets	(502,779)	(414,040)
Net cash (used in) provided by investing activities	<b>(52,083)</b>	<b>23,734</b>
<b>CASH FLOW IN FINANCING ACTIVITIES:</b>		
Dividends paid	(1,116,681)	(908,937)
Loans to related parties	-	(11,410)
Interests paid	(453,036)	(573,847)
Loans received	4,445,239	1,586,008
Loans paid	(4,388,573)	(1,616,748)
Net cash flow used in financing activities	<b>(1,513,051)</b>	<b>(1,524,934)</b>
<b>NET INCREASE (REDUCTION) IN CASH</b>	<b>(454,121)</b>	<b>213,963</b>
Effect of exchange rate fluctuations on cash held in foreign currency	13,212	13,172
<b>Opening balance of cash and cash equivalents</b>	<b>1,569,021</b>	<b>1,341,886</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,128,112</b>	<b>1,569,021</b>

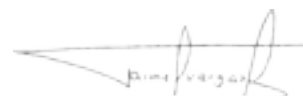
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**Consolidated statements of changes in equity for the years ended on December 31, 2018 and 2017**

(In millions of Colombian pesos)

	Issued capital	Share issue premium	Reserves					"Total reserves"
			Legal	For system upgrades, expansions and replacements	Reserve on equity method of companies	Occasional Reserve Art. 130 Tax Statute	Occasional	
<b>BALANCES AT JANUARY 1, 2017</b>	<b>492,111</b>	<b>837,799</b>	<b>332,496</b>	<b>125,695</b>	<b>1,184,241</b>	<b>51,917</b>	<b>481,008</b>	<b>2,175,357</b>
Current period net profit	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	401,886	8,892	(30,731)	380,047
Effect of ISA sale	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-
<b>BALANCES AT DECEMBER 31, 2017</b>	<b>492,111</b>	<b>837,799</b>	<b>332,496</b>	<b>125,695</b>	<b>1,586,127</b>	<b>60,809</b>	<b>450,277</b>	<b>2,555,404</b>
Current period net profit	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	387,584	-	56,702	444,286
Effect of Grupo Energía Bogotá's regulatory changes	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Effect of associates and subsidiaries' regulatory changes	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-
<b>BALANCES AT DECEMBER 31, 2018</b>	<b>492,111</b>	<b>837,799</b>	<b>332,496</b>	<b>125,695</b>	<b>1,973,711</b>	<b>60,809</b>	<b>506,979</b>	<b>2,999,690</b>

The attached notes form integral part of the consolidated financial statements.

Retained earnings	Other comprehensive income items				Total other comprehensive income items	Non-controlling interest	Total
	Net earnings (losses) in the fair value of assets available for sale	Re-measurement of defined benefit obligations	Difference in currency translation of foreign transactions	Gains or losses from associates' other comprehensive income			
5,788,996	16,234	(42,439)	1,468,094	225,800	1,667,689	377,727	11,339,679
1,500,121	-	-	-	-	-	68,774	1,568,895
-	74,486	(22,211)	(24,444)	(499)	27,332	(60,818)	27,332
(380,047)	-	-	-	-	-	-	-
90,720	(90,720)	-	-	-	(90,720)	-	-
(908,936)	-	-	-	-	-	-	(969,754)
<b>6,090,854</b>	-	<b>(64,650)</b>	<b>1,443,650</b>	<b>225,301</b>	<b>1,604,301</b>	<b>385,683</b>	<b>11,966,152</b>
1,703,693	-	-	-	-	-	81,475	1,785,168
-	-	19,203	423,484	(9,477)	433,210	30,538	463,748
(444,286)	-	-	-	-	-	-	-
(2,755)	-	-	-	-	-	-	(2,755)
2,505	-	-	-	-	-	-	2,505
(104,836)	-	-	-	-	-	(2,470)	(107,306)
(1,055,835)	-	-	-	-	-	(58,622)	(1,114,457)
<b>6,189,340</b>	-	<b>(45,447)</b>	<b>1,867,134</b>	<b>215,824</b>	<b>2,037,511</b>	<b>436,604</b>	<b>12,993,055</b>

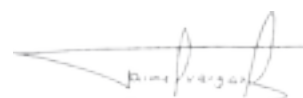
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# Action taken by management on the Statutory Auditor's observations

## TRECSA

Transportadora de Energía de Centroamérica S.A., (TRECSA) was incorporated on February 8, 2010 under Guatemalan law as the company responsible for fulfilling the requirements of project PET-1-2009, awarded to Grupo Energía Bogotá by means of a bidding process on January 21, 2010.

The Company began to operate in March 2010, and its main business is the generation, transmission, distribution and commercialization of energy, including gas and liquids in all forms and related activities, such as to design, build, operate and exploit power generation plants using any type of energy resource, transmission systems and energy distribution.

During 2018, the Group capitalized its investment in TRECSA for USD 27.98 million, equivalent to COP 84,147 million.

The Company's management will focus on action plans to recover the additional costs incurred in rights of way and force majeure events recognized in the works contracts signed with the Ministry of Mines and Energy (MEN, for the Spanish original).

At the end of 2018, the financial statements recognized USD 8.2 million for the reversion of impairment on assets recognized in 2016. The recoverable amount of the assets was calculated based on the value in use, and the discount rate used to calculate the value in use in 2018 was 6.65%.

## Contugas

Transportadora de Gas Internacional del Perú S.A.C., currently Contugas S.A.C., was incorporated on June 4, 2008 under Peruvian law. The Company's purpose is to distribute and commercialize natural gas in the Ica region, in Peru. It may also provide services such as de-

sign, planning, expansion, financing, construction, commercial operation and maintenance of natural gas transportation and distribution systems using pipelines, as well as hydrocarbons transportation systems in all forms. The duration of this concession is 30 years, until 2042.

On April 30, 2014, the Company began commercial operations after having completed construction of the Natural Gas Pipeline Network Distribution System in Ica.

At December 31, 2018 and 2017, Contugas reported retained losses of USD 62 and USD 103, respectively; such losses have been accumulated over the four years and eight months of operation. At the end of the 2018 reporting period, Contugas wrote off losses of USD 103 as an action to partially offset the reduction in its equity compared to subscribed and paid-in capital. Additionally, these losses have reduced corporate capital to less than 50%, which according to the general companies law is cause for mandatory reduction of corporate capital, unless such situation is corrected within one year, either through new contributions, or by the shareholders taking on the loss in an amount that offsets the detriment.

In 2016, the Company signed a comprehensive contract to offer natural gas supply, transportation and distribution services to a new electricity generation customer, whose plant will operate in the province of Pisco. The contract establishes a firm commitment of natural gas supplies for 29.5 MCFPD and the possibility of increasing an additional 29.5 MCFPD under the interruptible modality. At December 31, 2018, the Company had planned to amend this contract in order to consider starting up operations in late 2021 or early 2022; also, the obligation of the customer to pay penalties

starting in July 2019 in order to make up for the revenues from the contracted capacity for as long as the start-up of operations is postponed. Such obligation would be guaranteed by a letter of guarantee in favor of the Company.

The cash flows from this contract will enable Contugas, starting in 2022, to offset the cost of the take or pay clauses in the natural gas supply and transportation contracts, thereby increasing EBITDA and achieving positive results. In this regard, given the planned changes to the contract, the Company intends to amend, starting in January 2019, the gas supply contract, through which we expect to reduce contracted capacity from 44.8 to 27 MCFPD.

Fulfillment of the business plans depends, primarily, on the gas distribution revenues to be produced by the start-up of electricity generation projects in the concession area in which Contugas operates, which have been included in the future cash flows used to measure the long-term recoverable value of assets; it also depends on the financial support of its shareholders. This will enable profitable operations to fulfill the obligations and perform the planned development activities, based on the Company's structure, and to cover its financial costs and recover its retained losses.

Contugas has been making arrangements to obtain a new syndicated loan in the amount of USD 355, which will enable repaying the current syndicated loan, which comes due in September 2019. The new terms of this loan will produce substantial savings, of close to USD 5 per year, primarily due to an interest rate that is 1.75% lower than the current syndicated loan, with the support of a corporate guarantee provided by shareholders, once the government approval process is completed in Colombia.

At the close of 2018, Contugas recorded as cost the impairment in value of the concession assets in the amount of USD 33, as a result of the valuation of expected future cash flows compared to the carrying value of the assets.

In 2018 and 2017, shareholders made capital contributions for USD 47 and USD 21, respectively; of these, in 2018 Grupo Energía Bogotá capitalized its investment in Contugas for USD 32, equivalent to COP 93,186. The share-

holders plan to provide the financial support required for the Company's operations.

## **Gebbras**

In August 2015, Gebbras formalized the acquisition of a 51% equity interest in four electric energy transmission concessions in Brazil: Transenergia Renovável S.A., Transenergia São Paulo S.A., Goiás Transmissão S.A. and MGE Transmissão S.A. The price of the transaction totaled 547.98 million Brazilian Reals (USD 157.9 million).

The four concessions acquired by the Company were awarded by means of public bids in 2008 and 2009 for a 25-year period. The transmission lines length cover 1,094 km, with assets operating at 500, 345, 230 and 138 kV, located in the following states: Espírito Santo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais and São Paulo.

At the close of 2018, Gebbras included in its financial statements an income effect of USD 16 million, arising from the application of new accounting standards associated with IFRS 15. "Revenues from ordinary activities from contracts with customers." The energy transmission concession holders, carried by the affiliate as non-controlling interests under the equity method, adopted IFRS 15 (contract assets) as their new accounting practice, which replaces IFRIC 12 (financial asset). This change gave rise to a revision of the implicit interest rates of the contract assets (TER 3.22%; TSP 4.18%; MGE 3.51%, and GOT 4.09%), rather than the internal rates of return used previously for financial assets (IFRIC 12).

Management provided the construction of the market interest rates applied in the asset valuation models of the financial assets. However, due to current levels of uncertainty in the Brazilian market in terms of the accounting application of the provisions established by the International Accounting Standards Board (IASB) regarding IFRS 15 and IFRS 9, the auditor was unable to establish whether the applied rates comply with the accounting standard.

In order to resolve this issue that affects concession holders in the Brazilian market, we expect regulators to establish a clear basis to determine the variables or components that define the market rate established by the international standard.