Promigas S.A. E.S.P. and Subsidiaries
Consolidated Financial Statements
December 31st and June 30th, 2018
With Statutory Auditor's Report

STATUTORY AUDITOR’S REPORT
(FREE TRANSLATION OF THE REPORT ISSUED IN SPANISH)

To the Shareholders
Promigas S.A. E.S.P.:

Report on the consolidated financial statements

I have audited the consolidated financial statements of Promigas S.A. E.S.P. and Subsidiaries, which comprise the consolidated statement of financial position at December 31, 2018 and the consolidated statements of income, of other comprehensive income, of changes in equity and cash flows for the period of six months then ended and their respective notes that include the summary of significant accounting policies and other explanatory information.

Management's responsibility regarding the consolidated financial statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Statutory Auditor’s responsibility

My responsibility is to express an opinion on the consolidated financial statements based on my audit. I obtained the necessary information and carried out my audit in accordance with International Standards on Auditing accepted in Colombia. Such standards require that I comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement in the consolidated financial statements. In making this risk assessment, the statutory auditor considers internal control relevant to the preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I obtained provides a reasonable basis for my audit opinion expressed below.

Opinion

In my opinion, the above mentioned consolidated financial statements and attached to this report, present fairly, in all material respects, the consolidated financial position of Promigas and its subsidiaries at December 31, 2018, the consolidated results of its operations, and its consolidated cash flows for the period of six months then ended, in conformity with Accounting and Financial Reporting Standards accepted in Colombia, applied on a consistent basis with the prior period of six months.

Other matters

The consolidated financial statements as and for the period of six months ended at June 30, 2018 are submitted only for comparison purposes, were audited by me and in my report dated August 29, 2018, I expressed an unqualified opinion thereon.

(Original Signed)
Carmen Rosa Campo Hernández
Statutory Auditor of Promigas S.A. E.S.P.
Registration 67994 - T
Member of KPMG S.A.S.

February 18, 2019

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

	Note		December 2018	June 2018
ASSETS				
CURRENT ASSET:				
Cash and cash equivalents	6	$	279.355.881	186.397.300
Financial assets at fair value	7		166.260.218	161.765.029
Financial assets at amortized cost	8		899.500.013	954.025.812
Inventories	9		59.168.056	63.590.644
Prepayments or tax credit balances			18.883.334	27.870.279
Other assets	10		188.423.192	134.875.405
TOTAL CURRENT ASSET			1.611.590.694	1.528.524.469
LONG-TERM ASSETS:				
Financial assets at fair value	7		2.502.014.512	2.422.642.368
Financial assets at amortized cost	8		1.621.128.686	1.542.232.195
Inventories	9		14.177.087	14.497.516
Investment in subsidiaries	11		689.021.050	594.955.463
Property, pipelines, plant and equipment	12		1.139.381.280	1.136.163.360
Intangible assets:				
Concessions	13		2.534.794.623	2.283.394.596
Goodwill	14		128.818.925	128.818.925
Other Intangible assets	15		84.438.613	72.193.714
			2.748.052.161	2.484.407.235
Deferred tax asset	16		74.411.250	69.301.443
Other assets			25.694.203	16.713.798
Assets held for sale			-	586.907
TOTAL LONG-TERM ASSETS			8.813.880.229	8.281.500.285
TOTAL ASSETS		$	10.425.470.923	9.810.024.754
LIABILITIES				
CURRENT LIABILITY:				
Financial obligations	17	$	341.182.413	247.633.091
Outstanding bonds	21		275.789.036	125.186.993
Accounts payable	18		486.085.912	386.669.877
Employee benefits	19		17.508.421	16.791.146
Income tax payable			40.426.222	8.607.728
Provisions	22		-	2.078.840
Other liabilities	20		124.450.310	91.664.263
TOTAL CURRENT LIABILITIES			1.285.442.314	878.631.938
LONG-TERM LIABILITIES:				
Financial obligations			2.421.197.813	2.165.506.975
Outstanding bonds	21		2.465.174.809	2.615.217.203
Accounts payable	18		18.110.562	13.475.854
Employee benefits	19		4.498.421	4.541.026
Provisions	22		239.563.290	275.021.969
Deferred tax liabilities	16		557.592.810	584.023.748
Other liabilities	20		68.764	38.763
TOTAL LONG-TERM LIABILITIES			5.706.206.469	5.657.825.538
TOTAL LIABILITIES			6.991.648.783	6.536.457.476
EQUITY	23			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Paid-in and subscribed capital			113.491.861	113.491.861
Premium in share underwriting			322.822.817	322.822.817
Reserves			737.369.908	632.755.811
Retained earnings			1.922.309.331	1.884.268.668
Other equity transactions			(11.556.425)	(2.033.159)
Other comprehensive income			128.513.623	104.681.379
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS			3.212.951.115	3.055.987.377
NON-CONTROLLING INTEREST	24		220.871.025	217.579.901
TOTAL EQUITY			3.433.822.140	3.273.567.278
TOTAL LIABILITIES AND EQUITY		$	10.425.470.923	9.810.024.754

The notes attached hereto are an integral part of the consolidated financial statements.

Eric Flesch Santoro	John Jairo Rodriguez Benavides	Carmen Rosa Campo Hernández
Legal Representative	Public Accountant	Statutory Auditor
	Professional License No.11628-T	Professional License No. 67994-T
		Member of KPMG S.A.S.
		(Refer to my report on February 18th, 2019)

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Half-years ended:	Note		December 2018	June 2018
Revenues of ordinary activities	25	$	1.993.460.398	1.734.219.416
Cost of Sales	26		(1.378.600.450)	(1.104.425.054)
GROSS INCOME			614.859.948	629.794.362
Operating expenses	27		(166.992.380)	(169.061.738)
Interest in earnings of subsidiaries	11		94.158.988	78.469.790
Dividends received			129.002	924.976
Others, net			(245.193)	(1.030.902)
OPERATING INCOME			541.910.365	539.096.488
Financial revenues	28		146.339.426	176.585.479
Financial expenses	29		(229.466.712)	(209.236.042)
EARNINGS BEFORE INCOME TAX			458.783.079	506.445.925
Income tax	16		(75.520.972)	(114.190.461)
NET INCOME		$	383.262.107	392.255.464
INCOME ATTRIBUTABLE TO:				
Company shareholders		$	359.755.697	365.707.329
Non-controlling interest	24		23.506.410	26.548.135
		$	383.262.107	392.255.464
NET INCOME PER SHARE		$	317,01	322,25

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(Continues)

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Half-years ended:	Note		December 2018	June 2018
NET INCOME		$	383.262.107	392.255.464
OTHER COMPREHENSIVE INCOME				
Fair value of equity instruments			614.692	(84.948)
Currency conversion adjustment			21.535.444	(2.026.628)
Hedging Transactions			(35.390.111)	(481.441)
Employee benefits			61.065	(83.575)
Deferred tax	16		10.325.497	4.128.443
			(2.853.413)	1.451.851
OTHER COMPREHENSIVE INCOME IN ASSOCIATES				
Currency conversion adjustment			39.223.226	(7.110.458)
Hedging transactions			(3.646.715)	773.018
	11		35.576.511	(6.337.440)
			32.723.098	(4.885.589)
TOTAL INCOME AND OTHER COMPREHENSIVE INCOME		$	415.985.205	387.369.875
INCOME AND OTHER COMPREHENSIVE INCOME				
Company shareholders		$	383.587.941	361.938.652
Non-controlling interest			32.397.264	25.431.223
		$	415.985.205	387.369.875

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Half-years ended:		December 2018	June 2018
Cash flow from operating activities:			
Net income	$	383.262.107	392.255.464
Adjustments to reconcile net income with net cash provided by operating activities:			
Depreciation		15.986.896	17.503.692
Amortization of intangibles		74.343.566	67.246.172
Accrued interest		174.675.326	178.110.122
Accrued yield		(192.934.200)	(190.474.132)
Update financial assets		(78.757.452)	(127.045.226)
Income by equity method		(94.158.988)	(78.469.790)
Impairment of:			
Investments		487.843	244.450
Accounts receivable		6.797.096	15.860.448
Accrued provisions		23.219.425	25.908.606
Exchange difference for transactions in foreign currency		(770.263)	(937.657)
Revenues from the sale of properties, pipelines, plant and equipment		(40.500)	(177.466)
Revenues from purchase option finance lease		(11.721.080)	-
Loss for derecognition of:			
Inventories		275.889	16.000
Properties, pipelines, plant and equipment		5.412.047	206.720
Concessions		883.923	217.857
Intangible assets		-	11.676
Valuation of investment properties		(14.762)	(625.000)
Income and CREE tax		75.520.972	114.190.461
Changes in assets and liabilities:			
Accounts receivable		56.673.888	51.322.307
Inventories		5.754.227	13.672.776
Equity instruments through profit or loss		(7.130.777)	(9.134.151)
Other assets		(53.993.824)	(25.089.669)
Accounts payable		85.024.051	20.412.689
Employee benefits		604.718	109.161
Provisions		(60.571.382)	(1.984.018)
Other liabilities		31.574.521	(6.492.011)
Paid income tax and surtax		(50.253.720)	(181.048.650)
Received yields		190.279.679	185.022.826
Paid interests		(181.280.378)	(188.662.242)
Net cash provided by operating activities		399.148.848	272.171.415
Cash flow from investment activities:			
Acquisition of:			
Property, pipelines, plant and equipment		(46.590.176)	(27.196.188)
Concessions		(248.540.540)	(193.284.475)
Other intabgibles		(17.339.314)	(3.559.917)
Debt securities		-	22.901.292
Property, pipelines, plant and equipment		141.993	269.586
Excess paid for acquisition of interest in non-controlling interests		(9.523.266)	299
Dividends received from investment in associates		92.715.306	55.659.257
Net cash used in investment activities		(229.135.997)	(145.210.146)
Cash flow from financing activities :			
Paid dividends		(232.053.817)	(266.663.370)
Acquisition of financial obligations		589.097.501	251.147.825
Payment of financial obligations		(424.976.748)	(609.347.003)
Bond issue		-	505.000.000
Non-controlling interest		(12.281.809)	(7.404.701)
Net cash used in financing activities		(80.214.873)	(127.267.249)
Net increase of cash and cash equivalents		89.797.978	(305.980)
Effect of conversion adjustment on cash and cash equivalents		9.926.053	(1.630.708)
Effect of exchange differences on cash and cash equivalents		(6.765.450)	753.006
Cash and cash equivalents at the beginning of the year		186.397.300	187.580.982
Cash and cash equivalents at the end of the year	$	279.355.881	186.397.300

The notes attached hereto are an integral part of the consolidated financial statements.

Eric Flesch Santoro
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(Continues)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31ST AND JUNE 30TH, 2018,
(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Half-years ended December 31 and June 30, 2018:		Paid-in and subscribed capital	Premium in share underwriting	Reserves	Cumulative Results: Resultados de ejercicios anteriores	Cumulative Results: Net income	Cumulative Results: First-time adoption effect	Cumulative Results: Total	Other equity transactions	Other comprehensive income	Total Equity attributable to company shareholders	Non-controlling interests	Total Equity
Balances as of December 2017	$	113.491.861	322.822.817	558.143.087	27.222.468	328.778.639	1.505.786.626	1.861.787.733	(2.033.458)	108.450.056	2.962.662.096	216.215.390	3.178.877.486
Capitalizations		-	-	-	-	-	-	-	-	-	-	49.842.117	49.842.117
Advances to capital		-	-	-	-	-	-	-	-	-	-	(57.246.875)	(57.246.875)
Interest sale in non-controlling interest		-	-	-	-	-	-	-	299	-	299	56	355
Creation of reserves		-	-	74.612.724	(74.612.724)	-	-	(74.612.724)	-	-	-	-	-
Declared cash dividends		-	-	-	(254.205.962)	-	-	(254.205.962)	-	-	(254.205.962)	(15.570.243)	(269.776.205)
Transfers		-	-	-	328.778.639	(328.778.639)	-	-	-	-	-	-	-
Income and other comprehensive income		-	-	-	-	365.707.329	-	365.707.329	-	(3.768.677)	361.938.652	25.431.223	387.369.875
Equity effect of early IFRS adoption		-	-	-	(14.407.708)	-	-	(14.407.708)	-	-	(14.407.708)	(1.091.767)	(15.499.475)
Balances as of June 2018	$	113.491.861	322.822.817	632.755.811	12.774.713	365.707.329	1.505.786.626	1.884.268.668	(2.033.159)	104.681.379	3.055.987.377	217.579.901	3.273.567.278
Interest acquisition in non-controlling interest		-	-	-	-	-	-	-	(9.523.266)	-	(9.523.266)	(12.281.809)	(21.805.075)
Creation of reserves		-	-	104.614.097	(104.614.097)	-	-	(104.614.097)	-	-	-	-	-
Declared cash dividends		-	-	-	(215.621.128)	-	-	(215.621.128)	-	-	(215.621.128)	(16.824.331)	(232.445.459)
Transfers		-	-	-	365.707.329	(365.707.329)	-	-	-	-	-	-	-
Income and other comprehensive income		-	-	-	-	359.755.697	-	359.755.697	-	23.832.244	383.587.941	32.397.264	415.985.205
Equity effect of early IFRS adoption		-	-	-	(1.479.809)	-	-	(1.479.809)	-	-	(1.479.809)	-	(1.479.809)
Balances as of December 2018	$	113.491.861	322.822.817	737.369.908	56.767.008	359.755.697	1.505.786.626	1.922.309.331	(11.556.425)	128.513.623	3.212.951.115	220.871.025	3.433.822.140

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(Expressed in thousands of Colombian Pesos, unless otherwise stated)

1. REPORTING ENTITY

Promigas S.A. E.S.P. (hereinafter Promigas S.A. E.S.P., Promigas or the Company) was incorporated in accordance with Colombian Law on December 27th, 1974, and its corporate purpose is the purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general, and the gas and oil activities in all their forms. It can also sell or provide goods or services to third parties, either financial or non-financial, and finance the acquisition of goods or services from third parties with its own resources. As of December 31st, 2018, it had 394 direct employees and 99 temporary employees. As of June 30th, 2018, it had 391 direct employees and 89 temporary employees. According to the control assessment set out in IFRS 10 - Consolidated Financial Statements, Corporación Financiera Colombiana S.A., whose parent company is Grupo Aval Acciones y Valores S.A. consolidatesPromigas S.A. E.S.P. However, under Act 222/1995, Promigas S.A. E.S.P. is not a subsidiary, since the established budgets are not met. The corporate seat of the Company is in Barranquilla, its address is Calle 66 No. 67 – 123 and its term of duration expires on December 27th, 2074.

The Company is supervised by the Superintendence of Residential Utilities and in order to keep the National Register of Securities and Brokers (RNVI, for its Spanish acronym) up to date is subject to the concurrent supervision of the Colombian Financial Superintendence, in accordance with the provisions of Articles 5.2.4.1.2 and 5.2.4.1.3 of single Decree 2555/2010 of the Colombian Financial Superintendence and Regulation Letter 007/2015, Title Three. The Company is also required to submit separate financial statements and consolidated financial statements, which shall include its shareholding interest in subsidiaries and investments in associates.

Regulatory Framework

Promigas is mainly governed by Act 142/1994, whereby the Public Utilities Regime is established, CREG Resolution 071/1999, whereby the Single Regulation for Natural Gas Transportation (RUT, for its Spanish acronym) in Colombia is established, Act 689/2001, whereby Act 142/1994 is partially amended, the industry's regulations, the concession agreements in force, its bylaws and other provisions contained in the Code of Commerce.

The rates the Companies charge their customers for natural gas transportation and distribution services are regulated by the National Government through the Energy and Gas Regulatory Commission (CREG, for its Spanish acronym) in the following Resolutions:

CREG Resolution	Description
PROMIGAS S.A. E.S.P.	
Transportation Service	
126/2010	Establishes the general remuneration criteria for the natural gas transportation service and the general pricing scheme of the National Transportation System for the rate period.
117/2011	The transportation rate is established.

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122/2012	Adjusts the regulated rates of CREG Resolution 117/2011
068/2013	Adjusts the regulated rates of CREG Resolution 117/2011
082/2014	Adjusts the regulated rates of the transportation system, updating the value of the assets that expired during the regulatory useful life in 2013 or earlier.
040/2015	Adjusts the transportation rates.
084/2016	Adjusts the regulated rates for the transportation system, updating the value of the assets with expired regulatory service life in 2014.

Distribution Service

011/2003	Establishes the general remuneration criteria of the distribution service of natural gas. Sets out the distribution rate for the embedded system of Promigas S.A. E.S.P. and Gases del Caribe S.A. E.S.P.
202/2013 and 086/2004	Establishes general criteria to remunerate the fuel gas distribution activity through pipeline networks and other provisions are set out.
093/2016	Partially revokes CREG 202/2013 and files the rate records.
066/2017	Proposal to complement CREG 202/2013 and companies are allowed temporary distribution rate.
018/2018	Determined transitory distribution rate for the embedded system of Promigas S.A. E.S.P. and Gases del Caribe S.A. E.S.P.
090/2018	Firm methodology that complements CREG 202/2013.
132/2018	Firm methodology that corrects the serious calculation errors of CREG 090 of 2018.

Promioriente S.A. E.S.P.

044/2007	Determines regulated transportation rates for the Gibraltar-Toledo-Bucaramanga gas pipeline.
142/2010	Adjusts regulated transportation rates for the Gibraltar-Toledo-Bucaramanga gas pipeline.
045/2014	Determines regulated transportation rates for the Gibraltar-Toledo-Bucaramanga gas pipeline.
111/2011	Determines regulated transportation rates for the Barranca-Payoa-Bucaramanga gas pipeline.
195/2011	Appeal for review response, adjusts AOM rates for the Barranca-Payoa-Bucaramanga gas pipeline.
062/2015	Adjusts regulated transportation rates - Los Pinos Compressor for the Barranca-Payoa-Bucaramanga gas pipeline.
086/2016	Adjusts the regulated rates for the transportation system, updating the value of assets that expired regulatory life for the Barranca-Payoa-Bucaramanga gas pipeline.

Transmetano E.S.P. S.A.

114/2011	Determines regulated transportation rates..
041/2015	Adjusts regulated transportation rates.
092/2015	Adjusts regulated transportation rates – Investment approval of the Malena Compressor.
167/2015	Adjusts regulated transportation rates – adjusts AOM rates.

Transoccidente S.A. E.S.P.

115/2011	Determines regulated transportation rates.
123/2012	Appeal for review response, adjusts AOM rates.

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043 de 2014	Adjusts regulated transportation rates – withdrawal of variant that would not be completed.

Surtigas S.A. E.S.P.

011/2003	Provides the general criteria to remunerate the distribution and trade of fuel gas activities.
137/2013	Provides the general rate formulas for regulated users in non-exclusive service areas.
050/2008; 095 and 154/2009; 056/2010; 009, 072/2011; 101/2012, 027,028 and 159/2013	Approves the average distribution charge for the use of the fuel gas distribution system per network and the maximum base charge for the trade of fuel gas per network to regulated users for the relevant markets served by Surtigas. These charges are updated monthly in accordance with the provisions of CREG Resolution No. 011/2003.
202/2013 as amended with 138/2014 097/2015	Determines the remuneration methodology of natural gas distribution and trade activities.
096/2015	Provides the discount rate for fuel gas distribution activities.
093/2016	Partially revokes resolution 202 of December 2013 and orders the filing of rate requests submitted by distributors.
095/2016	Provides new provisions for the methodology.
006/2018	Provides the transitional charge for fuel gas distribution.

Compañía Energética de Occidente S.A. E.S.P.

079/1997	Provides the rates for the electric power service to households.
097/2008	Approves the general principles and the methodology for establishing the charges for use of the Regional Transmission and Local Distribution Systems.
070/1998	Provies the Electric Power Distribution Regulations as part of the Operational Regulations of the National Interconnected System.
058/2008	Provides the Electric Power Distribution Areas (ADD)
061/2014	Updates the Annual Cost for the use of assets of voltage level 4 and the charges for the Company's use.
015/2018	Provides the methodology for remuneration of the electricity distribution activity in the National Interconnected System. Although this methodology came into force at the beginning of 2018, once the CREG approves the revenues under this methodology, the charges to users through CREG Resolution 097/2008 will cease to be valid.
019/2018	Clarifies the method of calculating the financial cost of the subsidies mentioned in CREG Resolution 180/2014, remuneration methodology of the electric power trade activity.
119/2007	Approves the general rate formula that allows Retail Electricity Traders to establish the service provision costs to regulated users in the National Interconnected System.
191/2014	Modifies and complements CREG Resolution 119/2007.
119/2015	Approves the trading base cost, the portfolio risk for traditional users and for users in special areas of the trading market served by the Company.

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Gases de Occidente S.A. E.S.P.

045/2004	Provides the trading charge.
197/2017	They are valid for a period of ten years (10) for the integrated markets of Cali, 23 municipalities, Buenaventura, North of Cauca and 16 municipalities, and will be in force until the CREG sets out new rates after the indicated period.
004/2015	The trading charge was approved for users of the former Exclusive Service Area of Valle del Cauca.
137/2013	Provides the general rate formulas applicable to regulated users of the public service of gas by pipe networks. These municipalities continue to be served by Gases de Occidente S.A. E.S.P.
008/2008	Approves the trading charge for the municipalities of Santander de Quilichao, Puerto Tejada and Villa Rica.
049/2007	Provides the distribution and trading charge of the relevant Buenaventura market.
132/2011	Approves the trading charge for to the Relevant Market consisting of the municipalities of Padilla, Miranda, Guachené, Corinto and Caloto in the department of Cauca and Alcalá, Bolívar, Calima - Darién, El Dovio, Riofrio, Toro, Trujillo, Ulloa, Versailles, Vijes and Yotoco in the department of Valle del Cauca.
147 and 148/2016	Approves the distribution and trading charges for the relevant market consisting of the municipalities of Dagua, Restrepo and La Cumbre in the department of Valle del Cauca.

Companies with seat in Peru:

040-2008-EM	Supreme Decree that contains the regulations of natural gas distribution by pipeline network.

2. BASES FOR PREPARATION

a) Technical Normative Framework

The consolidated financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (CFRS), set out in Act 1314/2009, regulated by Single Regulatory Decree 2420/2015, as amended by Decrees 2496/2015, 2131/2016, 2170/2017 and 2483/2018. The CFRS applicable in 2018 are based on the International Financial Reporting Standards (IFRS), along with its interpretations, issued by the International Accounting Standards Board (IASB). The base standards correspond to those officially translated into Spanish and issued by the IASB in the first half of 2016.

For legal purposes in Colombia, the separate financial statements are the main financial statements.

b) Functional and Presentation Currency

The items included in these consolidated financial statements are presented using "Colombian pesos", currency of the principal economic environment in which the Company and its subsidiaries operate, which in turn is its functional currency. All information is expressed in thousands of pesos rounded up to the nearest unit.

The Company and its subordinates prepare their financial statements based on their accounting policies in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates. Monetary items denominated in currencies other than the functional currency are translated at current exchange rates.

The following are the exchange rates used to convert foreign currency transactions:

		December 2018	June 2018
Closing	$	3.249,75	2.930,80

Monthly averages:

Half-year ended december 31st 2018			Half-year ended june 30th 2018		
July	$	2.885,55	January	$	2.867,68
August		2.959,57	February		2.860,00
September		3.037,80	March		2.852,46
October		3.080,48	April		2.765,96
November		3.198,13	May		2.862,95
December		3.212,48	June		2.893,22

Below is a detail of the functional and presentation currency of the Company and its subsidiaries:

	Functional Currency
Subsidiaries:	
Surtidora de Gases del Caribe S.A. E.S.P. (Surtigas)	Colombian Peso
Transoccidente S.A. E.S.P.	Colombian Peso
Gases de Occidente S.A. E.S.P.	Colombian Peso
Transportadora de Metano E.S.P. S.A. (Transmetano)	Colombian Peso
Compañía Energética de Occidente S.A. E.S.P.	Colombian Peso
Promioriente S.A. E.S.P.	Colombian Peso
Sociedad Portuaria El Cayao S.A. E.S.P.	United States Dollar
Gases del Pacífico S.A.C.	United States Dollar
Gases del Norte del Perú S.A.C.	Peruvian Sol
Orión Contac Center S.A.S.	Colombian Peso
Promisol S.A.S.	Colombian Peso
Zonagen S.A.S.	Colombian Peso
Promisol México S.A. de C.V.	Mexican Peso
Enlace Servicios Compartidos S.A.S.	Colombian Peso

Associates:	
Gases del Caribe S.A. E.S.P. (Gas Caribe)	Colombian Peso
Energía Eficiente S.A. E.S.P.	Colombian Peso
Complejo Energético del Este S.A.	United States Dollar
Gas Natural de Lima y Callao S.A.C.	United States Dollar
Concentra Inteligencia en Energía S.A.S.	Colombian Peso

c) Bases for Measurements

The consolidated financial statements have been prepared based on the historical cost, except for the following:

- Derivative financial instruments are measured at fair value.
- Financial instruments are measured at fair value through profit or loss and OCI.
- Financial assets under concession are measured at fair value.
- Financial instruments at fair value through other comprehensive income.

d) Use of Significant Accounting Estimates and Assumptions

The Company and its subsidiaries make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the book value of assets and liabilities in the following fiscal year. Judgments and estimates are continually evaluated and are based on the management's experience and other factors, including the expectation of future events that may be reasonable given the circumstances. The management also makes certain judgments different from those involving estimates in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that may cause a significant adjustment in the book value of assets and liabilities in the following year are the following:

i. Going Concern

The Company and its subsidiaries prepare its consolidated financial statements based on going concern. In making this judgment, the Company and its subsidiaries' current financial position is considered, as well as their current intentions, the results of operations and the access to financial resources in the financial market, and the impact of such factors is analyzed for future operations of the group. As of the date of this report, the Company and its subsidiaries' management is not aware of any situation that would lead to think that Promigas and its subsidiaries fail to have the ability of continuing the going concern over the following year.

ii. Impairment of Portfolio and Other Accounts Receivable

The method for calculating the provision made by the Companies is based on the expected loss model, which has the following premises:

The value correction will measure the losses at an amount equal to the expected credit losses over the life of the asset for commercial accounts receivable that have a significant financial component. Under this scheme, the Companies have developed a provision determination model based on the Companies' historical loss experiences taking into account the days of default, and a simplified model for projection of macroeconomic factors that affect each Company's industry.

iii. Fair Value of Financial Instruments and Derivatives

Information on the fair values of financial instruments and derivatives that were measured using assumptions not based on observable market data is provided in Notes 5 and 7.

iv. Deferred Income Tax

Deferred income tax is recognized using the liability method on the temporary differences between the tax bases of assets and liabilities and their corresponding carrying values as of the end of the reporting period, calculated with the tax rates expected to be applicable for the period when the asset is realized or the liability is paid off, based on the rates approved or once the approval process by the Government is practically over.

Liabilities for deferred taxes are recognized for all taxable temporary differences, except taxable temporary differences regarding investments in subsidiaries, affiliates and interests in joint ventures, when the reversal opportunity of temporary differences can be controlled and such temporary differences are unlikely to be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences and future compensation of tax credits and unused tax losses, to the extent there will likely be availability of future taxable income to offset against such tax credits or tax losses, except deductible temporary differences regarding investments in subsidiaries, affiliates and interests in joint ventures.

v. Capital Gains

The Company performs biannual assessments of capital gains impairment based on internal studies conducted by professionals. These studies are performed based on valuations of cash generating units by the method of discounted cash flow, taking into account the following factors: The economic situation of the country and the sector where the company operates, historical financial information, and projected revenues and costs of the Company for the next five years and subsequently growth in perpetuity considering its profit capitalization rates, discounted at risk-free interest rates, adjusted by risk premiums required in the circumstances of each company. The following are the main assumptions used in the valuations:

Internal assumptions:

- Revenues (contracted capacities, volumes, rates, contracts)
- AO&M (Administration, operation and maintenance)

- Insurances and taxes
- Investments (Capex)

Macroeconomic assumption:

- Colombia inflation
- USA inflation
- PPI Colombia
- PPI USA
- Representative Exchange Rate
- DTF
- Libor (180 days)

Valuation assumptions CAPM model:

- Unlevered Beta
- Risk-free rate
- Market return
- Country risk premium
- Tax rate

Methodologies and assumptions used for the valuation of the different cash generating units that have allocated capital gains were properly reviewed by the Company and, based on this review, the Company concludes that as of December 31st and June 30th , 2018, no provision for impairment was recorded.

vi. Estimate for Contingencies

The Company and its subsidiaries estimate and record a provision for contingencies in order to cover any possible losses due to, inter alia, labor cases, civil and commercial proceedings, and tax assessments, according to circumstances that, based on the opinion of external legal counsel, are likely to produce losses and can be reasonably quantified.

vii. Employee Benefits

The estimate of pension obligations, costs and liabilities depend on a variety of long-term premises determined by actuarial bases, including estimates of present value of projected future pension payments for those participating in the plan, considering the probability of future potential events, such as an increase in legal minimum wages and demographic experience. These premises may have an effect in the amount and future contributions, should any variation occur.

The discount rate allows for future cash flows to be established at present value of the measurement date. The Company and its subsidiaries determine a long-term rate that represents the market rate for high quality fixed income investments or government bonds denominated in the currency in which the benefit shall be paid, and considers the opportunity and of payment amounts of future benefits, for which Government bonds have been selected.

Other key premises are used to measure actuarial liabilities, and are calculated based on the Company and its subsidiaries' specific experience combined with published statistics and market indicators.

viii. "Smart Pig or Smart Tool" Provision

By regulation, Promigas, Transmetano and Promioriente must perform inspections on the infrastructure to determine the maintenance plan to follow; therefore, the amount required for such inspection is annually estimated and debited from profit and loss account. The estimate is determined as follows:

- First, take the value paid under this item (part of this value is in dollars and another part in pesos).
- The part of the value paid in dollars is indexed with projections of the CPI (consumer price index) in the United States and then converted into pesos with the exchange rate projected for the date of the next inspection. The part payable in pesos is indexed with projections of the CPI in Colombia.
- Macroeconomic projections are reviewed at the beginning of each year, or at the Companies' discretion if they determines any volatility in the variables used, to adjust the provision.

ix. Determining Functional Currency

The Company and its subsidiaries' functional currency was determined based on the correlative economic conditions of the country of operations. This determination requires judgment. Despite this judgment, the Company assessed, among other factors, the place of the activities, cash flows, sources of income, risks relative to these activities and the operating currency denomination of the different entities.

3. MAIN ACCOUNTING POLICIES

The main accounting policies and the bases set out below have been applied consistently to the preparation of the consolidated financial statements under the International Financial Reporting Standards (IFRS):

a) Bases for Consolidation

According to the Colombian Financial Reporting Standards, the Company must prepare consolidated financial statements. Separate financial statements are the basis for dividend allocation and other appropriations by the shareholders. Consolidated financial statements are presented to the General Meeting of Shareholders for information purposes only.

Consolidation of Subsidiaries
According to International Financial Reporting Standard (IFRS) 10 – Consolidated Financial Statements, the Company must prepare consolidated financial statements with controlled entities. The Company has control over another entity if, and only if, it meets the following elements:

- Power over the investee, giving the parent company current ability to direct any relevant activities of the former that may significantly affect its performance.
- Exposure or right to variable returns from its involvement with the investee.
- Ability to use its power over the investee to influence the amount of investor returns.

Such consolidated financial statements as of December 31st and June 30th, 2018, include the financial statements of Promigas S.A. E.S.P. and its subsidiaries (hereinafter "the Companies"), understanding as subsidiaries the companies whose decision-making power is directly or indirectly subject to the will of Promigas.

In this process, the Company consolidates the assets, liabilities and results of the entities in which it determines control, prior homogenization of its accounting policies and conversion into Colombian pesos of foreign subsidiaries.

The consolidation process involves the elimination of intercompany transactions and unrealized profits between them. The stake of non-controlling interests in subsidiaries is presented in equity separately from the equity of the Company shareholders.

For the translating process of financial statements of foreign subsidiaries whose functional currency is the United States Dollar, the Peruvian Sol and the Mexican Peso, the Company converts assets and liabilities into Colombian pesos at the exchange rate current on the closing date of the reported period; the income statement is converted at the average exchange rate for the half year; and equity at its respective historical rate. The resulting net adjustment is included in equity as "translation adjustment of financial statements" under "other comprehensive income".

The consolidated financial statements hereto include assets, liabilities, equity and income of the Company and its subsidiaries.

The consolidated financial statements hereto include the following companies:

Gases del Pacífico S.A.C. - The corporate purpose of the company is the purchase, sale, production and trading of energy in any form, including, without limitation, natural gas, electric energy, hydrocarbons derived from oil, coal and other fuels. The company is headquartered in the city of Lima, Peru.

Gases del Norte del Perú S.A.C. - The corporate purpose of the company is the purchase, sale, production and trading of energy in any form, including, without limitation, natural gas, electric energy, hydrocarbons derived from oil, coal and other fuels. The company is headquartered in the city of Piura, Peru.

Sociedad Portuaria El Cayao S.A. E.S.P. - The corporate purpose of the company is the investment in construction, maintenance and management of ports, loading and unloading, storage in ports and other services directly related to the port activities. It is headquartered in the city of Cartagena.

Transoccidente S.A. E.S.P. - Transportation of fuel gas by the construction, operation and maintenance of transport systems and subsystems. The assembly, construction, operation, maintenance and commercial exploitation of systems and subsystems anywhere in the country or abroad, on its own behalf or on behalf of others. Its activities are conducted in the city of Santiago de Cali.

Surtidora de Gas del Caribe S.A. E.S.P. (Surtigas) - The corporate purpose of the company is the purchase, storage, packaging and distribution of gases derived from hydrocarbons; the construction and exploitation of pipelines for industrial, commercial and household natural gas; and the purchase and sale of items, services and artifacts related to the sale and distribution of fuel gases and the like. The Company conducts its activities in the Departments of Bolivar, Sucre and Cordoba and in some towns of the Departments of Antioquia and Magdalena. It is headquartered in the city of Cartagena.

Gases de Occidente S.A. E.S.P. - Provision of fuel gas distribution services. The purchase, storage, transportation, packaging, distribution and trade of natural gas or any other fuel, as well as hydrocarbons and derivatives in all their forms. Trade and/or finance of any kind of products directly or indirectly related to the activities or services provided. Such activities are conducted in the Departments of Valle del Cauca and Cauca.

Gases de Occidente S.A. E.S.P. consolidates with the following companies:

- *Orion Contac Center S.A.S.* - Its corporate purpose is the provision of call center and contact center services; the provision of business process outsourcing; and the provision of personalized attention services for any type of business. It is headquartered in the city of Santiago de Cali.

- *Compañía Energética de Occidente S.A. E.S.P.* - On June 28th, 2010, the Company entered into a Management Agreement with Cedelca S.A. E.S.P., for the purpose of assuming at its own risk and expense the administrative, operational, technical and commercial management, the investment, expansion of coverage, reconditioning and preventive and corrective maintenance of the infrastructure and other activities required for the provision of electric power distribution and trading services in the Department of Cauca. The execution of the Management Agreement was on August 1st, 2010, and has a 25-year term. The Management agreement is governed by the laws of the Republic of Colombia, particularly Act 142/1994, Public Utilities Regime, and Act 143/1994, Regime for the generation, interconnection, transmission, distribution and tradeoff electric power nationwide, whereby authorizations are granted and other provisions on electric power are established. It is headquartered in the city of Popayan.

Promisol S.A.S. - The corporate purpose of the Company is to provide natural gas compression and dehydration services and any other service related to the natural gas industry and any business directly related to these activities; implement energy management systems, develop energy diagnostics and prepare and implement on-site or distribution of energy generation projects; change or replace technology, predictive energy maintenance programs and comprehensive advisory in energy management; and purchase, sale, distribution, exploitation, trade of products and professional and technical services. In the course of fulfilling its corporate purpose, the Company has executed commercial offers to provide compression and dehydration services for natural gas from the Ballena and Chuchupa fields before being transported. It is headquartered in the city of Barranquilla.

Promisol S.A.S. controls the following companies:

- *Zonagen S.A.S.* - The corporate purpose of the Company is the generation, transmission and distribution of energy to partner or affiliated companies members of or economically affiliated to it. It is headquartered in the city of Barranquilla.

- *Promisol México S.A. de C.V.* - Its corporate purpose is the implementation of energy management systems, development of energy audits, design and implementation of on site or distributed generation projects, change or distribution of technologies, predictive energy maintenance programs and comprehensive consulting on energy management, purchase, sales, purchase, distribution, exploitation, trade of products, professional and technical services. It is headquartered in Mexico City, Federal District.

Transportadora de Metano E.S.P. S.A. (Transmetano) - Transportation of fuel gas by the construction, operation and maintenance of transport systems. This activity is developed in the towns of Cimitarra, Puerto Berrio, Yolombo, Cisneros, Maceo, San Roque, Santodomingo, Barbosa, Girardota, Guarne and Rio Negro. It is headquartered in the city of Medellin.

Promioriente S.A. E.S.P. - The corporate purpose of the company is the transportation of gas fuel by the construction, operation and maintenance of main and branch pipelines. The assembly, construction, operation, maintenance and commercial exploitation of pipelines anywhere in the country or abroad, on its own behalf or on behalf of others. Its activities are conducted in the towns of Lebrija, Giron, Bucaramanga and its Metropolitan Area. It is headquartered in the city of Bucaramanga.

Enlace Servicios Compartidos S.A.S. - Its corporate purpose is to contract with individuals and the State, to acquire, sell or use real or personal property, to carry out financial operations, in general to conduct all kinds of operations with the aim to obtain funds or other assets necessary for the development of the company. Its seat is in the city of Barranquilla.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

The Company's interest in its subsidiaries is as follows:

Company	**December 2018**			**June 2018**		
	Direct	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Surtigas S.A. E.S.P.	99,99%	0,00%	99,99%	99,99%	0,00%	99,99%
Transoccidente S.A. E.S.P.	79,00%	0,00%	79,00%	69,00%	0,00%	69,00%
Promioriente S.A. E.S.P.	73,27%	0,00%	73,27%	73,27%	0,00%	73,27%
Transmetano E.S.P. S.A.	99,67%	0,00%	99,67%	99,67%	0,00%	99,67%
Gases de Occidente S.A. E.S.P. (1)	94,43%	0,00%	94,43%	90,12%	0,00%	90,12%
Compañía Energética de Occidente S.A. E.S.P. (2)	49,00%	48,16%	97,16%	49,00%	45,96%	94,96%
Orion Contac Center S.A.S. (2)	0,00%	96,65%	96,65%	0,00%	94,07%	94,07%
Promisol S.A.S.	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%
Gases del Pacífico S.A.C.	75,00%	25,00%	100,00%	75,00%	25,00%	100,00%
Gases del Norte del Perú S.A.C.	75,00%	25,00%	100,00%	75,00%	25,00%	100,00%
Promisol México S.A. de C.V.	5,00%	95,00%	100,00%	5,00%	95,00%	100,00%
Zonagen S.A.S.	0,00%	99,95%	99,95%	0,00%	99,95%	99,95%
Sociedad Portuaria El Cayao S.A. E.S.P.	51,00%	0,00%	51,00%	51,00%	0,00%	51,00%
Enlace Servicios Compartidos S.A.S.	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%

(1) On December 17th, Promigas made a capitalization without change in interest in Gases del Norte del Perú S.A.C. for USD $22,500 equivalent to $71.918. Further, on December 13th, 2018, it purchased an additional 10% of its interest in Transoccidente S.A. E.S.P from EPSA S.A. for $1.012.075 and acquired an additional interest of 4.32% in Gases de Occidente S.A. E.S.P. from Energía del Pacifico S.A. E.S.P., which sold its share of 2.78% for $13.380.680, and from Compañía de Electricidad de Tuluá S.A. E.S.P., which sold its share of 1.54% for $7.412.319, paying a total of $21.805.074.

(2) For purchases made in shares from minority shareholders in Gases de Occidente S.A. E.S.P. the indirect interest of Promigas increased over Compañía Energética de Occidente S.A. E.S.P. and Orion Contact Center S.A.S., as these entities are consolidated in Gases de Occidente S.A. E.S.P.

Below is the total value of assets, liabilities and equity of the companies included in the consolidation as of:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Company		Assets	Liabilities	Equity
December 2018				
Surtigas S.A. E.S.P.	$	1.059.295.866	562.839.827	496.456.039
Transoccidente S.A. E.S.P.		13.972.905	3.833.547	10.139.358
Promioriente S.A. E.S.P.		653.697.780	273.532.120	380.165.660
Transmetano E.S.P. S.A.		291.451.105	130.922.075	160.529.030
Gases de Occidente S.A. E.S.P.		1.081.274.948	826.054.351	255.220.597
Compañía Energética de Occidente S.A. E.S.P.		552.236.943	432.164.834	120.072.109
Orión Contac Center S.A.S.		4.853.996	1.823.007	3.030.989
Promisol S.A.S.		363.124.167	255.070.855	108.053.312
Promisol México S.A. de C.V.		121.572	2.319	119.253
Gases del Pacífico S.A.C.		434.874.675	411.597.931	23.276.744
Gases del Norte del Perú S.A.C.		354.094	181.440	172.654
Zonagen S.A.S.		7.740.150	4.591.507	3.148.643
Enlace Servicios Compartidos S.A.S.		15.733.077	2.484.023	13.249.054
Sociedad Portuaria El Cayao S.A. E.S.P	$	1.416.832.995	1.207.928.213	208.904.782
June 2018				
Surtigas S.A. E.S.P.	$	1.060.420.647	595.173.683	465.246.964
Transoccidente S.A. E.S.P.		13.308.604	3.085.605	10.222.999
Promioriente S.A. E.S.P.		670.116.496	299.387.412	370.729.084
Transmetano E.S.P. S.A.		292.053.865	132.855.101	159.198.764
Gases de Occidente S.A. E.S.P.		1.057.724.842	830.673.383	227.051.459
Compañía Energética de Occidente S.A. E.S.P.		524.974.247	398.476.292	126.497.955
Orión Contac Center S.A.S.		5.713.315	2.992.197	2.721.118
Promisol S.A.S.		371.902.067	279.033.076	92.868.991
Promisol México S.A. de C.V.		159.470	4.142	155.328
Gases del Pacífico S.A.C.		295.241.752	273.868.014	21.373.738
Gases del Norte del Perú S.A.C.		227.686	133.333	94.353
Zonagen S.A.S.		7.974.372	4.816.176	3.158.196
Enlace Servicios Compartidos S.A.S.		15.869.091	2.098.901	13.770.190
Sociedad Portuaria El Cayao S.A. E.S.P	$	1.308.418.312	1.119.972.481	188.445.831

Below are the revenues, earnings before taxes, income tax and net income for the period of the companies included in the consolidation of the half-years ended:

(Continues)

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Company	Revenues	Earnings before taxes	Income tax	Net Income
December 2018				
Surtigas S.A. E.S.P.	$ 433.917.492	43.679.056	(13.571.141)	30.107.915
Transoccidente S.A. E.S.P.	3.110.425	1.523.238	(361.960)	1.161.278
Promioriente S.A. E.S.P.	96.240.796	49.811.431	(17.821.863)	31.989.568
Transmetano E.S.P. S.A.	32.869.616	15.545.277	(767.500)	14.777.777
Gases de Occidente S.A. E.S.P.	537.360.269	57.465.162	(14.274.332)	43.190.830
Compañía Energética de Occidente S.A. E.S.P.	214.586.028	27.832.108	(14.624.423)	13.207.685
Orión Contac Center S.A.S.	4.285.535	477.428	(167.556)	309.872
Promisol S.A.S.	73.617.215	17.322.133	(1.590.993)	15.731.140
Promisol México S.A. de C.V.	-	(50.856)	-	(50.856)
Gases del Pacífico S.A.C.	210.517.951	(4.570.989)	4.547.232	(23.757)
Gases del Norte del Perú S.A.C.	-	(24.265)	-	(24.265)
Zonagen S.A.S.	5.013.223	71.002	(80.555)	(9.553)
Enlace Servicios Compartidos S.A.S.	1.774.417	(370.790)	(150.346)	(521.136)
Sociedad Portuaria El Cayao S.A. E.S.P	133.516.924	31.083.249	(9.325.307)	21.757.942
June 2018				
Surtigas S.A. E.S.P.	$ 400.398.166	38.706.649	(11.255.367)	27.451.282
Transoccidente S.A. E.S.P.	2.978.154	1.865.233	(681.046)	1.184.187
Promioriente S.A. E.S.P.	80.347.634	59.655.644	(22.200.676)	37.454.968
Transmetano E.S.P. S.A.	32.651.194	21.860.427	(7.659.562)	14.200.865
Gases de Occidente S.A. E.S.P.	496.540.221	58.865.640	(17.828.061)	41.037.579
Compañía Energética de Occidente S.A. E.S.P.	202.844.920	31.049.811	(11.416.279)	19.633.532
Orión Contac Center S.A.S.	4.140.540	586.620	(191.276)	395.344
Promisol S.A.S.	43.676.636	15.602.552	(2.979.133)	12.623.419
Promisol México S.A. de C.V.	-	(37.949)	-	(37.949)
Gases del Pacífico S.A.C.	4.283.795	(19.856.970)	7.766.796	(12.090.174)
Gases del Norte del Perú S.A.C.	-	(38.552)	-	(38.552)
Zonagen S.A.S.	5.201.717	472.608	(158.858)	313.750
Enlace Servicios Compartidos S.A.S.	1.632.971	(239.254)	65.778	(173.476)
Sociedad Portuaria El Cayao S.A. E.S.P	112.549.325	28.718.439	(3.259.748)	25.458.691

Investments in Associates

If the Company holds, directly or indirectly, 20% or more of the voting power in the investee, it is presumed to have significant influence, unless it can be clearly demonstrated that such influence does not exist. If the Companies hold, directly or indirectly, less than 20% of the voting power in the investee, it is presumed that they have no significant influence, unless it can be clearly demonstrated that there is such influence. Decisions about using the equity method when the investee has less than 20% of the voting power requires a careful evaluation of voting rights and their impact on the ability of the Companies to exercise significant influence.

The Company and its subsidiary's management considers the existence of the following circumstances, which may indicate that they are in a position to exert significant influence over a company in which it holds less than 20% of the voting power:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the process of setting policies, including decisions on dividends and other allocations;
- Material transactions between the Company and the investee;
- Exchange of executive personnel; or
- Supply of essential technical information.

Management also considers that the existence and effects of potential voting rights that are exercisable or convertible securities should also be considered when assessing whether the Company has significant influence.

The Company also evaluates the following indicators that provide evidence of significant influence:

- The Company's shareholding is significant with respect to other shareholding (i.e., minority of other shareholders);
- Major Shareholders of the Company, its parent company, subsidiaries or executives have additional investment in the investee; and
- The Company is part of the Board of Directors or important internal committees of the investee.

The Company uses the equity method, which is a method of accounting whereby the investment is initially recorded at cost and is adjusted periodically for changes in the investor's share in the net assets of the investee. The income of the investor includes its share in the profit or loss of the investee and in other comprehensive income of the investor; its equity includes its share in other comprehensive income of the investee.

b) Transactions and Balances in Foreign Currency

Operations in foreign currency are translated into the Company and its subsidiaries' functional currency on the date of the operation. Monetary assets and liabilities denominated in foreign currencies as of the date of the report are translated into functional currency at the exchange rate of that date.

Gains or losses on translations of foreign currency in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interests and effective payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary items that are measured at historical cost in a foreign currency are not converted.

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Foreign currency differences arising during the translation are recognized in income; however, foreign currency differences arising from the translation of qualified cash flow hedges are recognized in other comprehensive income, provided that the hedge is effective.

c) Financial Instruments

Classification and measurement of financial assets and liabilities

The classification and measurement approach for financial assets is determined through the business model in which these assets and their cash flow characteristics are managed. It also includes three classification categories at the time of initial recognition for financial assets:

Approach	**Conditions**
Amortized cost (AC)	• The asset is maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and • The contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the current balance.
Fair value through other comprehensive income (FVTOCI)	A debt instrument is measured at FVTOCI only if it meets both of the following conditions and has not been designated as a FVTPL: • The asset is maintained within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and • The contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the current balance. The Company may irrevocably choose to record subsequent changes in fair value as part of other comprehensive income in equity.
Fair value through profit or loss (FVTPL)	All financial assets not classified as measured at amortized cost or at fair value through OCI as described above are measured at fair value through profit or loss.

Evaluation of the business model

An evaluation is made of the objectives of the business models where the different financial instruments at the portfolio level are maintained to reflect, as best as possible, the way in which the business is managed and how the information is provided to management.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including revenues from interest or dividends, are recognized through profit or loss.
Financial assets at amortized cost (CA)	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Revenues from interest, exchange gains and losses and impairment are recognized through profit or loss. Any gain or loss on derecognition is recognized through profit or loss.

Debt investments through other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Revenues from interest calculated using the effective interest method, gains on exchange difference and impairment losses are recognized through profit or loss. Other net earnings and valuation losses are recognized through OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss to be realized in OCI.
Equity investments through other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Dividends are recognized as revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Contractual rights on the asset's cash flow expire;
- The contractual rights on the asset's cash flow are transferred, or an obligation is undertaken to pay a third party all cash flow without significant delay, through a transfer agreement
- Substantially all risks and benefits inherent to the property of the asset have been transferred;
- All risks and benefits inherent to the property of the asset have been substantially withheld, but the control thereof has been transferred.

Financial Liabilities

A financial liability is any contractual obligation to deliver cash or other financial asset to another entity or person or to exchange financial assets or liabilities under potentially unfavorable conditions for the Companies, or any agreement that will or may be liquidated using equity instruments of the entity. Financial liabilities are initially recorded by their transaction value, unless otherwise determined, being similar to its fair value, less transaction costs directly attributable to their issue. Subsequently such financial liabilities are measured at amortized cost according to the effective interest rate method initially determined and recorded as debit to profit and loss under financial expenses.

Financial liabilities are only derecognized from the balance sheet when generated obligations are extinguished or when they are acquired (either with the intention of repaying them or reinvesting in them).

Offset of Financial Instruments in the Balance Sheet

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legal right to offset such recognized amounts and the management intends to liquidate them on a net basis or realize the asset and liquidate the liability simultaneously.

d) Transactions with Derivate Instruments

A derivative is a financial instrument whose value changes over time based on an underlying variable, does not require an opening net investment or a small investment with respect to the underlying asset and is liquidated on a future date.

Forward contracts entered into by the Company and some of its subsidiaries to cover the fluctuation of exchange rates in revenues are considered a cash flow hedge, given that they cover a particular risk associated with a recognized asset or liability or a highly likely expected transaction, in which case the effective portion of the changes in the fair value of derivatives is recognized in the account other comprehensive income in equity. Gains or losses in the derivative relative to the portion that is not effective to the hedge or that does not correspond to the hedged risk is recognized immediately in the income statement. Hedge accounting is implemented while the forwards remain within the range of effectiveness (80% and 125%).

Derivative transactions are revealed at baseline. Subsequent changes in the fair value are adjusted by debiting or crediting profit and loss, as applicable, unless the derivative is defined as hedge, if so, the nature of the hedged item. Hedge derivatives are defined as the cumulative values in the account other comprehensive income transferred to earnings for the period where the hedged item is also carried to income.

The Company and its subsidiaries document at the beginning of the transaction the relationship between the hedging instrument and the hedged item and the risk objective and strategy for undertaking the hedge relationship. The Company also documents its assessments both at the date of the transaction and on the recurring basis that the hedging relationship is highly effective in offsetting changes in fair value or cash flows of hedged items.

Financial assets and liabilities by transactions with derivatives are not offset in the statement of financial position; however, when there is a legal and exercisable right to offset the recognized values and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously, they are then presented net in the statement of financial position.

Profits and losses for settlement of contracts are recognized at the end of each month.

Contracts with derivatives implicit in other contracts, when the main contract is a financial asset, are not separated and instead the financial instrument is measured and recorded together as an instrument at fair value through profit or loss.

e) Net Investment Hedges in Foreign Operations

The companies use different financial instruments in order to manage their exposure to exchange rate risks. Financial liabilities are measured at amortized cost; those traded with a foreign currency generate an exchange difference. The gain or loss from the exchange difference is immediately recognized through profit or loss unless the financial liability is designated and in effect as a hedging instrument, in which case the time of recognition through profit or loss depends on the nature of the hedge ratio.

The hedge is classified as a net investment in foreign operation when it hedges the exchange rate risk that arises from the translation effect of a net investment in foreign operation.

At the beginning of the hedge ratio, the relationship between the hedging instrument and the hedged item is documented, together with the risk management objectives and the strategy for carrying out various hedging transactions. Additionally, at the beginning of the hedge and on an ongoing basis, the companies document whether the hedging instrument is highly efficient in counteracting changes in market values or the cash flows of the hedged item attributable to the hedged risk.

The effective portion of the changes in the financial liabilities that are designated and that qualify as hedges of a net investment is recognized in other comprehensive income and accumulated under the net investment hedge. The loss or gain related to the ineffective portion is recognized immediately through profit or loss, and is included in the profit or loss item in the exchange rate of the income statement for foreign currency hedging instruments.

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified in income for the periods in which the hedged item is recognized in income.

These profits are included within the same heading of the income statement of the recognized hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, completed or exercised, or when it no longer meets the hedge accounting criteria. Any loss or gain recognized in other comprehensive income and accumulated in equity at that time is held in equity and recognized when the expected transaction is finally recognized in profit or loss. When an expected transaction will not occur, the accumulated loss or gain in equity is immediately recognized in profit or loss.

f) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash, bank balance and collective portfolios that are subject to an insignificant risk of change in value, and are used by in the management of short-term commitments.

g) Property, Pipelines, Plant and Equipment

Recognition and Measurement

Elements of property, pipelines, plant and equipment are measured at cost less cumulative depreciations and cumulative amounts and any impairment losses suffered. Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of assets built by the Company and its subsidiaries includes the cost of materials and direct labor; any other costs directly attributable to the process of bringing the asset to a working condition for its intended use, costs of dismantling, removing and restoring the site where they are located.

Subsequent Costs
The cost of replacing part of an item of property, pipelines, plant and equipment is capitalized if future economic benefits are likely to be received and their cost can be measured reliably. The book value of the replaced part is derecognized. Daily maintenance costs of property, pipelines, plant and equipment are recognized in profit or loss when incurred.

Depreciation
The cost of assets is depreciated on a straight-line basis over the depreciable amount, which corresponds to the cost of the asset, less its residual value, based on the estimated useful life detailed below:

	Years
Constructions and buildings	50
Pipelines, plant and networks not under concession	70
Machinery and equipment	5 to 10
Transportation fleet and equipment	5
Computer and communication equipment	5
Furniture and fittings	10

Depreciation methods and useful lives are reviewed each year and adjusted if necessary.

Disposals
The difference between the proceeds of the sale and asset’s net book value is recognized in the income statement under the item other revenues.

h) Loan Costs
The Company and its subsidiaries capitalize on loan costs directly attributable to the purchase, construction or production of qualifying assets, as part of the cost of such assets. A qualifying asset is an asset that necessarily takes over six (6) months of construction and/or assembly to get ready for its intended use or sale.

These loan costs will be capitalized as part of the cost of the asset, provided that they will likely give rise to future financial benefits for the entity and can be measured reliably.

i) Intangible Assets
The cost of intangible assets is recognized at the value of the transaction at the date of purchase. After the initial recognition, the intangible assets are accounted for at cost less any cumulative amortization and any cumulative impairment loss.

Intangible assets with finite useful lives are amortized over such financial useful lives and are assessed to determine whether impairment occurred, provided that there are signs that an intangible asset may have suffered such impairment. The amortization period and method for an intangible asset with finite useful life is reviewed at the closing of each reported period.

Intangible assets with indefinite useful lives are not amortized, but are otherwise subject to annual evaluations to determine whether they have suffered impairments, either individually or collectively in the cash-generating unit where they were assigned. An indefinite useful life is evaluated and reviewed annually to determine whether such useful life is still appropriate, and, if not, the change from indefinite to finite useful life is done prospectively.

The useful life of intangible assets are shown below:

	Useful Life
Capital Gains	Indefinite
Software	3 to 5 years
Licenses	3 to 5 years
Rights	20 years
Easements	50 years

Gains or losses arising from derecognizing an intangible asset are measured as the difference between net income from the sale and the book value of the asset, and are recognized in the income statement when the asset is derecognized.

The Company and its subsidiaries record as expenses for the period all research costs, as well as any development costs where the technological and commercial feasibility thereof cannot be established.

j) Concession Agreements

The Company and its subsidiaries recognize the intangible asset arising from a service concession agreement when there is the right to charge for the use of concession infrastructure. On initial recognition, an intangible asset received as consideration for providing construction or improvement services in a service concession agreement is recognized at fair value. After initial recognition the intangible asset is measured at cost, including capitalized loan costs, less accumulated depreciation and accumulated impairment losses.

An intangible asset is recognized when there is no unconditional right to receive cash and the revenues are contingent on the extent of use of the asset under concession for the service provision. In some cases there may be mixed agreements, where part of the agreement is a financial asset and the other part is an intangible asset. In the case of Promigas and its subsidiaries, the financial asset is not for the remuneration of the transportation service, but for the obligation to sell the gas infrastructure by the end of the term of the agreement.

Based on the above, rights in concession agreements are recorded by the Company and its subsidiaries as follows:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

i. Revenues from the construction and costs relative to the constriction of concessions are recorded in the income statement after completing stages of the project in the reported period.

ii. If the concession agreement qualifies as a financial asset, the asset arising in the agreement is included in the account "other accounts receivable at fair value" and recognized at the present value of future payments to which each Company is entitled, discounted using the effective interest rate, in the event they are financial assets with mandatory sale at fair price at the end of the agreement. These financial assets are designated at fair value through profit or loss.

iii. In addition, cumulative disbursements during the construction phase of the project are recognized as intangible assets, and amortized over the term of the concession agreement, save for compressors, which are amortized over the shortest between the concession agreement and its useful life, in a straight line debited on profit or loss from the date when the construction is completed and the corresponding asset is put the service of the users. Compressor stations are amortized as follows:

Compressor Stations (Components)	**Years**
Centrifugal compressors	
Turbine	30.000 Machine hours*
Compressor	60.000 Machine hours*
Reciprocating compressors	
Turbine	20.000 Machine hours *
Compressor	40.000 Machine hours *
Skid Valves	20
Ancillary Systems	
Cooling Units	20
Fire Protection Equipment	10
Unit Control Panel	5
Ancillary Equipment	
Fuel Gas Skid	20
Air Compressor Skid	10
Station Control Panel	5
Motor Control Center	20
Power Generator	10
Valves and Accessories	20
Important spare parts	Associated with the component

* An equivalence is calculated by taking the utilization rate of each compressor station.

k) Inventories

Inventories are measured at the lower of either the cost or the net realizable value. The cost includes the purchase price of inventories and other direct costs required to make them available for use. The cost of inventories is determined by using the weighted average method and classified either as short- or long-term based on the item's rotation. The net realizable value is the estimated selling price in the ordinary course of business less trading and distribution expenses.

l) Assets Held for Sale

Assets held for sale, which the Company and its subordinates intend to sell within a term not exceeding one year, such sale being considered highly likely, are recorded as "assets held for sale". Such assets are recorded at the lower of either their carrying value at the time of their transfer to this account or their fair value less estimated costs of sale.

m) Prepaid Expenses and Prepaid Assets

Prepaid expenses mainly comprise insurance, services and leases paid in advance, amortized monthly at the contractual term, through profit or loss.

Insurance - Insurance is recognized at cost; depreciation is calculated using the straight-line method to allocate the cost to profit or loss at the end of the term of the policy, i.e., one (1) year.

n) Leases

Assets Received under Lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at the lower of either fair value or the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the applicable accounting policy.

Other leases are operating leases, and the leased assets are not recognized in the Company's separate statement of financial position.

Assets Delivered under Lease

Assets delivered under lease are classified at the time of signing the lease as financial or operating leases. A lease is classified as financial when it substantially transfers all the risks and advantages inherent in the property. A lease is classified as operating if it does not substantially transfer all the risks and benefits inherent in the property. Leases classified as financial are included in the balance sheet under "financial assets at amortized cost - accounts receivable" and are accounted for in the same way as the loans granted. Leases that are classified as operating are included within the property, plant and equipment account and are accounted for and depreciated considering the asset class.

o) Employee Benefits

Defined Benefits
The net obligation of the Companies related to defined benefit plans is calculated separately for each plan, estimating the amount of future benefit that employees have earned in the current period and in previous periods, deducting that amount and deducting the fair value of the plan's assets.

The estimate of defined benefit obligations is performed annually by a qualified actuary, according to the parameters provided in Decree 2783/2001, as required by Decree 2496 of December 2015. The method used is the projected unit credit method. When the calculation results in a potential asset for the company, recognition of the asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to it. To calculate the present value of economic benefits, any minimum funding requirement must be considered.

For defined contribution plans, the Companies pay contributions to public or private pension plan administrators on mandatory, contractual and voluntary bases. No additional payment obligations are considered once the contributions have been paid. The contributions are recognized as personnel expenses when expected. Prepaid contributions are recognized as an asset insofar as a cash reimbursement or a future payment reduction is available.

Short-term Benefits
Short-term employee benefits are measured on an undiscounted basis and are recognized as expenses when the related service is provided.

An obligation for the amount expected to be paid is recognized if the Companies have a current legal or implied obligation to pay this amount as a result of a service provided by the employee in the past and the obligation can be estimated reliably.

Long-term Benefits
The net obligation of the Companies regarding long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current period and in previous periods. The benefit is discounted to determine its present value. The new measurements are recognized in profit or loss for the period in which they arise.

Termination Benefits
Termination benefits are recognized as an expense when the Companies cannot withdraw the offer related to benefits or when the Companies recognize costs for a restructuring, whichever comes first. If the total benefits are not expected to be settled in full within 12 months after the end of the reporting period, these are discounted.

(Continues)

p) Taxes

Income Tax

The tax expense or income comprises the income tax for the period.

Current and deferred taxes are recognized as income or expense and are included in profit or loss, except when related to items recognized in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognized in other result comprehensive income or directly in equity, respectively.

Current Taxes

Current tax is the amount payable or to recover current income tax. It is calculated based on the tax laws enacted as of the date of statement of financial position. Management periodically evaluate positions taken in tax returns with respect to situations where tax laws are subject to interpretation and, if necessary, makes provisions on the amounts expected to be paid to the tax authorities.

To determine the provision of income tax, the Companies make their calculation based on the higher value between taxable income and presumptive income (minimum return on equity last year that the law presumes to establish the income tax).

The Companies only compensate tax assets and liabilities to current earnings if there is a legal right to the tax authorities and it intends either to settle the debts resulting on a net basis or to realize assets and settle debts simultaneously.

Deferred Taxes

Deferred tax is recognized using the liability method, determined on temporary differences between the tax bases and the book value of assets and liabilities included in the financial statements.

Deferred tax liabilities are the amounts payable in the future as income tax related to taxable temporary differences, while deferred tax assets are the amounts to be recovered by way of income tax due to the existence of deductible temporary differences, tax loss carryforwards or deductions pending application. Temporary difference is understood as the difference between the book value of assets and liabilities and their tax base.

Recognition of Taxable Temporary Differences

Deferred tax liabilities arising from taxable temporary differences are recognized in all cases except if:

- They arise from the initial recognition of capital gains or an asset or liability in a transaction that is not a combination of business and that on the date of such transaction neither the accounting result or the taxable income is affected.
- They correspond to differences associated with investments in subsidiaries, associates, and joint ventures, when the Companies can control the reversal opportunity of temporary differences and such temporary differences are unlikely to be reversed in the near future.
- In the case of the recognition of deferred tax liabilities for temporary differences related to investments in associates when the intention to sell the investment is not expected in the foreseeable future, only deferred tax liabilities will be recognized for the existence of undistributed earnings that may generate dividends taxed in the foreseeable future and for which there is no agreement that sets forth the non-distribution of taxed dividends.

Recognition of Deductible Temporary Differences

Deferred tax assets arising from deductible temporary differences are recognized provided that:

- Future taxable incomes against which the temporary differences may be offset are likely to be available, except in those cases where the difference arise from the initial recognition of assets or liabilities in a transaction that is not a combination of business and that on the date of such transaction neither the accounting result or the taxable income is affected.
- Correspond to temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, when the temporary differences are likely to be reversed in the near future and positive future tax gains are expected to offset such differences.

Deferred tax assets that fail to meet the above conditions are not recognized in the statement of financial position. The Company and its subsidiaries reconsider at the end of the reporting period whether the conditions are met to recognize deferred tax assets that had not previously been recognized.

Tax planning opportunities are considered in the recovery assessments of deferred tax assets only if the Company and its subsidiaries intend to adopt them or will likely adopt them.

Measurement

Deferred tax assets and liabilities are estimated using the tax rates applicable for the period where asset realization is expected or liabilities are going to be paid, based on the regulations enacted or expected to be enacted, and after considering the tax consequences that arise from the way in which the Company and its subsidiaries expect to recover assets or settle liabilities.

The Company and its subsidiaries review at the end of the reporting period the carrying value of the deferred tax assets, in order to reduce such value so that it becomes unlikely that there will be sufficient future taxable income to offset them.

The Company and its subsidiaries' non-monetary assets and liabilities are measured in terms of its functional currency. If tax losses or profits are calculated in a different currency, exchange rate differences give rise to temporary differences and the recognition of a liability or a deferred tax asset and the resulting effect is charged or credited to profit or loss for the period.

Offset and Classification

The Company and its subsidiaries offset deferred tax assets and liabilities over current income when there is a legal right with tax authorities and those assets and liabilities relate to the same tax authority.

Offset deferred tax assets and liabilities are recognized in the statement of financial position as noncurrent assets and liabilities regardless of the expected date of realization or settlement.

q) Provisions

A provision is recognized if it is the result of a past event, the Company and its subsidiaries have a legal or implicit obligation that can be estimated reliably, and an outflow of economic benefits to settle the obligation is probably necessary. Provisions are determined by discounting the cash flow expected in the future from the pre-tax rate that reflects the current market assessment of the value of money over time and the specific risks of the obligation.

Dismantling and Removal Costs
The best estimate of the provision for the cost of dismantling and removing an item or restoring the site where it is located is recognized when there is an obligation. The estimate is based on a current obligation (legal or implied) arising from the purchase, construction or development of a long-term asset. If it is unclear whether a current obligation exists, the entity may assess the evidence under the most likely threshold. Such threshold is assessed in relation to the settlement risk of the obligation.

"Environmental Obligations" Provision
The Company and its subsidiaries must review at least once a year the existence of environmental obligations resulting from new and existing projects. The recorded estimate will be the best estimate of the disbursement necessary to settle the present obligation, which is updated.

Insofar as environmental costs are costs necessary for an asset to function as expected by management, they are recorded as a higher value of the asset that originates them. The provision is updated periodically through profit or loss.

"Investment Plan Commitment" Provision
The best estimate is recognized for the investment to be made. The estimate is based on a current obligation (legal or implied) arising from the purchase, construction or development of a long-term

(Continues)

asset. If it is unclear whether a current obligation exists, the entity may assess the evidence under the most likely threshold.

r) Impairment

Financial Assets

The Companies periodically apply the impairment model due to expected credit loss (ECL). This model requires the recognition of a reserve due to the weighted probability in the default of payment since the granting of the loan, for which considerable judgment is applied regarding how changes in economic factors affect the ECL, which will be determined on a weighted average basis.

The impairment model will be applicable to the following financial assets that are not measured at FVTPL:

- Investments in debt securities;
- Commercial accounts receivable;
- Other accounts receivable.

Non-financial Assets

Impairment tests will be conducted when there are signs that the book value of an asset may exceed its recoverable amount. The recoverable amount of an asset is the higher of either its fair value minus disposal costs or its use value. The Company and its subsidiaries will assess at the end of the period whether there are any signs of impairment on the asset. If any, the Company and its subsidiaries would estimate the asset impairment.

Corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are firstly distributed to reduce the carrying amount of any goodwill distributed to the units and then to reduce the carrying amount of other assets in the unit (unit groups) on a pro rata basis.

An impairment loss with respect to capital gains is not reversed. With respect to other assets, impairment losses recognized in prior periods are evaluated at the end of each reporting period, seeking any indication that the loss has decreased or disappeared. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been determined net of depreciation or amortization and if no impairment loss has been recognized.

s) Revenues from ordinary activities from contracts with customers

The Companies recognize revenues from contracts with customers based on a five-step model:

- *Step 1 Identify the contract(s) with a customer*: A contract is defined as an agreement between two or more parties, which creates rights and enforceable obligations and establishes criteria that must be met for each contract. Contracts can be written, verbal or implicit through the customary business practices of a company.
- *Step 2. Identify the performance obligations in the contract:* A performance obligation is a promise in a contract with a customer for the transfer of a good or service to the latter.
- *Step 3. Determine the transaction price:* The transaction price is the amount of the payment expected to be entitled to in exchange for the transfer of goods or services promised to a customer, without considering the amounts received on behalf of third parties.
- *Step 4. Allocate the transaction price to the performance obligations in the contract:* In a contract with more than one performance obligation, the transaction price is allocated among the performance obligations in amounts that represent the amount of consideration to which the Company expects to be entitled in exchange for meeting each performance obligation.
- *Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.*

A performance obligation is met and recognizes the revenues over time, if one of the following criteria is met:

a) The performance of the Company does not create an asset with an alternative use, and there is an enforceable right to pay for the performance completed to date.
b) The Company's performance creates or improves an asset that the customer controls as it is created or improved.
c) The customer at the same time receives and consumes the benefits that result from the performance as it works.

For performance obligations where none of the indicated conditions is met, the revenue is recognized when the performance obligation is met.

When the Companies meet a performance obligation by delivering the promised goods or services, they create a contractual asset for the amount of the consideration obtained with the performance. When the amount of the consideration received by a customer exceeds the amount of the recognized revenue, this generates a contractual liability.

Revenue is measured based on the consideration specified in the contract with the customer, and excludes the amounts received on behalf of third parties. The Companes recognize revenue when they transfer control over a good or service to a customer. The revenue is presented net of the value added tax (VAT), reimbursements and discounts.

The Companies evaluate their revenue plans based on specific criteria to determine whether to act as principal or agent. Revenue is recognized to the extent that the economic benefits are likely to flow to the Companies and if revenues and costs, if any, are likely to be reliably measured.

Below is a description of the main activities through which the Companies generate revenue from contracts with customers:

Utilities

The contracts between customer and the Companies for the provision of utilities for the distribution and transportation of gas and the distribution of energy establish the rates and terms of the service. The Company and its subsidiaries determined that their obligation to distribute or transport gas, as well as to distribute energy, represents a single performance obligation, which is met over time (in the term of the contract it represents a series of defined goods that are substantially the same and have the same transfer pattern to the customer).

Some contracts include multiple deliverables, such as the installation of connections or repairs, which are accounted for as separate performance obligations. The transaction price is assigned to each performance obligation based on the individual rates (regulated rates). If the contracts include the installation of goods, the revenue of the goods is recognized at the moment in time when the goods are delivered, the legal title is transferred and the customer has accepted said goods.

Operation and construction services (Concessions)

In the concession agreements, the Companies determine that their performance obligations (construction, operation and maintenance) have been met over time and measures its progress in the activation of the project. The Companies consider the nature of the products or services provided and the terms of the contract, such as the right to cancellation, rights to demand or withhold payments, and the legal title to work in a process to determine the best method of input or output to measure the progress toward compliance with a performance obligation.
The Companies apply a single method to measure progress in each performance obligation within a contract. The method can be input (cost incurred, hours worked) or output (units produced, goals achieved).

The estimates of revenues, costs or degree of progress towards completion are reviewed if circumstances change. Any increase or decrease in estimated revenues or costs is reflected in the statement of comprehensive income in the period in which management learned of the circumstances that led to the review.

Non-bank financing and finance leases

Revenues from non-bank financing and accounts receivable from finance leases are recognized through profit or loss at amortized cost, using the effective interest method described in IFRS 9.

However, the companies also gain revenues that contain components found in IFRS 15, such as charging fees.

Sale of assets

Revenues from sale of assets are recorded when the significant risks and benefits pertaining to the ownership of the assets have been transferred to the buyer, generally when delivering said assets.

t) Financial Revenues and Costs

It mainly includes revenues and/or expenses for the update of the financial asset associated with the concession, which is periodically updated through profit or loss. Additionally, the Companies' financial revenues and costs include interest revenues and expenses, which are recognized using the effective interest method and the exchange difference.

u) Recognition of Costs and Expenses

The Companies recognize their costs and expenses as economic events occur in such a way that they are systematically recorded in the corresponding accounting period (accrual), regardless of the flow of monetary and financial resources (cash).

An expense is immediately recognized when a disbursement does not generate future economic benefits or when it fails to meet the necessary requirements for recognition as asset.

v) Earnings per Share

Promigas presents information of basic earnings per shares of its common shares. Basic earnings per shares are estimated by dividing the result attributable to the Company's common shares by the weighted average of common shares outstanding during the period, adjusted by the Company's own maintained shares.

w) Operating Segments

The information by segment is presented consistently with the internal reports provided to those responsible for relevant operating decision-making. The following segments are considered for the financial statements.

- Gas transportation
- Gas distribution
- Integrated solutions for the industry and power generation
- Power distribution
- Non-bank financing

Senior Executives regularly review the results of the segments and evaluate the results of each operation and the resources that must be allocated.

4. RISK MANAGEMENT

The Companies are exposed to a variety of risks, including market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk, operational and legal risks, which are managed depending on their nature.

a. Risk Management Framework

The Companies' Boards of Directors are responsible for establishing and supervising the risk management structure of Promigas.

The Companies' risk management policies are provided in order to identify and analyze the risks faced, set limits and appropriate risk controls, and monitor risks and adherence to limits. Policies and risk management systems are reviewed regularly to reflect changes in market conditions and activities of Promigas and its subsidiaries.

The Companies, through management standards and procedures, aim to develop an environment of disciplined and constructive control where all employees understand their roles and obligations.

b. Market Risk:

1. Macroeconomic Factors

The main macroeconomic factors that impact the financial results of Promigas and its subsidiaries are devaluation, inflation and the DTF interest rate.

Operating revenues are generated through fees that are indexed in US dollars, transport service invoices are issued in Colombian pesos and settled with the exchange rate at the time of invoice, while 95% of costs are in Colombian Pesos. Therefore, the exchange rate variation may positively or negatively affect income. The exchange rate exposure is mitigated by the contracting of financial hedging instruments (Forwards), which are contracted provided that future dollar sale rates are greater than or equal to the macroeconomic bases budgeted by the Companies.

With respect to inflation, DTF and other interest rates, the Companies are exposed given that the total debt is indexed to these macroeconomic indexes. The risk for these variables is mitigated by maintaining a permanent monitoring, which allows timely decision making, maintaining or refinancing existing credits or contracting new obligations, always seeking, where possible, to minimize financial costs.

(Continues)

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

2. *Vulnerability to Changes in Interest Rates and Exchange Rates*

Fluctuations in interest rates may negatively or positively affect the Companies; however, to mitigate any negative impact that may arise, each and every financial obligation is contracted without prepayment penalty in order to benefit in the event of falls in market rates.

As for the vulnerability to exchange rates, each project is analyzed independently to determine its exposure and the strategy to be implemented, which could be through the contracting of derivatives or the implementation of hedge accounting. For example, asset accounts held in foreign currency can be hedged naturally with financing in the same currency. Financial liabilities or accounts payable in foreign currency that do not have natural hedging with an active account may be hedged by the contracting of derivatives or by accounting derivatives. The measures implemented seek to minimize exchange rate risk.

3. *Risk of Variation in the Exchange Rate of Foreign Currency:*

The Companies are exposed to variations in the exchange rate produced by transactions in several currencies, mainly in US Dollars. The risk of variation in the exchange rate of foreign currency arises from assets, liabilities, revenues, costs and some recognized expenses.

Assets, liabilities and transactions denominated in foreign currency are those made in currencies different from the Company's functional currency. As of December 31 and June 30, 2018, assets and liabilities denominated in foreign currency, expressed in Colombian pesos are:

		December 2018		June 2018	
		Dollars	**Thousands of pesos**	**Dollars**	**Thousands of pesos**
Current assets	$	9,501,583	28.352.724	49,948,276	146.450.041
Noncurrent assets		268,643,109	801.631.038	273,663,729	801.678.350
Total assets		278,144,692	829.983.762	323,612,005	948.128.391
Current liabilities		(4,180,001)	(12.473.122)	(33,591,317)	(97.876.955)
Long-term liabilities		(290,679,351)	(867.387.184)	(266,941,403)	(779.076.064)
Total liabilities		(294,859,352)	(879.860.306)	(300,532,720)	(876.953.019)
Net asset position	$	(16,714,660)	(49.876.544)	23,079,285	71.175.372

Revenues received by the Companies for the gas transport service are determined by the dollar rate. The sensitivity due to the effect of the dollar in revenues is as follows:

Variable	Scenario	Devaluation	Impact		Value (in millions)
Exchange Rate	Bajo	+ 4,00%	Ebitda	$	9.874
			Net Income /Equity		10.186
	Medio	0,00%	Ebitda		-
			Net Income /Equity		-
	Alto	- 4,00%	Ebitda		(9.874)
			Net Income /Equity	$	(10.186)

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in more or less 400 points is considered.

Hedge Accounting

Promigas and its subsidiaries generate revenues from the services of transportation and distribution of gas under a regulated rate in US Dollars. To mitigate the risks of exchange rate effect, hedge positions with non-deliverable and deliverable forwards are taken to cover expected cash flows based on income projection. The companies' policy consists on ensuring at least the budgeted income of the companies, neutralizing the exchange rate risk without speculating on the currency.

The Companies contractually monetize the monthly invoicing with the average and final Exchange Rate for the month, so hedge agreements must replicate the exchange Rate of the contract. Through Non-Deliverable Forwards the Company has the option to take as much forwards as there are business days in a month, given that these are negotiated (settled) daily, with an averaged base of the revenues wishing to cover, to which different strike rates apply. At the end of the month, the average rate with which the revenues are contractually settled is simulated with the sum of the settled forwards.

The Companies' risk management strategy consists on adjusting the value of the hedge instrument periodically, so it reflects the changes in the hedged position. In order to measure the efficiency expected at the beginning of the hedge and the actual efficiency during the hedge period, the Market to Market-MtM valuation and the Dollar Offset method will be used under an efficiency range of 80-125 percent.

c. Price Risk

Companies in the regulated business of gas transportation and distribution have a selling price directly established by the government through the Energy and Gas Regulatory Commission (CREG) and for fixed periods; therefore, such companies do not have fluctuation risks. Price changes are generated in times of rate recalculations when the CREG defines the methodology and variables to be included in the respective calculation.

d. Credit Risk

Promigas S.A. E.S.P., Surtigas S.A. E.S.P., Gases de Occidente S.A. E.S.P. and Compañía Energética de Occidente S.A. E.S.P., through its non-bank financing Program – Brilla, are exposed to credit risk, which consists of the debtor causing a financial loss for not fulfilling its obligations. Credit risk exposure arises as a result of activities of the Brilla program and transactions with counterparties that lead to financial assets, executed by gas and energy distributors where the program runs.

The maximum exposure to credit risk is the amount of the commitments, reflected in the book value of financial assets and in the Companies' statement of financial position.

The principles and rules for managing the Brilla credit are stated in the Non-Bank Financing Policy. The evaluation criteria to control credit risk follow the guidelines provided by Non-Bank Financing Policy and the Brilla Executive Committee.

The maximum credit authority is the Brilla Executive Committee, which guides the general policy and has the power to establish the credit limits for each distributor that handles credit requests and is responsible for the analysis, monitoring and results.

For credit approvals, the user's payment behavior during the last two years is taken into account and, additionally, for the gas distribution companies, users must have finished paying the gas connection or have a debt less than three hundred thousand pesos.

The Companies calculate the portfolio provision considering the expected loss applied to standard IFRS 9. For monitoring and measuring the portfolio, the Companies have the indicator of non-performing loans more than 90 days past due. Monthly monitoring of the portfolio is conducted based on the analysis of nonperforming loans by age. Three times a year, the Portfolio Committee meets, presenting the indicators and reviewing the cases that affect collection in order to set out strategies and action plans to improve recovery, and analyzes the collection process by the contractor firms and the reports by locations in order to identify related items of default that establish a trend and control them immediately.
By the end of each reported period, the Company assesses whether there is any objective evidence of an impaired financial asset or group thereof. A financial asset or group thereof is considered impaired only if there is objective evidence of impairment as a consequence of one or more events occurring after the initial recognition of such asset (an "event causing the loss"), and if such event causing the loss has an impact over future estimated cash flows of the financial asset, which can be reliably estimated.

Objective evidence of impairments may include signs of debtors or group thereof having significant financial difficulties, nonpayment of or default in principal or interest payments, the likelihood of entering bankruptcy or other form of financial reorganization, and when observable data indicate that there is a measurable decrease in future estimated cash flows, such as adverse changes in the status of overdue payments or in the financial conditions that correlate with defaults.

To determine the impairment of financial assets, the Company and its subsidiaries use the quantification of incurred losses, which considers three basic factors: exposure, probability of default and severity, as follows:

- Exposure is the amount of risk at the time of the counterparty default.

- Probability of default is the likelihood that the counterparty defaults on its obligations of principal and/or interest payments. Probability of default is associated with the rating/scoring of each counterparty/transaction.

- Severity is the estimate of the loss if default occurs. It mainly depends on the counterparty's characteristics and the appraisal of guarantees or collaterals associated with the transaction.

If in subsequent periods a recovery of the financial asset's value at amortized cost were evident, the loss due to impairment would be reversed. Such reversal will be limited to the book value the financial asset would have had should the loss due to impairment had not been recorded. The record of the reversal is recognized through profit or loss.

For purposes of the portfolio impairment analysis, Promigas and it subsidiaries arranged a segmentation that allows identifying the common characteristics in the accounts receivable of the same group and heterogeneous characteristics among the accounts receivable from different groups. This segmentation is as follows:

- Accounts receivable from gas
- Accounts receivable from energy
- Non-Banking Financing
- Other accounts receivable.

Definition of loss for group analysis: Loss is defined as the amount not recovered given the maximum term of expected life to obtain recoveries. Promigas has defined as loss the sum of:

- Accounts receivable written off during the 12-month time window
- Value not recovered from the account receivable during the 12-month window.

In order to define the stage of the portfolio, Promigas and its subsidiaries have defined the following guidelines:

Credits are classified in each stage considering the following definitions:

Stage 1: All credits that have less than 30-days default.
Stage 2: All credits that have between 30 and 89-days default.
Stage 3: All credits that have 90-days default or more.

All credits that have 360-days default will have 100% provision.

Provision ratios to be applied to the portfolio include scenario analysis and forward-looking information.

In order to determine whether the portfolio risk has not significantly increased, an analysis is performed based on the following aspects:

- *Quantitative aspects* – Considering that the internal management of the Companies does not consider a rating model to differentiate customers, the transition of stages through the measurement of the probability of default lifetime is not considered.
- *Qualitative aspects* - Qualitatively, transitions between stages are considered by the refinancing concept according to the classification of refinanced, standardized or classification withdrawal.
- *Backstops* - The transition between Stages is mainly done by the “Backstops” (arrears) defined in the Promigas and subsidiaries policy.

Promigas and its subsidiaries have defined a term of default of 12 months to proceed with the portfolio write off. In addition, there must be evidence of the portfolio management carried out with the customer.

Portfolio Concentration:
Aware of the economic capacity of users to whom the Brilla program is targeted, average limits of \$1.852 are assigned to economic strata 1 through 3 and an average of \$2.560 for strata 4 through 6, considering the socioeconomic stratum and that the user must have a good record in their payment behavior, thus mitigating portfolio concentration per user. The nonperforming loan indicator is monitored by location in order to control portfolio impairment.

As of December 31, 2018, the Brilla consolidated portfolio increased by 14.01% with respect to the same period the previous year, due to non-bank financing placements made by related companies: Surtigas S.A. E.S.P., Gases de Occidente S.A. E.S.P. and Compañía Energética de Occidente S.A. E.S.P.

e. Liquidity Risk

Liquidity risk is related to the inability of meeting obligations to creditors, for which purpose the Companies review its available resources on a daily basis. With the information obtained, the Company determines the liquidity needs and makes the relevant decisions to define the excess liquidity placement strategy, seeking to optimize profitability and minimize concentration risk. See notes 6, 17 and 21.

f. Interest Rate Risk

The Companies are exposed to effects of market fluctuations in interest rates that affect its financial position and future cash flows.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Therefore, the Companies periodically review the conditions of financial obligations to analyze whether hedges need to be replaced, prepaid or managed. 100% of the financial obligations are contracted without prepayment penalty clauses in order to have benefit in cases of drops of market rates.

Promigas and its subsidiaries contract loans indexed to DTF, CPI, IBR, Libor and Fixed Rate; in addition, issues of ordinary bonds are indexed to the CPI. As for the consolidated financial debt as of December 31, 2018, it consisted of Libor 24.6%, DTF 12.7%, CPI 54.9%, IBR 4,2% and fixed rate 3.6%.

The sensitivity of the net result of fluctuations of interest rates is detailed in the table below:

DTF fluctuation effects:

Variable	Scenario	Rate	Impact		Value
	Low	5,96%	Net Income /Equity	$	(1.823.202)
DTF	Medium	6,96%	Net Income /Equity		-
	High	7,96%	Net Income /Equity	$	1.823.202

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in more or less 100 basic points and a 40% tax rate are considered. The result will be reflected through profit or loss on the following periods.

CPI fluctuation effects:

Variable	Scenario	Rate	Impact		Value
	Low	6,39%	Net Income /Equity	$	(7.905.618)
CPI	Medium	7,39%	Net Income /Equity		-
	High	8,39%	Net Income /Equity	$	7.905.618

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in more or less 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

Libor fluctuation effects:

Variable	Scenario	Rate	Impact		Value US $
	Low	4,38%	Net Income /Equity	$	(1,089)
Libor	Medium	5,38%	Net Income /Equity		-
	High	6,38%	Net Income /Equity	$	1,089

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in more or less 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

IBR fluctuation effect:

Variable	Scenario	Rate	Impact		Value US $
	Low	5,86%	Net Income /Equity	$	(604,711)
IBR	Medium	6,86%	Net Income /Equity		-
	High	7,86%	Net Income /Equity	$	604,711

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in more or less 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

Fixed Rate Fluctuation effect:

Variable	Scenario	Rate	Impact		Value US $
	Low	5,82%	Net Income /Equity	$	(520,892)
Tasa Fija	Medium	6,82%	Net Income /Equity		-
	High	7,82%	Net Income /Equity	$	520,892

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in more or less 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

According to the analysis discussed above, the methodology and assumptions used are still valid and have not been modified.

Promigas receives dividends from its gas distributor subsidiaries, which have revenues adjusted for CPI; therefore the business has a natural hedge against fluctuations that this variable may have.

Promigas and its subordinates use the resource investment mechanism to optimize their treasury strategies through Mutual Funds, the returns of which are product of the daily valuation of their portfolios at market price These, can increase interest margins, but can also reduce them and generate losses if unexpected movements in the rate of such funds occur. The Companies monitor on a daily basis the balance of the money invested in Mutual Funds, in order to make decisions whether to transfer the resources to bank accounts in adverse events or keep them, considering that these investments are demand deposits and can be made available at any moment.

In addition, resources remain invested in savings accounts or current accounts with special remuneration, which do not have interest rate risk because they are fixed rates agreed with the banks.

In turn, financial obligations are contracted with prepayment clauses in order to have benefit in the event of market rate decreases.

5. DETERMINING FAIR VALUE

Some of the Company and its subsidiaries' accounting policies and disclosures require fair value measurement of both financial and non-financial assets and liabilities.

The Company and its subsidiaries have established a control framework regarding the measurement of fair values. This includes the finance team, which has the overall responsibility for the supervision of all significant fair value measurements.

Fair value of assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives actively traded in securities exchange or interbank markets) is based on market prices quoted at the end of the trade on the reporting period closing.

An active market is a market where transactions for assets or liabilities are carried out with the required frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques permitted by the IFRS that are in line with those established by the Financial Superintendence. Promigas and its subsidiaries use a variety of methods and assume that they are based in market conditions existing on the closing date of each period. The valuation techniques used for forwards include the use of recent similar transactions in equal conditions, references to other substantially similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly implemented by market participants that make the most of market data and rely as little as possible on entity specific data. The fair value of non-current assets held for sale is determined by independent experts using the replacement cost method minus damages.

Promigas and its subsidiaries develop internal financial models to measure instruments that lack active markets, which are based on generally accepted valuation methods and techniques standardized for the different objects. Under this practice, Promigas and its subsidiaries have estimated the fair value of the financial asset that arises in pipeline concession agreements according to IFRIC 12 - Service Concession Arrangements, and in its estimate by not having observable market transactions or market information. Such markets must estimate the price of an ordered transaction to sell the asset or transfer the liability between market participants on the date of the measurement under current market conditions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect every factor relevant to the positions of the Companies. Therefore, valuations are adjusted, if necessary, to allow additional factors, including model, liquidity and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined based on the lowest level input that is significant to the entire measurement of the fair value. For such purpose, the importance of an input is assessed with respect to the measurement of fair value in its entirety. If a measurement of fair value uses observable inputs that require significant adjustments based on unobservable inputs, such measurements is a Level 3 measurement. The evaluation of the importance of a particular input for the measurement of fair value in its entirety requires judgment, considering factors specific to the asset or liability.

Determining what constitutes “observable” requires significant judgment by the Companies. Promigas and its subsidiaries consider observable data any market data that is already available, that is distributed or updated regularly, that is reliable and verifiable, that has no property rights, and that is provided by independent sources that actively participate in the reference market.

Fair Value Estimate of Financial Assets under Concession

Promigas and its subsidiaries designate at fair value through profit or loss the group of financial assets related to concession contracts governed by the petroleum law due to the contractual nature of the asset, taking into account that the Government will exercise the purchase at the end of the contract at its fair price in accordance with Article 51 of the Petroleum Code. In order to determine fair value the income approach is applied. Discounted cash flows correspond to the residual value (perpetuity) of the cash flows generated by the assets under concession, i.e., the estimated flows that such assets would generate from the end of the concession onwards; subsequently, the value of the financial asset will be adjusted in each period; this adjustment will be made considering once again changes in the assumptions made in the company discount rate (WACC) and the new horizon of the end of the concession.

Below is the sensitivity of the fair value of the financial assets under concession measured at fair value through the following variables for the low and high scenarios with a variation of plus or minus 10 basis points:

Net Income Impact	**High**	**Low**
	Figures in millions	
Discount Interest Rates	(80.133)	83.585
Gradual growth into perpetuity	48.662	(47.020)
	%	
Discount Interest Rates	(11,0%)	11,5%
Gradual growth into perpetuity	6,7%	(6,5%)

The valuations of financial assets are considered at level III of the hierarchy in the measurement of fair value

Fair Value Measurements on a Recurring Basis

Fair value measurements on a recurring basis are those that the IFRS require or allow in the statement of financial position at the end of each accounting period.

The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of Promigas and its subsidiaries measured at fair value on a recurring basis as of:

		December 2018		**June 2018**	
		Level 2	**Level 3**	**Level 2**	**Level 3**
Assets					
Hedging operations receivable	$	42.966	-	3.861.168	-
Equity instruments through profit or loss		166.217.252	-	157.903.861	-
Financial instruments at fair value through profit or loss		300.000	-	300.000	-
Equity instruments through OCI		13.300.940	-	12.686.248	-
Long-term financial assets debtors		-	2.488.413.572	-	2.409.656.120
Investment properties		-	4.101.669	-	3.500.000
	$	179.861.158	2.492.515.241	174.751.277	2.413.156.120
Liabilities					
Creditors for hedging liability position	$	14.843.102	-	1.911.507	-

Promigas and its subsidiaries have no assets or liabilities categorized in Level 1, considering that for an asset or liability to be categorized in Level 1, its values must be based on quoted prices in active markets.

Financial instruments not traded in active markets, but valued according to quoted market prices, broker quotes or alternative price sources supported by observable inputs, are categorized in Level 2. Derivatives from foreign currency and free sale derivatives hedging contracts are included. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, the valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

When a price for an identical asset or liability is unobservable, an entity shall measure the fair value suing another valuation technique that maximizes the use of relevant observable input data and minimizes the use of unobservable input data. Given that fair value is a market-based measurement, it is measured using assumptions that market participants would use to fix the price of the asset or liability, including risk assumptions. These financial instruments are categorized in Level 3. These are the financial assets recognized at fair value for the sale obligation of the residual interest of the infrastructure at the end of the concession agreements.

Assets reflected in the Company and its subsidiaries' statement of financial position correspond to the financial asset of the unconditional contractual right to receive from the Colombian State or from an entity under its supervision cash or other financial asset for the construction services of the pipelines and networks under concession by the end of the term of the concession agreements, the payment of which the State has little or no ability to avoid, as the agreement is enforceable by law. Promigas and its subsidiaries recognize an intangible asset by the consideration for the construction services, and the plantation project that Transmetano E.S.P. S.A. has classified as biological assets and that has been measured at fair value by independent experts.

Management has decided that the best option to measure the fair value of the financial asset is free discounted cash flow, as it reflects current market expectations on future amounts that constitute the fair value of the concession to be negotiated with the State, once completed or renewed.

The assumptions for calculating the financial asset were:

- The financial asset is calculated considering the date of termination of the respective concession agreement.
- Promigas and come of its subsidiaries made proportional calculations for the completion of each current concession agreement.
- Only operating cash flows of these assets under concession were considered. Below are the components of the calculation:
  - Free cash flow generated exclusively by assets under concession
  - Concession expiry period
  - Perpetuity value of Free Cash Flow (FCF) for year n
  - Current value discounted of WACC residual value*
  - Financial Revenue: Annual adjustment of the value of the financial asset

    * Nominal WACC (Weighted Average Cost of Capital) calculated under the CAPM, which is updated periodically.

Significant unobservable input data used for measuring the fair value of the financial asset for the pipelines under concession are: operating revenues, costs and expenses and investments pertaining exclusively to the assets under concession, and the WACC formula intended to take into account the sources of capital used and their share in the total capital of the Company, to determine the average cost of procuring equity capital resources and financial debt. Increases (decreases) in any of these input data considered independently would result in a fair value measurement significantly lower (greater). Generally, a change in the assumption used to project revenues is reflected accordingly in the measurement of the financial asset and with an opposite change in the assumption of costs and expenses.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Promigas and its subsidiaries periodically review the Level 3 valuations and consider the appropriateness of the inputs of the valuation model and the result of the valuation using several industry standardized valuation methods and techniques. In selecting the most appropriate valuation model, the Company and its subsidiaries conduct the tests once again and consider which are the results of the model that historically are more in line with actual market transactions.

		Investment Properties	Financial Asset by Pipelines Under Concession
Balance as of December 2017	$	2.875.000	2.282.610.894
Adjustments to fair value through profit or loss		-	127.045.226
Withdrawals or sales		625.000	-
Balance as of June 2018		3.500.000	2.409.656.120
Adjustments to fair value through profit or loss		-	78.757.452
Adjustments to fair value through OCI		14.762	-
Transfers (a)		586.907	-
Balance as of December 2018	$	4.101.669	2.488.413.572

(a) Corresponds to the reclassification of the plot located in the La Soledad district that is part of the El Bolivar farm, which went from being non-current assets held for sale to investment property in the entity Promisol S.A.S.

6. CASH AND CASH EQUIVALENTS

Cash is broken down as follows:

		December 2018	June 2018
Local currency			
Cash	$	1.163.383	1.177.253
Banks (1)		230.773.380	135.673.924
Other		1.106.936	2.291.943
Cash in local currency		233.043.699	139.143.120
Foreign currency			
Cash		81.789	78.524
Banks (1)		46.230.393	47.175.656
Cash in foreign currency		46.312.182	47.254.180
Cash and cash equivalents	$	279.355.881	186.397.300

(1) Breakdown of the credit quality of the main financial institutions where the Company and its subsidiaries keep cash funds, as determined by independent risk rating agencies:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Credit Rating		**December 2018**	**June 2018**
AAA	$	191.359.596	126.002.013
AA+		67.055.978	36.453.617
AA		214.875	112.110
A+		5.816.944	7.946.358
BBB+		12.047.172	12.335.229
BBB		509.208	253
	$	277.003.773	182.849.580

7. FINANCIAL ASSETS AT FAIR VALUE

The balance of financial assets at fair value is as follows:

		December 2018	**June 2017**
Short-term			
Equity instruments through profit or loss	$	166.217.252	157.903.861
Other accounts receivable hedges		42.966	3.861.168
	$	166.260.218	161.765.029
Long-term			
Equity instruments through profit or loss	$	300.000	300.000
Equity instruments through OCI		13.300.940	12.686.248
Other accounts receivable (1)		2.488.413.572	2.409.656.120
	$	2.502.014.512	2.422.642.368

(1) Corresponds to the obligation of selling the networks and pipelines under concession to the Colombian State at the termination date of the agreements. In accordance with IFRIC 12 - Service Concession Arrangements, the Operator shall recognize a financial asset by the residual interest over the infrastructure insofar as it has an unconditional contractual right to receive from the grantor or from an entity under the latter's supervision, cash or other financial asset for the construction services, the payment of which the grantor has little or no ability to avoid, as the agreement is enforceable by law. According to IFRS 9 - Financial Instruments, financial assets are measured at fair value for each reported period. This measurement is based on the application of IFRS 13 – Fair Value Measurement.

Below is the detail of financial assets for each Company:

		December 2018	**June 2018**
Promigas S.A. E.S.P.	$	1.970.037.239	1.904.434.311
Transmetano E.S.P. S.A.		131.608.676	132.006.214
Surtigas S.A. E.S.P.		264.897.098	258.384.686
Promioriente S.A. E.S.P.		41.811.532	40.761.282
Gases de Occidente S.A. E.S.P.		80.059.027	74.069.627
	$	2.488.413.572	2.409.656.120

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

8. FINANCIAL ASSETS AT AMORTIZED COST

The balance of financial assets at amortized cost is as follows:

		December 2018	June 2018
Short-term			
Debt securities	$	24.282	24.269
Accounts receivable (1)		852.761.965	828.436.671
Other accounts receivable (2)		46.713.766	125.564.872
	$	899.500.013	954.025.812
Long-term			
Debt securities	$	174.320	172.553
Accounts receivable (1)		1.603.137.498	1.526.020.944
Other accounts receivable (2)		17.816.868	16.038.698
	$	1.621.128.686	1.542.232.195

(1) Commercial accounts receivable are made up as follows:

		December 2018			June 2018		
		Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-term							
Gas transport (a)	$	75.744.991	3.938.455	79.683.446	77.348.323	5.459.523	82.807.846
Gas Distribution (a)		290.258.441	1.852.425	292.110.866	322.123.573	1.914.235	324.037.808
Distribution and trade of energy (b)		119.123.331	-	119.123.331	111.659.243	-	111.659.243
Non-bank financing (c)		201.818.746	276.250	202.094.996	185.841.396	384.748	186.226.144
Finance lease (d)		102.635.654	-	102.635.654	106.506.586	-	106.506.586
Other services (e)		137.598.101	15.451	137.613.552	98.753.601	1.336	98.754.937
Doubtful debts		377.749	-	377.749	379.665	-	379.665
		927.557.013	6.082.581	933.639.594	902.612.387	7.759.842	910.372.229
Debtor impairment		(80.877.629)	-	(80.877.629)	(81.935.558)	-	(81.935.558)
	$	846.679.384	6.082.581	852.761.965	820.676.829	7.759.842	828.436.671
Long-term							
Gas Distribution (a)	$	105.360.464	-	105.360.464	93.698.790	-	93.698.790
Non-bank financing (c)		164.438.755	-	164.438.755	145.071.621	-	145.071.621
Finance lease (d)		1.227.416.012	-	1.227.416.012	1.188.457.164	-	1.188.457.164
Other services (e)		134.288.859	-	134.288.859	128.871.517	-	128.871.517
		1.631.504.090	-	1.631.504.090	1.556.099.092	-	1.556.099.092
Debtor impairment		(28.366.592)	-	(28.366.592)	(30.078.148)	-	(30.078.148)
	$	1.603.137.498	-	1.603.137.498	1.526.020.944	-	1.526.020.944

(a) Includes accounts receivable for the gas transportation, distribution and trading services provided by Promigas and its subsidiaries.
(b) Made up of the user portfolio of Compañía Energética de Occidente S.A. E.S.P..

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

(c) Includes accounts receivable from users of natural gas with the "Brilla" business, whose portfolio ranges from 1 to 5 years at the maximum legal interest rate authorized by the Colombian Financial Superintendence.
(d) As of December 31st and June 30th, 2018, includes accounts receivable of: Sociedad Portuaria El Cayao S.A. E.S.P. for the finance lease to Grupo Térmico for the investment in a gas pipeline and a floating storage and regasification unit (FSRU), worth $1.158.196.310 and $1.068.133.745, and Promisol S.A.S. as a result of the lease agreements entered into with Hocol and Canacol, worth $171.855.356 and $226.830.005, respectively. The variation of the balance is mainly due to the earl purchase option exercised by Canacol on the assets delivered in finance lease by Promisol.
(e) Includes the sale of materials, goods and services, workforce, installed meters, lease receivables, conversion kit, commissions, fees, connection fees, consultancies, project studies, review and installation of inspection workforce and other associated services in Promigas and its subordinates.

As of December 31st and June 30th, 2018, there are no levies or restrictions on the balance of the debt account.

Below is the consolidated movement of the accounts receivable impairment:

		December 2018	June 2018
Initial balance	$	112.013.706	86.031.192
Impairment		15.167.808	17.401.387
Write-off		(10.087.210)	(9.087.537)
Recovery		(8.370.712)	(1.540.939)
Conversion adjustments		133.691	55.965
IFRS 9 adoption effect		386.938	19.153.638
Final balance	$	109.244.221	112.013.706

Below is a summary of the years when long-term accounts will be collected:

Year		Value
2020	$	318.414.874
2021		243.893.598
2022		215.726.858
2023		222.083.885
2023 onwards		631.384.875
	$	1.631.504.090

The composition by maturity of accounts receivable is as follows:

		December 2018	June 2018
Maturity 0 - 30 days	$	2.267.766.710	2.135.320.933
Maturity 31 - 90 days		131.225.864	138.549.820
Maturity 91 - 180 days		71.522.631	45.557.092
Maturity 181 - 360 days		34.855.348	26.851.871
Maturity over 360 days		59.773.131	120.191.605
	$	2.565.143.684	2.466.471.321

(Continues)

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

(2) Other accounts receivable are as follows:

		December 2018	June 2018
Short-term			
Granted loans	$	2.360.001	1.583.437
Dividends receivable (a)		-	62.067.544
Other debtors		44.353.765	61.913.891
	$	46.713.766	125.564.872
Long-term			
Granted loans	$	14.997.190	13.636.392
Other debtors		2.819.678	2.402.306
	$	17.816.868	16.038.698

(a) In August, dividends were received in dollars receivable that were maintained with Gas Natural de Lima y Callao S.A.C. worth $60.089.103 and $2.113.439 for withholdings made abroad.

Below is a summary of the years when long-term accounts receivable will be collected:

Year		Value
2020	$	2.194.914
2021		1.194.365
2022		2.656.404
2023		3.690.614
2023 onwards		8.080.571
	$	17.816.868

9. INVENTORIES

Below is the composition of the balances of inventories:

		December 2018	June 2018
Short-term			
Goods in stock	$	43.046.356	41.915.071
Materials for the provision of services		14.202.122	20.996.141
Inventories in transit		-	294.863
Inventories held by third parties		5.881.088	7.242.372
		63.129.566	70.448.447
Impairment of inventories		(3.961.510)	(6.857.803)
	$	59.168.056	63.590.644
Long-term			
Materials for the provision of services		14.190.760	14.511.296
Impairment of inventories		(13.673)	(13.780)
	$	14.177.087	14.497.516

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Below is the movement of inventory impairment:

		December 2018	June 2018
Initial balance	$	(6.871.583)	(6.918.841)
Impairment through expenses		(487.843)	(244.450)
Write-off		3.384.243	262.382
Reimbursement of impairment with payment to profit or loss		-	29.326
Final balance	$	(3.975.183)	(6.871.583)

10. OTHER ASSETS

Below is the detail of other current assets:

		December 2018	June 2018
Short-term			
Prepaid expenses			
Goods and services	$	113.878.303	91.620.391
Insurance		18.868.828	6.643.566
Leases		43.518	36.833
Other prepaid expenses		15.501.520	3.461.488
Prepayments or balances in favor for other taxes		35.827.882	31.114.043
Legal deposits		4.303.142	1.999.084
	$	188.423.193	134.875.405

11. INVESTMENTS IN ASSOCIATES

Identification and economic activity of affiliated companies

Gases del Caribe S.A. E.S.P. - It was incorporated according to Colombian law on November 25th 1966, and its corporate purpose is the purchase, storage, packaging and distribution of gas and hydrocarbon derivatives; the construction and operation of natural gas pipelines for industrial, commercial and home use, and the purchase of items, services and artifacts related to the sale and distribution of fuel gases and related products. The Company is headquartered in the city of Barranquilla, Colombia. Its legal existence expires on January 26th, 2083.

E2 - Energía Eficiente S.A. E.S.P. – Purchase, sale, production and trade of energy in any form, development or trade of products and/or services for managing risks related to the energy business, and provide comprehensive advisory services on the acquisition and use of energy. The Company is headquartered in the city of Barranquilla, Colombia. Its legal existence expires on August 6th, 2104.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Gas Natural de Lima y Callao S.A.C. - Its corporate purpose is the distribution of natural gas, including the sale of equipment, equipment installation and maintenance, and the implementation of activities related to hydrocarbons and/or distribution. Its headquarters are in Lima Peru.

Complejo Energético del Este S.A. - Installation of an import and regasification terminal of Liquefied Natural Gas (LNG) in Dominican Republic territory, within the framework of the policies outlined by that country's government, and the trade and distribution of natural gas through networks or pipelines. The Company is headquartered in Panama City, Republic of Panama, it may be transferred to any other place within the territory of Panama.

Concentra en Inteligencia en Energía S.A.S. – Manage and administer, for commercial purposes, information of the natural gas industry and/or other substitute energy sectors, including the corresponding provision of domiciliary public utility service of gas and its complementary activities. The Company is headquartered in Bogota D.C., Colombia. The term of the Company is indefinite.

Below is the detail of investments in associate companies:

Company	Economic Activity	Seat	Interest held	Book Value	Revenues Equity Method	OCI for the period
December 2018						
Gas Natural de Lima y Callao S.A.C.	Gas distribution	Peru	40,00%	$ 410.984.024	44.398.039	35.762.285
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%	269.184.681	48.886.898	(191.303)
Complejo Energético del Este S.A.	LNG Regasification	Panama	33,00%	3.059.206	-	-
E2 - Energía Eficiente S.A. E.S.P.	Gas trading	Colombia	48,81%	8.251.748	895.381	-
Concentra en Inteligencia en Energía S.A.S.	LNG Regasification	Dominicana	28,52%	600.597	(21.330)	5.529
				692.080.256	94.158.988	35.576.511
Impairment of investments in associates (1)				(3.059.206)		
				$ 689.021.050		
June 2018						
Gas Natural de Lima y Callao S.A.C.	Gas distribution	Peru	40,00%	$ 330.823.699	36.586.248	(6.341.592)
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%	256.158.998	41.446.721	(1.839)
Complejo Energético del Este S.A.	LNG Regasification	Panama	33,00%	3.059.206	-	-
E2 - Energía Eficiente S.A. E.S.P.	Gas trading	Colombia	36,17%	7.356.368	429.174	-
Concentra en Inteligencia en Energía S.A.S.	LNG Regasification	Dominicana	28,26%	616.398	7.647	5.991
				598.014.669	78.469.790	(6.337.440)
Impairment of investments in associates (1)				(3.059.206)		
				$ 594.955.463		

(1) Corresponds to the total impairment on the investment in Complejo Energético del Este S.A.

In order to calculate and record the equity method, the Company recognizes the accounting principles to align the accounting policies with those of Promigas S.A. E.S.P.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

The operations of investments in associates are as follows:

		December 2018	June 2018
Initial balance	$	594.955.463	640.407.180
Dividends ordered by companies		(34.449.352)	(115.113.643)
Equity method through profit or loss		94.158.988	78.469.790
Other comprehensive income from associates		35.576.511	(6.337.440)
Effects adoption IFRS changes		(1.220.560)	(2.470.424)
Final balance	$	689.021.050	594.955.463

In the first half of 2018 dividends were received from Gases del Caribe S.A. E.S.P. worth $55.024.539. The dividends declared by the associates as of December 31st, 2018, are as follows:

		Declared	Received
Gases del Caribe S.A. E.S.P.	$	34.449.352	34.449.352
Gas Natural de Lima y Callao S.A.C.		-	57.975.664
Colombiana de Extrucol S.A.		-	275.659
Others		-	14.630
	$	34.449.352	92.715.305

Below is the detail of the equity composition of investments in associates, recorded using the equity method:

	Capital	Share underwriting premium	Reserves	Period Results	Retained earnings	Results for IFRS Adoption	Unrealized gains or losses (OCI)	Total equity
December 2018								
Gas Natural de Lima y Callao S.A.C.	$ 474.434.154	-	68.230.750	96.914.708	81.274.684	-	306.605.762	1.027.460.058
Gases del Caribe S.A. E.S.P.	1.755.369	1.260.919	40.051.653	130.614.745	331.603.715	336.459.944	(1.867.164)	839.879.181
Complejo Energético del Este S.A.	13.428.000	-	-	(20.211)	(390.372)	-	1.159.105	14.176.522
E2 - Energía Eficiente S.A. E.S.P.	909.998	1.439.982	454.999	1.926.999	14.457.234	(682.535)	-	18.506.677
Concentra en Inteligencia en Energía S.A.S.	1.764.000	-	-	(71.993)	323.450	-	2.511	2.017.968
June 2018								
Gas Natural de Lima y Callao S.A.C.	$ 474.434.154	-	68.230.750	105.352.319	(24.077.635)	-	216.764.872	840.704.460
Gases del Caribe S.A. E.S.P.	1.755.369	1.260.919	41.550.469	142.589.673	300.164.589	336.459.944	(843.752)	822.937.211
Complejo Energético del Este S.A.	13.428.000	-	-	-	(390.372)	-	(232.440)	12.805.188
E2 - Energía Eficiente S.A. E.S.P.	909.998	1.439.982	454.999	1.365.885	15.462.932	(682.535)	-	18.951.261
Concentra en Inteligencia en Energía S.A.S.	1.764.000	-	-	95.768	227.682	-	66.938	2.154.388

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

12. PROPERTY, PIPELINES, PLANT AND EQUIPMENT

Below is the detail by type of property, pipelines, plant and equipment:

		December 2018			June 2018		
		Cost	Accumulated depreciation	Total	Cost	Accumulated depreciation	Total
Land	$	73.046.880	-	73.046.880	70.918.223	-	70.918.223
Construction in progress		22.817.692	-	22.817.692	30.878.671	-	30.878.671
Machinery, plant and equipment in assembly		18.935.725	-	18.935.725	18.555.146	-	18.555.146
Constructions and buildings		87.046.471	(11.698.863)	75.347.608	99.401.905	(11.186.746)	88.215.159
Pipelines and stations		488.803.900	(32.720.775)	456.083.125	471.048.714	(29.234.409)	441.814.305
Networks not under concession		431.316.900	(29.078.074)	402.238.826	417.292.022	(25.308.827)	391.983.195
Machinery and equipment		109.308.581	(44.281.074)	65.027.507	114.551.566	(45.665.164)	68.886.402
Furniture and fittings		12.784.456	(5.432.853)	7.351.603	11.461.368	(4.756.404)	6.704.964
Communication and computer equipment		30.346.217	(19.184.655)	11.161.562	27.507.387	(17.281.916)	10.225.471
Fleet and transportation equipment		25.990.032	(17.167.857)	8.822.175	25.267.815	(15.834.568)	9.433.247
		1.300.396.854	(159.564.151)	1.140.832.703	1.286.882.817	(149.268.034)	1.137.614.783
Impairment		(1.451.423)	-	(1.451.423)	(1.451.423)	-	(1.451.423)
	$	1.298.945.431	(159.564.151)	1.139.381.280	1.285.431.394	(149.268.034)	1.136.163.360

(Continues)

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

The movements of property, pipelines, plant and equipment are presented below:

		Land	Constructions in progress	Machinery, plant and equipment in assembly	Constructions and buildings	Pipelines and stations	Networks not under concession	Machinery and Equipment	Furniture and Fittings	Communication and computer equipment	Fleet and transportation equipment	Total
Cost												
Balance as of December 2017	$	70.776.279	31.411.813	18.488.935	97.849.255	471.005.096	403.376.395	116.144.922	10.944.306	26.647.494	25.934.009	1.272.578.504
Purchases		184.710	22.960.290	465.224			1.099.583	894.930	482.316	678.782	430.353	27.196.188
Capitalization in kind		-	-	-	-	-	-	-	26.454	-	-	26.454
Capitalized interests		-	206.815	-	-	-	-	-	-	-	-	206.815
Finance lease		-	-	-	-	-	-	-	-	-	79.755	79.755
Capitalizations		-	(14.560.892)	(115.198)	1.502.534	43.618	12.816.044	115.198	-	198.696	-	-
Withdrawals		(56.250)	-	-	-	-	-	(115.731)	(49.067)	(420.205)	(369.672)	(1.010.925)
Reclassification		325.000	(9.178.502)	(283.815)	77.393	-	-	(2.486.509)	64.524	440.295	(782.144)	(11.823.758)
Conversion adjustments		(311.516)	39.147	-	(27.277)	-	-	(1.244)	(7.165)	(37.675)	(24.486)	(370.216)
Balance as of June 2018	$	70.918.223	30.878.671	18.555.146	99.401.905	471.048.714	417.292.022	114.551.566	11.461.368	27.507.387	25.267.815	1.286.882.817
Purchases		261.020	37.669.888	641.480	429.493	-	-	2.792.286	1.133.043	2.420.775	1.242.190	46.590.175
Capitalized interests		-	393.012	-	-	-	-	-	-	-	-	393.012
Capitalizations		-	(39.669.220)	(231.672)	7.500.383	17.755.186	14.024.878	2.167.348	-	165.348	-	1.712.251
Withdrawals		-	-	-	-	-	-	(10.251.229)	(11.213)	(57.865)	(311.172)	(10.631.479)
Reclassification (1)		-	(6.664.576)	(29.229)	(20.448.847)	-	-	2.419	8.538	8.920	(335.927)	(27.458.702)
Conversion adjustments		1.867.637	209.917	-	163.537	-	-	46.191	192.720	301.652	127.126	2.908.780
Balance as of December 2018	$	73.046.880	22.817.692	18.935.725	87.046.471	488.803.900	431.316.900	109.308.581	12.784.456	30.346.217	25.990.032	1.300.396.854
Accumulated depreciation												
Balance as of December 2017	$	-	-	-	(9.837.224)	(25.752.590)	(21.604.878)	(43.945.192)	(4.091.440)	(15.287.965)	(14.855.875)	(135.375.164)
Depreciation		-	-	-	(1.374.917)	(3.481.819)	(3.703.949)	(4.217.012)	(613.101)	(2.066.876)	(2.046.018)	(17.503.692)
Withdrawals		-	-	-	-	-	-	68.134	35.131	393.842	214.978	712.085
Reclassification		-	-	-	-	-	-	2.429.789	(90.977)	(326.689)	841.861	2.853.984
Conversion adjustments		-	-	-	25.395	-	-	(883)	3.983	5.772	10.486	44.753
Balance as of June 2018	$	-	-	-	(11.186.746)	(29.234.409)	(25.308.827)	(45.665.164)	(4.756.404)	(17.281.916)	(15.834.568)	(149.268.034)
Depreciation		-	-	-	(1.013.834)	(3.486.366)	(3.769.247)	(3.416.087)	(622.269)	(1.849.285)	(1.829.810)	(15.986.898)
Withdrawals		-	-	-	-	-	-	4.815.083	6.655	50.995	245.206	5.117.939
Reclassification (1)		-	-	-	665.254	-	-	(3.974)	(6.982)	(8.921)	335.925	981.301
Conversion adjustments		-	-	-	(163.537)	-	-	(10.932)	(53.853)	(95.527)	(84.610)	(408.459)
Balance as of December 2018	$	-	-	-	(11.698.863)	(32.720.775)	(29.078.074)	(44.281.074)	(5.432.853)	(19.184.655)	(17.167.857)	(159.564.151)
Impairment June 2018		-	-	-	-	-	-	-	-	-	-	(1.451.423)
Impairment December 2018		-	-	-	-	-	-	-	-	-	-	(1.451.423)
Net balance												
Balance as of June 2018	$	70.918.223	30.878.671	18.555.146	88.215.159	441.814.305	391.983.195	68.886.402	6.704.964	10.225.471	9.433.247	1.136.163.360
Balance as of December 2018	$	73.046.880	22.817.692	18.935.725	75.347.608	456.083.125	402.238.826	65.027.507	7.351.603	11.161.563	8.822.175	1.139.381.280

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

(1) Reclassifications occur mainly because of the technical and functional analysis carried out on the buildings registered as property, plant and equipment. Management determined that to the extent that the buildings are currently located in the operational areas of the concession, they should be registered as part of the concession. As of December 31st, the relevant transfers were made, recognizing under the concessions item a cost for buildings of $20.385.573 and buildings under construction of $ 4.576.095 with their corresponding depreciation of $665.254.

There are currently no restrictions or signs of impairments regarding property, pipelines, plant and equipment that have not been recorded.

13. CONCESSIONS

Detail of assets under concession:

	December 2018			June 2018		
	Cost	Accrued amortization	Total	Cost	Accrued amortization	Total
Lands under concession	$ 30.547.738	(1.691.285)	28.856.453	27.949.463	(1.074.023)	26.875.440
Constructions in progress	430.266.247	0	430.266.247	378.570.771	-	378.570.771
Buildings under concession	26.620.722	(2.292.736)	24.327.986	-	-	-
Pipelines and networks	2.208.432.205	(411.366.501)	1.797.065.704	1.973.887.262	(354.543.955)	1.619.343.307
Machinery and equipment	342.911.811	(88.633.578)	254.278.233	336.209.880	(77.604.802)	258.605.078
	$ 3.038.778.723	(503.984.100)	2.534.794.623	2.716.617.376	(433.222.780)	2.283.394.596

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Below are the movements of assets under concession:

		Lands under Concession	Constr. in Progress under Concession	Buildings under Concession	Pipelines and Networks under Concession	Machinery and Equipment under Concession	Concessions
Cost							
Balance as of December 2017	$	4.074.135	210.444.651	-	2.013.327.272	331.583.392	2.559.429.450
Purchases		-	162.210.295	-	30.921.201	152.979	193.284.475
Capitalized interests		-	6.582.790	-	998.778	-	7.581.568
Capitalizations		(28.501)	(120.508.859)	-	116.063.974	4.473.386	-
Withdrawals		-	(25.311)	-	(293.202)	-	(318.513)
Investment plan		-	-	-	(7.717.482)	-	(7.717.482)
Reclassification		23.597.690	(23.660.965)	-	-	-	(63.275)
Transfers		-	139.028.785	-	(169.060.607)	123	(30.031.699)
Conversion adjustments		306.139	4.499.385	-	(10.352.672)	-	(5.547.148)
Balance as of June 2018	$	27.949.463	378.570.771	-	1.973.887.262	336.209.880	2.716.617.376
Purchases		-	207.009.591	550.735	40.963.290	16.924	248.540.540
Capitalized interests		-	15.033.636	-	1.214.116		16.247.752
Capitalizations		24.109.697	(207.423.282)	5.517.136	171.111.442	6.685.007	-
Withdrawals		-	(76.332)	-	(864.041)	-	(940.373)
Reclassification (1)		(23.569.191)	28.856.284	20.552.851	(6.403.085)	-	19.436.859
Transfers		-	(2.159.746)	-	1.495.974	-	(663.772)
Conversion adjustments		2.057.769	10.455.325	-	27.027.247	-	39.540.341
Balance as of December 2018	$	30.547.738	430.266.247	26.620.722	2.208.432.205	342.911.811	3.038.778.723
Accrued Amortization							
Balance as of December 2017	$	(955.283)	-	-	(304.469.875)	(66.714.922)	(372.140.080)
Amortization		(118.740)	-	-	(50.225.471)	(10.889.757)	(61.233.968)
Withdrawals		-	-	-	100.656	-	100.656
Reclassification		-	-	-	(9.521)	(123)	(9.644)
Conversion adjustments		-	-	-	60.256	-	60.256
Balance as of June 2018	$	(1.074.023)	-		(354.543.955)	(77.604.802)	(433.222.780)
Amortization		(586.128)	-	(1.627.481)	(55.032.510)	(11.028.776)	(68.274.895)
Withdrawals		-	-	-	56.450	-	56.450
Reclassification (1)		-	-	(665.255)	-	-	(665.255)
Transfers		(12.744)	-	-	12.766	-	22
Conversion adjustments		(18.390)	-	-	(1.859.252)	-	(1.877.642)
Balance as of December 2018	$	(1.691.285)	-	(2.292.736)	(411.366.501)	(88.633.578)	(503.984.100)
Net balance:							
Balance as of June 2018	$	26.875.440	378.570.771	-	1.619.343.307	258.605.078	2.283.394.596
Balance as of December 2018	$	28.856.453	430.266.247	24.327.986	1.797.065.704	254.278.233	2.534.794.623

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

(1) Reclassifications occur mainly because of the technical and functional analysis carried out on the buildings registered as property, plant and equipment. Management determined that to the extent that the buildings are currently located in the operational areas of the concession, they should be registered as part of the concession. As of December 31st, the relevant transfers were made, recognizing under the concessions item a cost for buildings of $20.385.573 and buildings under construction of $4.576.095 with their corresponding depreciation. Additionally, the revenues and cost of the concession was recognized for $18.243.367 corresponding to the buildings transferred to the concession, including the value of the amortization.

In the course of its operations, Promigas and its subsidiaries have the following existing concession agreements:

Sections	Contract Date	Expiry Date	Remaining Term
Promigas S.A. E.S. P			
La Guajira - Barranquilla de 20” and 24”	25/05/1976	25/05/2026	7 years and 4 months
La Guajira – Cartagena de 20” and 24”	16/09/1976	16/09/2026	7 years and 8 months
Baranoa	20/10/1988	20/10/2038	19 years and 9 months
Jobo – Tablón – Montelibano	20/10/1988	20/10/2038	19 years and 9 months
Cartagena – Montería	20/10/1988	20/10/2038	19 years and 9 months
Arjona	20/10/1988	20/10/2038	19 years and 9 months
San Onofre	17/11/1988	17/11/2038	19 years and 10 months
Sampués	13/04/1989	13/04/2039	20 years and 3 months
Chinú	19/06/1989	19/06/2039	20 years and 5 months
Sincelejo – Corozal	18/07/1990	18/07/2040	21 years and 6 months
El Difícil – Campo de la Cruz –Suan	04/10/1990	04/10/2040	21 years and 9 months
Galapa	04/10/1990	04/10/2040	21 years and 9 months
Ovejas – San Juan Nepo	04/10/1990	04/10/2040	21 years and 9 months
Sabanalarga	18/10/1990	18/10/2040	21 years and 9 months
Cerromatoso – Montelibano	27/10/1990	27/10/2040	21 years and 9 months
Troncal Municipio Cerete	08/11/1990	08/11/2040	21 years and 10 months
Tolúviejo	19/11/1990	19/11/2040	21 years and 10 months
Barranquilla – Puerto Colombia	25/01/1991	25/01/2041	22 years and 0 months
Tolú	24/04/1991	24/04/2041	22 years and 3 months
Aracataca – Fundación	17/05/1991	17/05/2041	22 years and 4 months
Palmar – Varela	18/07/1991	18/07/2041	22 years and 6 months
Troncal a Cienaga de Oro	18/07/1991	18/07/2041	22 years and 6 months
Troncal Magangue	01/08/1991	01/08/2041	22 years and 7 months
Sincé – Corozal	01/08/1991	01/08/2041	22 years and 7 months
Santo Tomas	23/06/1992	23/06/2042	23 years and 5 months
San Marcos	02/07/1992	02/07/2042	23 years and 6 months
Luruaco	21/04/1993	21/04/2043	24 years and 3 months
Manaure – Uribia	22/10/1993	22/10/2043	24 years and 9 months
Polonuevo	15/10/1994	15/10/2044	25 years and 9 months
Branches Department of Córdoba	08/11/1994	08/11/2044	25 years and 10 months
Branches Department of La Guajira	08/11/1994	08/11/2044	25 years and 10 months
Branches Department of Atlántico	09/11/1994	09/11/2044	25 years and 10 months
Branches Department of Bolívar	09/11/1994	09/11/2044	25 years and 10 months

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Sections	Contract Date	Expiry Date	Remaining Term
Branches Department of Magdalena	09/11/1994	09/11/2044	25 years and 10 months
Transmetano E.S.P. S.A.			
Section: Puerto Berrio - Medellín Ramales: Municipalities of Puerto Berrio, Caracolí, Maceo, San Roque, Yolombó, Cisneros, Santo Domingo, Concepción, Don Matías and Guarne	25/08/1994	25/08/2044	25 years and 7 months
Promioriente S.A. E.S.P			
Bucaramanga –Payoa - Barrancabermeja	14/09/1995	14/09/2045	26 years and 8 months
Gases de Occidente S.A. E.S.P			
Concession agreement for the construction, operation and maintenance of the distribution networks of the city of Cali	01/09/1997	31/08/2047	28 years and 8 months
Gases del Pacífico S.A.C.			
Distribution System of Natural Gas through Pipeline Network of Northern Peru Concession	31/10/2013	31/10/2034	15 years and 10 months
Compañía Energética de Occidente S.A. E.S.P			
Service networks for distribution and trade of electricity in Cauca	08/01/2010	31/07/2035	16 years and 7 months
Sociedad Portuaria El Cayao S.A E.S.P.			
Port Concession Agreement No. 001 2015	17/07/2015	17/07/2035	16 years and 6 months
Surtigas S.A. E.S.P			
Cartagena	27/03/1984	27/03/2034	15 years and 2 months
Arjona	08/03/1993	08/03/2043	24 years and 2 months
Santa Rosa	29/04/1994	29/04/2044	25 years and 3 months
San Jacinto	29/04/1994	29/04/2044	25 years and 3 months
San Juan Nepomuceno	29/04/1994	29/04/2044	25 years and 3 months
Turbana	29/04/1994	29/04/2044	25 years and 3 months
María Labaja	29/04/1994	29/04/2044	25 years and 3 months
Clemencia	29/04/1994	29/04/2044	25 years and 3 months
Carmen de Bolivar	29/04/1994	29/04/2044	25 years and 3 months
Talaigua Nuevo	06/12/1994	06/12/2044	25 years and 11 months
El retiro	06/12/1994	06/12/2044	25 years and 11 months
El limón	06/12/1994	06/12/2044	25 years and 11 months
Talaigua viejo	06/12/1994	06/12/2044	25 years and 11 months
Punta Cartagena	06/12/1994	06/12/2044	25 years and 11 months
Mompox	06/12/1994	06/12/2044	25 years and 11 months
Magangué	22/08/1995	22/08/2045	26 years and 7 months
Juanarias	22/08/1995	22/08/2045	26 years and 7 months
Camilo torres	22/08/1995	22/08/2045	26 years and 7 months

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Sections	Contract Date	Expiry Date	Remaining Term
Turbaco	17/09/1991	17/09/2041	22 years and 8 months
Sincelejo	05/09/1988	05/09/2038	19 years and 8 months
Sampues	02/09/1992	02/09/2042	23 years and 8 months
San Onofre	08/03/1993	08/03/2043	24 years and 2 months
Corozal	21/02/1994	21/02/2044	25 years and 1 months
Tolú	09/09/1994	09/09/2044	25 years and 8 months
Tolú viejo	09/09/1994	09/09/2044	25 years and 8 months
San Pedro	09/09/1994	09/09/2044	25 years and 8 months
Morroa	09/09/1994	09/09/2044	25 years and 8 months
Ovejas	09/09/1994	09/09/2044	25 years and 8 months
Buenavista	10/10/1994	10/10/2044	25 years and 9 months
Betulia	10/10/1994	10/10/2044	25 years and 9 months
Sincé	10/10/1994	10/10/2044	25 years and 9 months
Montería	30/08/1990	30/08/2040	21 years and 7 months
Chinú	05/06/1992	05/06/2042	23 years and 5 months
Cienaga de oro	08/09/1992	08/09/2042	23 years and 8 months
San andrés de Sotavento	28/04/1994	28/04/2044	25 years and 3 months
Purísima	28/04/1994	28/04/2044	25 years and 3 months
Chimá	28/04/1994	28/04/2044	25 years and 3 months
Momil	28/04/1994	28/04/2044	25 years and 3 months
Lorica	28/04/1994	28/04/2044	25 years and 3 months
Planeta Rica	28/04/1994	28/04/2044	25 years and 3 months
Montelibano	15/03/1993	15/03/2043	24 years and 2 months
Cereté	28/04/1994	28/04/2044	25 years and 3 months
Santa Catalina	29/04/1994	29/04/2044	25 years and 3 months

Except for the agreements of Gases del Pacífico S.A.C., Compañía Energética de Occidente S.A. E.S.P. and Sociedad Portuaria El Cayao S.A. E.S.P., the previous agreements are signed in accordance with Decree 1056/1953, the Petroleum Code (now in force), and other laws complementing it. Each concession with the Government was for 50 years, whereby the government gives Promigas and its subsidiaries the right to build, operate, maintain, exploit and manage a network of public utility pipelines for the transportation of hydrocarbons from La Guajira to major cities such as Barranquilla and Cartagena with trunk pipelines and regional pipelines to other populations in the Atlantic Coast. These agreements additionally have the following relevant elements:

- The agreement required the provision of construction services to develop, operate, maintain, exploit and manage a network of pipelines by Promigas and its subsidiaries. The term of the agreements is 50 years, renewable for 20 more years, without representing an automatic renewal, and the estimated useful life of the pipelines is 70 years, in current conditions and with minimal maintenance required. Additionally, since the concession agreements include construction, operation and maintenance activities, at the end of the contractual term, the pipeline shall be in optimum operating conditions to ensure the continued provision of public utilities beyond the contractual term of the concessions; therefore, it is concluded that the infrastructure is not used for its entire useful life. The extensions should proceed with the approval of the Ministry of Mines and Energy.

- Promigas and its subsidiaries have the right to recover the investment by charging the public service, which is regulated by the Government to set rates for transporting gas through the CREG.

  The remuneration of construction service is included in the fees fixed by the CREG, which are established considering the provisions of the Petroleum Code, as follows:
  - Amortization of invested capital in construction;
  - Maintenance, management and exploitation expenses; and
  - Fair earnings for entrepreneurs.

  Such remuneration with the building service does not cover payments receivable when the Government exercises its right acquired in signing the agreement to buy transportation infrastructure. In fact, in establishing the remuneration of new investments or reinforcement of infrastructure, the regulated asset base is calculated through the concession on a five-year basis, according to the regulatory framework and in which the fair contractual selling price at the end of the concession is not taken into account, enabling Promigas and its subsidiaries to recover its investment by charging customers for services before fulfilling the obligation to sell the system to the State. That is, the final payment is not part of the repayments related to the investments in construction and maintenance.

- The agreement provides that Promigas and its subsidiaries shall be obligated to sell the pipeline only and exclusively to the Government as follows: i) 30 years after the agreement; ii) 50 years after terminating the agreement; and iii) at the end of each extension, if any. Therefore, the Government shall always have the right to purchase the infrastructure at the time that it sees fit, without implying that it has an option of absolute waiver of a payment obligation, but otherwise that it has the ability to choose when to make the payment. Neither party shall have the option of waiving the terms of the agreement with respect to the exercise of the right of purchase by the Government and the obligation to sell by Promigas and its subsidiaries.

  Regarding the above obligation, the Government and Promigas and its subsidiaries shall agree the price of the pipeline and only in case of dispute shall the fair price be fixed by a third party.

  Contract law and the relevant contractual obligation exist because of a transaction or event that has happened in the past; in the case of Promigas and its subsidiaries, the execution of the concession agreement, which sets out the mandatory the sale of the infrastructure to the Government at a fair price at the end of the concession agreement, produces clear economic consequences that the Government, as party to the agreement, has little or no ability to prevent, as the agreement is enforceable by law.

  From the above it follows that, for each concession, Promigas and its subsidiaries is facing a significant residual interest in the pipeline infrastructure and on which it has acknowledged having a right represented in a financial asset by the obligation to sell the infrastructure to the Government, the measurement of which being at fair value.

- Promigas and its subsidiaries may not assign or transfer this Agreement, in whole or in part, to any natural or juridical person without prior approval by the Government, which, at its discretion, can approve or deny it without being obligated to provide the reasons for its determination.

Concession for the Provision of Electric Power

Compañía Energética de Occidente S.A.S. E.S.P. (CEO) was incorporated for the purpose of assuming at its own risk and expense the administrative, operational, technical and commercial management, the investment, expansion of coverage, reconditioning and preventive and corrective maintenance of the infrastructure and other activities required for the provision of electric power distribution and trading services in the Department of Cauca. The execution of the Management Agreement was on August 1st, 2010, and has a 25-year term.

For the development of the purpose of the agreement, CEO received as lease the assets and possession and use of the infrastructure for the distribution and trade of public services. Upon termination of the management agreement for whatever reason, the infrastructure and assets owned by CEO will be transferred without any consideration to Centrales Eléctricas del Cauca S.A. (Cedelca), the counterparty to the management agreement, in which the National Government has shareholding interest.

CEO, as manager, shall comply with the law and regulations regarding subsidies to lower-income strata and solidarity contribution.

In signing the agreement CEO has also agreed to pay and invest in the following:

a) Monthly and during the contract term the sum of $887,000 plus VAT. These payments shall be adjusted on January 1st of each calendar year, according to the CPI variation of the previous year between January 1st and December 31st, as consideration for the use of the infrastructure.
b) With the execution of the agreement, constituted rights worth $44.000.000 and purchase of assets for $ 46,236,194 payable to Cedelca S.A.
c) CEO has agreed to develop an investment plan, understanding such investments as those made in non-current assets (tangible or intangible) that shall serve for the expansion, replacement and improvement of the infrastructure throughout the 25-year period, worth $328,875,000.

For this agreement, CEO, acting as operator, applied the intangible asset model according to IFRIC 12 – Service Concession Agreements, considering that the compensation mechanism will be realized by charging the use if the infrastructure, even though, as Operator, it has no obligation to build but to make improvements to the infrastructure, which are recognized as they are performed as an intangible asset measured at cost.

In addition, CEO is also contractually obligated to perform corrective maintenance as part of the contractually defined investment, and recognized as part of the intangible asset.

Port Consideration Concession

Sociedad Portuaria el Cayao S.A. E.S.P. is in charge of running the first liquefied natural gas (LNG) regasification plant in Colombia, operated by a Floating Storage Regasification Unit (FSRU), since December 2016. For this purpose, a Port Concession agreement was entered into with the National Infrastructure Agency (ANI, for its Spanish abbreviation), which grants the entity the right to build, operate and maintain a port terminal. This was evaluated under the scope of IFRIC 12 – Service Concession Agreements, thus recognizing an intangible asset for its right to charge rates to users. In accordance with the reversal clause of the same agreement, this gas pipeline will be assigned free of charge and in an operational state at the end of the agreement.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Concession in Peru
By Supreme Resolution No. 067-2013-EM published on October 18th, 2013, the Concession of the Natural Gas Distribution System was granted by Red de Ductos de la Concesión Norte to Gases del Pacífico S.A.C., comprising the following regions: Lambayeque, La Libertad, Ancash and Cajamarca; under the terms and conditions detailed in the Concession Agreement. The main issues set out in the agreement are the following:

- The term of the Concession Agreement is 21 years from the closing date (subject to extension of up to 60 years); however, by document No. 981-2016 MEM/DGH dated June 1st, 2016, the General Hydrocarbons Directorate (hereinafter DGH) submitted Technical-Legal Report No. 011- 2016-MEM/DGH-DNH-DGGN, which specifies that the Concession's operating term is 19 years from the Commercial Operation (POC).

- The Company will deliver an irrevocable, unconditional, joint-liability letter of guarantee of automatic performance, without exclusion benefit, which must be issued by a bank for US $20,000,000, with coverage from the closing date to 60 days after compliance with the First Connections Plan. After such date, the letter of guarantee must be for US $3,000,000. During the term of the Concession Agreement, the Company will be the owner of the Assets Under Concession, which will be transferred to the Concessionaire at the end of the Concession Agreement.

- The Company may assign its contractual position in the Concession Agreement, which shall be total, including all rights and obligations.

Additional Information Required for Concession Agreements Currently Under Construction

The following is a breakdown of the main movements of revenues and costs incurred in the stage of construction of concession agreements in the half-years ended December 31st and June 30th, 2018:

	Period accruals	
	Revenues	**Costs**
December 2018		
Revenues from concession agreements	225.666.649	-
Construction costs incurred in the period	-	225.666.649
June 2018		
Revenues from concession agreements	120.508.859	-
Construction costs incurred in the period	-	120.508.859

As of December 31st and June 30th, 2018, the Company and its subsidiaries had no contingent assets under revenues receivable caused by a contractual dispute in a pipeline construction, other than a recognition rate. Nor did the Company have any contingent liabilities under fines or penalties imposed by the Government in the performance of the concession agreement for possible contractual breaches.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

14. CAPITAL GAINS

Capital gains generated by the purchase of companies are detailed below:

		December 2018	June 2018
Gas Natural de Lima y Callao S.A.C.	$	20.912.996	20.912.996
Compañía Energética de Occidente S.A.S. E.S.P.		448.207	448.207
Gases de Occidente S.A. E.S.P.		65.577.389	65.577.389
Promioriente S.A. E.S.P.		2.845.365	2.845.365
Promisol S.A.S.		91.501	91.501
Surtigas S.A. E.S.P.		35.414.936	35.414.936
Transmetano E.S.P. S.A.		921.966	921.966
Sociedad Portuaria El Cayao S.A. E.S.P.		329.486	329.486
Transoccidente S.A. E.S.P.		234.352	234.352
Enercolsa S.A.S.		2.042.727	2.042.727
	$	128.818.925	128.818.925

As of December 31st and June 30th, 2018, a financial analysis of the results of each company was performed in order to monitor financial soundness indicators that reflect whether there has been any business impairment. To determine whether capital gains impairment has occurred, the following criteria were evaluated:

- Significant decrease in the fair value of a long-term asset or cash-generating unit (CGU).
- Significant adverse changes in the way in which the long-term asset is being used or in its physical condition.
- Adverse change in legal factors or in the business environment that may affect the value of the asset.
- Cost accumulation much higher than originally expected in the acquisition or construction the asset.
- A current period or a history of operating losses in the cash movement involving ongoing losses.
- A highly likely current expectation that a long-term asset will be sold or derecognized before its estimated useful life.

No reductions were found in the value of long-term assets or the group, nor were there significant changes recognized in the legal or business environment factors that may affect the value of the asset.

The results of the recovery test yielded satisfactory figures in all the related entities. No changes or events were found indicating non-recoverability of the recognized capital gains. In addition, the Company performed an impairment test at this time and no deterioration was evident. As of December 31st and June 30th, 2018, the valuation was as follows:

Figures in millions of pesos		**Total valuation**	**Direct interest**	**Fair value (Book Value Promigas Separate)**	**Valuation free cash flow discounted (% Promigas)**	**Higher commercial alue over fai value**
December 2018						
Gas Natural de Lima y Callao S.A.C.	$	2.180.387	40,00%	431.897	872.155	440.258
Compañía Energética de Occidente S.A.S. E.S.P.		527.039	49,00%	59.030	258.249	199.219
Gases de Occidente S.A. E.S.P.		1.230.519	94,43%	306.585	1.161.993	855.408
Promioriente S.A. E.S.P.		679.516	73,27%	281.407	497.907	216.500
Promisol S.A.S.		385.245	100,00%	108.145	385.245	277.100
Surtigas S.A. E.S.P.		980.894	99,99%	531.816	980.786	448.970
Transmetano E.S.P. S.A.		355.568	99,67%	160.914	354.379	193.465
Sociedad Portuaria El Cayao S.A. E.S.P.		277.639	51,00%	106.878	141.596	34.718
Transoccidente S.A. E.S.P.	$	14.298	79,00%	8.244	11.296	3.052
June 2018						
Gas Natural de Lima y Callao S.A.C.	$	2.040.570	40,00%	351.737	816.228	464.491
Compañía Energética de Occidente S.A.S. E.S.P.		541.574	49,00%	62.179	265.371	203.192
Gases de Occidente S.A. E.S.P.		1.318.554	90,12%	270.196	1.188.281	918.085
Promioriente S.A. E.S.P.		575.354	73,27%	274.492	421.583	147.091
Promisol S.A.S.		364.772	100,00%	92.960	364.772	271.812
Surtigas S.A. E.S.P.		694.901	99,99%	500.611	694.826	194.215
Transmetano E.S.P. S.A.		338.677	99,67%	159.588	337.545	177.957
Sociedad Portuaria El Cayao S.A. E.S.P.		230.398	51,00%	96.444	117.503	21.059
Transoccidente S.A. E.S.P.	$	13.524	69,00%	7.288	9.332	2.044

15. OTHER INTANGIBLE ASSETS

Below is the detail of other intangible assets:

		December 2018			**June 2018**		
		Cost	**Accrued Amortization**	**Total**	**Cost**	**Accrued Amortization**	**Total**
Licenses		97.109.180	(43.211.010)	53.898.170	90.929.527	(37.844.512)	53.085.015
Software	$	2.081.580	(1.049.291)	1.032.289	1.822.723	(985.182)	837.541
Rights		7.115.749	(2.153.342)	4.962.407	7.004.359	(1.662.535)	5.341.824
Other intangibles		25.020.845	(475.098)	24.545.747	13.136.697	(207.363)	12.929.334
	$	131.327.354	(46.888.741)	84.438.613	112.893.306	(40.699.592)	72.193.714

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Below is the movement of intangible assets:

		December 2018	June 2018
Cost			
Initial balance	$	112.893.306	110.046.410
Purchases		17.339.314	3.559.917
Additions for capitalization in kind		-	2.930.171
Withdrawals, sales (net)		(11.106)	(606.589)
Reclassifications		28.855	(2.915.654)
Conversion adjustments		1.076.985	(120.949)
Final balance	$	131.327.354	112.893.306
Accrued amortization			
Initial balance	$	(40.699.592)	(35.338.808)
Amortization		(6.068.669)	(6.012.204)
Withdrawals, sales (net)		11.104	594.913
Reclassifications		(44.628)	48.466
Conversion adjustments		(86.956)	8.041
Final balance	$	(46.888.741)	(40.699.592)

16. DEFERRED TAX

Below is the detail of the deferred income tax asset and liability:

		December 2018	June 2018
Deferred tax assets	$	74.411.250	69.301.443
Deferred tax liabilities		(557.592.810)	(584.023.748)
Net deferred tax	$	(483.181.560)	(514.722.305)

Below is the detail of the movement of deferred income tax:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

	December 2017	Credited (debited) to profit and loss	Credited (debited) to OCI	OCI conversion adjustment	Recognized directly through equity	June 2018	Credited (debited) to profit and loss	Credited (debited) to OCI	OCI conversion adjustment	Recognized directly through equity	December 2018
Credit portfolio	$ (101.005.068)	8.262.765	680.032	-	6.543.784	(85.518.487)	50.610.895	-	-	-	(34.907.592)
Concession agreements	34.317.664	846.985	-	-	-	35.164.649	(11.018.498)	-	-	-	24.146.151
Biological asset	-	-	-	-	-	-	-	-	-	-	-
Fiscal losses	26.329.020	5.232.332	-	-	-	31.561.352	8.178.882	-	-	-	39.740.234
Excess of presumptive income	8.186	392.947	-	-	-	401.133	(281.345)	-	-	-	119.788
Non-deductible liability provisions	10.587.232	5.677.680	(5.692)	-	-	16.259.220	2.182.796	-	-	-	18.442.016
Difference between accounting and tax values of property, plant and Equipment	86.211.040	(2.950.054)	-	-	-	83.260.986	(41.479.539)	-	-	-	41.781.447
Lease agreement	60.385	261.400	-	-	-	321.785	2.396.026	-	-	-	2.717.811
Provision of investment commitment	49.051.644	(429.464)	-	-	-	48.622.180	(4.643.617)	-	-	-	43.978.563
Employee benefits	414.996	(264.140)	32.772	-	-	183.628	127.393	(14.897)	-	-	296.124
Valuation of derivatives	71.668	290.046	(361.714)	-	-	-	-	4.289.467	-	-	4.289.467
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Deferred charges	1.154.574	(412.094)	-	-	-	742.480	(201.982)	-	-	-	540.498
Financial assets	(473.139.274)	(16.853.684)	-	-	-	(489.992.958)	17.589.436	-	-	-	(472.403.522)
Valuation of equity investments	(18.695.007)	1.608.593	2.453.116	-	-	(14.633.298)	(230.506)	(1.246.376)	-	127.688	(15.982.492)
Cost of property, plant and equipment	(103.254.405)	6.091.185	-	-	-	(97.163.220)	(6.246.641)	-	-	-	(103.409.861)
Cost of intangible assets	(47.659.719)	4.216.714	-	-	-	(43.443.005)	1.466.188	-	-	-	(41.976.817)
Commercial bank loans	(1.066.295)	1.066.295	-	-	-	-	-	-	-	-	-
Conversion effect deferred tax account Gases del Pacífico S.A.C.	(431.726)	54.603	-	(147.873)	-	(524.996)	524.996	-	1.725.809	-	1.725.809
Valuation of derivative instruments	(1.367.526)	1.431.803	8.145	-	-	72.422	546.001	-	-	-	618.423
Others	19.950.672	(21.308.632)	1.321.784	-	-	(36.176)	(158.735)	7.297.304	-	-	7.102.393
	$ (518.461.939)	(6.784.720)	4.128.443	(147.873)	6.543.784	(514.722.305)	19.361.750	10.325.498	1.725.809	127.688	(483.181.560)

Income Tax:

The Company and its subsidiaries are subject to an income tax with a rate as of December 31st and June 30th, 2018, of 33%. The mentioned rate is applicable to the highest of the net income or the presumptive income. To calculate the presumptive income, 3.5% of the net worth of the previous year was applied.

The subsidiaries Gases del Pacífico S.A.C. and Gases del Norte del Perú S.A.C., as of December 31st and June 30th, 2018, are subject to an income tax of 30%; Zonagen S.A.S. and Sociedad Portuaria El Cayao S.A. E.S.P., as of December 31st and June 30th, 2018, were subject to an income tax of 20%.

As of December 31st and June 30th, 2018, the Company and its subsidiaries calculated and recorded provisions for income taxes, based on taxable income, which takes into account certain adjustments to the commercial profit of the separate financial statements prepared in accordance with the Financial Reporting Standards accepted in Colombia (CFRS), provided in Act 1314/2009.

As of December 31st and June 30th, 2018, Zonagen S.A.S. calculated and recorded the provision for income tax based on presumptive income.

The taxable years 2017 and 2016 are open for review by the tax authorities of Promigas S.A. E.S.P., Compañía Energética de Occidente S.A.S. E.S.P., Gases de Occidente S.A. E.S.P., Surtigas S.A. E.S.P., Transmetano E.S.P. S.A., Transoccidente S.A. E.S.P., Sociedad Portuaria El Cayao S.A. E.S.P. and Promisol S.A.S. For Promioriente S.A. E.S.P., in addition to the years 2017 and 2016, the years 2013, 2014 and 2015 are open for review, and for Zonagen S.A.S., the years 2013 and 2014. No adjustments are expected as a result of the reviews.

On February 4, 2009, Promigas S.A. E.S.P. entered into a Legal Stability Agreement with the Nation – Ministry of Mines and Energy, whereby it agrees to build a pipeline and other transportation facilities amounting to $77,263,585, over a seven-(7)-year term. The contract term is twenty (20) years, during which the Nation, as consideration, guarantees Promigas the legal stability on certain provisions of the Tax Code. The benefits include:

- The benefit from the deduction of productive real fixed assets as of December 31st and June 30th, 2018, for $47.174.473 and $10.227.114, respectively.
- Non-imposition of the 4% income surtax as of December 31st and June 30th, 2018, applicable under Act 1819/2016 of 6%. Applying this surtax would have meant a higher tax close to $6.141.813.

As of December 31st and June 30th, 2018, the following Companies had accrued fiscal loss and excess presumptive income over ordinary income: Zonagen S.A.S., Sociedad Portuaria El Cayao S.A. E.S.P. and Gases del Pacífico S.A.C., whose fiscal losses and excess presumptive rate over net income amount to $81.970.670 and $69.619.002 , respectively. Excesses expire in 2022 and fiscal losses have no expiry, as they were caused after 2007.

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Below is the detail of income tax expense for the half-years ended December 31st and June 30th, 2018:

		December 2018	June 2017
Current income tax	$	86.989.331	101.909.373
Surtax		7.893.391	7.969.072
		94.882.722	109.878.445
Income tax previous periods		-	(2.472.706)
Net deferred taxes		(19.361.750)	6.784.721
	$	75.520.972	114.190.461

Below is the reconciliation of the effective rate:

		December 2018		June 2018	
			%		%
Earnings before income tax	$	458.783.079		506.445.925	
Expense of theoretical tax calculated based on the current tax rate		169.749.739	37,00%	187.384.992	37,00%
Non-deductible expenses		17.194.547	3,75%	7.093.829	1,40%
Revenues from equity method		(34.838.826)	(7,59%)	(29.033.822)	(5,73%)
Interests and other untaxed revenues		(8.183.063)	(1,78%)	(1.651.449)	(0,33%)
Exempt income		(128.000)	(0,03%)	(128.000)	(0,03%)
Effect of accounting depreciation and amortization vs. fiscal depreciation and amortization		(651.132)	(0,14%)	(651.134)	(0,13%)
Occasional earnings		1.619.044	0,35%	-	-
Non-deductible expenses taken as tax discounts		503.290	0,11%	15.103	0,00%
Effect of the difference in rates on tax loss		(863.079)	(0,19%)	(3.484.689)	(0,69%)
Tax benefit on acquisition of productive assets		(10.193.440)	(2,22%)	(3.374.947)	(0,67%)
Subsidiary earnings in countries with different tax rates		2.737.337	0,60%	11.172	(0,00%)
Tax rate change adjustment		(19.660.624)	(4,29%)	(19.961.200)	(3,94%)
Effect on deferred tax due to changes in tax rates on concessions		(44.105.578)	(9,61%)	(30.153.048)	(5,95%)
Effect on income tax due to adjustments in previous periods		-	-	(2.536.359)	(0,50%)
Other items		2.340.757	0,51%	10.660.013	2,10%
Total tax expense for the period	$	75.520.972	16,46%	114.190.461	22,55%

Transfer Pricing

Pursuant to Acts 788/2002 and 863/2003, Promigas S.A. E.S.P., Promisol S.A.S., Surtigas S.A. E.S.P. and Orion Contact Center S.A.S. prepared the last transfer pricing assessment over transactions with related entities abroad in 2017. The assessment did not give rise to adjustments affecting tax income, costs or expenses of the Company.

The Company must carry out transfer pricing studies in September 2019, for the operations carried out with related parties during the year 2018; however, no significant changes are expected with respect to the aforementioned studies.

Tax Reform

With the entry into force of Act 1943 of 2018 (Financing Law), there were amendments to the income tax. Here are some of them:

- Gradual reduction in the rate of the income tax and complementary as follows: taxable year 2019, 33% rate; taxable year 2020, 32% rate; taxable year 2021, 31% rate; and as of taxable year 2022, 30% rate.

  For financial institutions, a surtax of 4% is created for the taxable year 2019 and 3% for the taxable year 2020 and 2021, when the net taxable income exceeds 120,000 UVT.

- Gradual reduction and final elimination of the presumptive income in the following terms: taxable year 2018, 3.5% rate; taxable years 2019 and 2020, 1.5% rate; and from taxable year 2020, 0% rate.

- General rule that determines that 100% of taxes, rates and contributions effectively paid in the taxable year that have a causal relationship with the income generating activity (except income tax) will be deductible. As special rules, it provides that 50% of the tax on movement of funds will be deductible, regardless of whether or not it has a causal relationship with the income generating activity.

- 50% of the industry and trade tax may be deductible from the income tax in the taxable year in which it is actually paid, and to the extent that it has a causal relationship with its economic activity. As of the year 2022 it can be 100% deductible.

- The VAT on the import, formation, construction or acquisition of productive real fixed assets, including services, may be taken as a discount on income tax only by those responsible for the sales tax.

- The subcapitalization rule is amended providing that the maximum amount of indebtedness will be the liquid assets of the immediately preceding year multiplied by two (previously multiplied by three) and that indebtedness must correspond to loans with residents and non-residents associates. This rule will not be applied to entities supervised by the Financial Superintendence, factoring companies, unproductive companies or in cases of financing of transportation infrastructure projects or financing of infrastructure projects of public utilities.

- In relation to the tax on dividends, the following amendments were made:

  - ✓ The withholding tax rate was increased to 7.5% on untaxed dividends declared for the benefit of foreign companies and entities, non-resident natural persons and permanent establishments.
  - ✓ The table applicable to non-taxed dividends declared for the benefit of natural persons residents in the country and illiquid successions of taxpayers resident in the country was amended, providing a marginal rate of 15% for dividends exceeding 300 UVT ($10.281.000 for 2019).
  - ✓ It provided that the taxed dividends shall be determined: (i) applying the income tax rate corresponding to the year in which they are declared (33% for 2019, 32% for 2020, 31% for 2021, and

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30% for 2022 onwards); and (ii) over the remainder, the rate corresponding to the non-taxed dividend will be applied, depending on the beneficiary (if resident natural person or illiquid succession of taxpayer resident, the table will be applied; and for all other cases the 7.5% rate will apply).

- ✓ A withholding tax regime was provided for dividends declared for the first time to national companies, which will be transferable to the final beneficiary resident natural person or investor resident abroad. In this case, the non-taxed dividend will be subject to the 7.5% rate, while the taxed dividend will be subject to the income tax rate of the year in which it is declared adding the 7.5% rate on the remainder.
- ✓ Dividends declared for earnings in 2016 and earlier will retain the current treatment for that time; and those corresponding to earnings for 2017 and 2018 will be governed by the rates set out in Act 1819 of 2016 if they were declared as enforceable before December 31st, 2018, otherwise, they must comply with to the new rules of the Financing Law.

17. FINANCIAL OBLIGATIONS

Below is a summary of the financial obligations obtained by Promigas and its subsidiaries as of December 31 and June 30, 2016, for the essential purpose of financing operations and investment plans:

	December 2018			June 2018		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-term						
Loans in foreign currency (1)	$ 136.039.689	-	136.039.689	58.415.090	-	58.415.090
Loans in local currency	88.671.991	-	88.671.991	86.757.805	-	86.757.805
Lease agreements (2)	98.869.860	-	98.869.860	89.233.881	-	89.233.881
Interest payable	17.484.291	116.582	17.600.873	13.094.383	131.932	13.226.315
	$ 341.065.831	116.582	341.182.413	247.501.159	131.932	247.633.091
Long-term						
Loans in foreign currency (1)	$ 963.164.368	-	963.164.368	863.726.932	-	863.726.932
Loans in local currency	618.653.934	-	618.653.934	488.656.584	-	488.656.584
Lease agreements (2)	839.379.511	-	839.379.511	813.123.459	-	813.123.459
	$ 2.421.197.813	-	2.421.197.813	2.165.506.975	-	2.165.506.975

(1) As of December 31st and June 30th, 2018, loans in foreign currency mainly include loans obtained for $335.699.175 and $309.492.480 by Sociedad Portuaria El Cayao S.A. E.S.P., intended to cover commitments acquired by the start of operation of its ordinary activities. Additionally, as of December 31st and June 30th, 2018, it includes the syndicated loan taken by Promigas and Gases del Pacifico for USD $200,000,000, broken down as USD $125,000,000 and USD $75,000,000, respectively. The managing agent is JP Morgan Chase Bank. The loan was closed with 14 banks from different countries: JP Morgan, Banco de Crédito del Perú, Bank of America, Bank of Tokio Mitsubishi, Citi, Mizuho, Scotiabank, Sumitomo, Banco BCI, Banco Sabadell, Banco Santander Colombia, Banco Santander España, EDC, ING, and Intesa San Paolo.

Terms of the loan agreement: The loan agreement mainly includes the following terms, which have been met by the Company:

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- In each quarter, the debt may not exceed the Consolidated Ebitda, with the following multiples: 4,00 to 1,00, until December 31st, 2017, 4,25 to 1,00, after December 31st, 2017, and until December 31st, 2020, and finally after December 31st, 2020, and until December 31st, 2021, 4,00 to 1,00.
- At the end of each quarter, the ratio between the Consolidated Ebitda and the Financial Expense cannot be lower by 2.75 to 1.00.

(2) As of December 31st and Juneth 30, 2018, it mainly includes the FSRU (Floating Regasification Unit) long-term finance lease of Sociedad Portuaria El Cayao S.A. E.S.P. for $791.452.974 and $750.840.130, respectively.

Below is a summary of the effective interest rates contracted with different financial institutions:

Rate %	In Colombian Pesos		In foreign currency	
	Minimum	Maximum	Minimum	Maximum
December 2018				
Obtained loans	2,35%	8,75%	4,13%	6,33%
Lease Agreements	7,77%	8,21%	0,00%	0,00%
Renting Agreements	0,66%	9,22%	0,00%	0,00%
June 2018				
Obtained loans	2,36%	8,75%	5,00%	6,70%
Lease Agreements	7,78%	8,22%	0,00%	0,00%
Renting Agreements	0,66%	9,22%	0,00%	0,00%

Below is a summary of the maturities of long-term financial obligations:

Year		Value
2020	$	475.686.888
2021		938.250.781
2022		175.235.740
2023		327.238.085
2024 onwards		504.786.319
	$	2.421.197.813

Below is a reconciliation of the changes between liabilities and cash flows arising from financing activities:

		Credits obtained	Lease agreements	Interest payable	Total
Balance as of December 31st, 2017	$	1.831.095.452	959.292.681	20.506.837	2.810.894.970
New loans and obligations acquired		251.147.825	139.007	-	251.286.832
Non-derivative hedge through OCI		(2.557.438)	-	-	(2.557.438)
Exchange difference adjustments		(3.369.927)	-	-	(3.369.927)
Adding capitalized interests		-	-	1.010.345	1.010.345
Interest paid		-	(34.783.024)	(58.377.894)	(93.160.918)
Interest accrued through profit or loss		1.761.680	32.270.160	49.868.020	83.899.860
Reclassifications		22	(306.295)	308.852	2.579
Payments made in the period		(569.972.562)	(39.361.121)	(13.320)	(609.347.003)
Conversion adjustment		(10.548.642)	(14.894.068)	(76.526)	(25.519.236)

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Balance as of June 2018	$	1.497.556.410	902.357.340	13.226.316	2.413.140.066
New loans and obligations acquired		589.097.499	-	-	589.097.499
Non-derivative hedge through OCI		18.640.314	-	-	18.640.314
Exchange difference adjustments		13.883.129	-	7.438	13.890.567
Adding capitalized interests		-	-	7.025.262	7.025.262
Interest paid		-	(31.013.522)	(53.719.513)	(84.733.035)
Interest accrued through profit or loss		819.673	33.526.386	49.814.041	84.160.100
Reclassifications		(134.679)	(394.201)	389.718	(139.162)
Payments made in the period		(379.610.597)	(45.366.150)	-	(424.976.747)
Conversion adjustment		66.278.233	79.139.518	857.612	146.275.363
Balance as of December 31st, 2018	$	1.806.529.982	938.249.371	17.600.873	2.762.380.226

Hedging Financial Liabilities

Promigas, at the end of 2016, contracted a syndicated loan for US $200,000,000, of which US $75,000,000 were disbursed directly to Gases del Pacífico S.A.C. and US $125,000,000 to Promigas. The loan is amortizable until December 23rd, 2021, with a three-year grace period. As of December 31st and June 30th, 2018, the value of the syndicated loan is $406.218.750 and $366.350.000, respectively, not including the costs of debt, and the effect on other comprehensive income is $20.462.857 and $1.822.542, respectively.

Hedge Ratio:
Promigas has identified the fluctuation risk in the exchange rate of the conversion effect on investments with dollar functional currency as a hedged item. Designated financial liabilities limit the risk resulting from fluctuations in the dollar exchange rate above or below the specified ranges.

The Company designated a portion of the syndicated loan as a hedging instrument, as follows:

Amount Designated		**Hedged Hedging Instrument**	**Hedged Item (1)**
July 2018	$	53.773.014	53.773.014
August 2018		54.160.940	54.160.940
September 2018		54.550.523	54.550.523
October 2018		54.941.769	54.941.769
November 2018		55.334.687	55.334.687
December 2018		73.800.550	73.800.550

(1) The hedged items designated in the hedging ratio of foreign net investments are part of the cost of Gases del Pacifico S.A.C., Sociedad Portuaria El Cayao S.A.C. and Gas Natural de Lima and Callao S.A.C.

To determine the effectiveness of the hedge ratio, the Company evaluates qualitatively the critical contractual obligations between the hedged item and the hedging instrument. If inconsistencies are noticed in contractual obligations, a quantitative assessment is used to determine the impact of potential ineffectiveness.

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Impact of the Hedge Ratio:
The part of the gain or loss on the hedging instrument determined as an effective hedge is recognized in other comprehensive income. The determination of the results by net investment hedge is as follows:

		Hedged Item Measurement	Hedging Instrument Measurement	Ratio
Effectiveness of the hedge ratio	$	1.937.552	1.937.552	100%

18. ACCOUNTS PAYABLE

Below is the detail of accounts payable:

		December 2018			June 2018		
		Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-Term							
Domestic goods and services	$	338.381.222	3.813.951	342.195.173	252.462.023	628.566	253.090.589
Goods and services		2.277.195	-	2.277.195	25.725.081	-	25.725.081
Creditors		64.505.429	-	64.505.429	44.069.329	-	44.069.329
Dividends payable (1)		-	62.265.013	62.265.013	-	61.873.371	61.873.371
Hedges payable		14.843.102	-	14.843.102	1.911.507	-	1.911.507
	$	420.006.948	66.078.964	486.085.912	324.167.940	62.501.937	386.669.877
Long-Term							
Creditors	$	18.110.562	-	18.110.562	13.475.854	-	13.475.854

(1) The balance mainly corresponds to three installments of ordinary monthly dividends payable until March 2019.

19. EMPLOYEE BENEFITS

Below is the detail of balances of employee benefits:

		December 2018	June 2018
Short-Term			
Severance and interest on severance pay	$	5.699.077	3.234.897
Vacations		6.827.783	7.016.460
Extralegal benefits		1.845.678	2.039.322
Other payments and benefits		3.135.883	4.500.467
	$	17.508.421	16.791.146

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Long-term			
Severance previous labor law	$	629.388	627.574
Pension actuarial calculation		968.753	978.071
Other actuarial calculation		2.900.280	2.935.381
	$	4.498.421	4.541.026

Employee Retirement Benefits:

- With Act 100/1993, effective April 1st, 1994, the Company and its subsidiaries covered their pension obligation when employees retire after meeting certain age and years of service through the payment of contributions to Colpensiones (formerly known as Social Security Institute) and pension funds, based on defined contribution plans where the Companies and employees contribute monthly values defined by the law to have access to the employee retirement pension; However, some employees who meet the requirements of age and years of service are subject to the previous legislation, Act 50/1990, in which pensions are assumed directly by the Company and its subsidiaries.
- The Company and its subsidiaries award extra-legally or by collective agreements an additional bonus to employees who, upon reaching the required age and years of service, retire to enjoy the pension granted by the pension funds.
- Certain employees hired by Promigas before 1990 are entitled to a compensation at the date of their retirement, at the Company’s or employee’s will, equal to the last month’s salary multiplied by the number of years worked for the Company.

20. OTHER LIABILITIES

Below is the detail of other liabilities:

		December 2018	June 2018
Collection for third parties	$	21.197.025	23.083.668
Withholding tax and self-withholding tax		15.288.047	10.315.317
Industry and trade withholding tax payable		1.138.751	1.016.133
Other taxes and contributions payable		19.043.684	9.180.468
Value added tax payable		3.403.228	2.879.784
Advances and prepayments received		25.214.071	20.057.058
Deposits received from third parties		37.322.507	22.727.701
Revenues received in advance		1.842.997	2.404.134
	$	124.450.310	91.664.263

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

21. OUTSTANDING BONDS

Outstanding bonds are detailed below:

		December 2018	June 2018
Short-term			
Ordinary bonds	$	255.000.000	105.000.000
Bonds interest payable		20.789.036	20.186.993
	$	275.789.036	125.186.993
Long-term			
Ordinary bonds	$	2.470.206.000	2.620.206.000
Bond underwriting premium		(5.031.191)	(4.988.797)
	$	2.465.174.809	2.615.217.203

The characteristics of all bond issues by Promigas and some of its subsidiaries are ordinary issues, through a public offering without guarantees. The payment of interests is quarterly in arrears, with BULLET-type principal payments (at the security's maturity).

The legal representative of bondholders exclusively represents the obligations of each issuer, and the funds were used to replace financial liabilities and/or to finance investment plans of the Companies.

The detail of issues by issue date and maturity is as follows:

Issuer		December 2018	June 2018	Series	Term years	Interest rate	Issue date	Trust Company representing the holders
Promigas S.A. E.S.P. (1)	$	150.000.000	150.000.000	C10	10	CPI + 5,40%	27/08/2009	Helm Trust S.A.
Promigas S.A. E.S.P.		170.000.000	170.000.000	C15	15	CPI + 5,99%	27/08/2009	Helm Trust S.A.
Promigas S.A. E.S.P.		99.821.000	99.821.000	A7	7	CPI + 3,05%	29/01/2013	Helm Trust S.A.
Promigas S.A. E.S.P.		150.179.000	150.179.000	A10	10	CPI + 3,22%	29/01/2013	Helm Trust S.A.
Promigas S.A. E.S.P.		250.000.000	250.000.000	A20	20	CPI + 3,64%	29/01/2013	Helm Trust S.A.
Promigas S.A. E.S.P. (1)		105.000.000	105.000.000	A4	4	CPI + 2,55%	11/03/2015	Helm Trust S.A.
Promigas S.A. E.S.P.		120.000.000	120.000.000	A7	7	CPI + 3,34%	11/03/2015	Helm Trust S.A.
Promigas S.A. E.S.P.		175.000.000	175.000.000	A15	15	CPI + 4,37%	11/03/2015	Helm Trust S.A.
Promigas S.A. E.S.P.		100.000.000	100.000.000	A4	4	CPI + 3,29%	08/09/2016	Helm Trust S.A.
Promigas S.A. E.S.P.		150.000.000	150.000.000	A10	10	CPI + 3,74%	08/09/2016	Helm Trust S.A.
Promigas S.A. E.S.P.		250.000.000	250.000.000	A20	20	CPI + 4,12%	08/09/2016	Helm Trust S.A.
Surtigas S.A. E.S.P.		130.000.000	130.000.000	A10	10	CPI + 3,25%	12/02/2013	Helm Trust S.A.
Surtigas S.A. E.S.P.		70.000.000	70.000.000	A20	20	CPI + 3,64%	12/02/2013	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		100.206.000	100.206.000	C10	10	CPI + 5,89%	23/07/2009	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		110.382.000	110.382.000	A10	10	CPI + 3,75%	11/12/2012	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		89.618.000	89.618.000	B20	20	CPI + 4,13%	11/12/2012	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		126.400.000	126.400.000	A7	7	CPI + 3,65%	02/03/2018	Central S.A.
Gases de Occidente S.A. E.S.P.		173.600.000	173.600.000	A25	25	CPI + 4,12%	02/03/2018	Central S.A.
Promioriente S.A. E.S.P.		105.000.000	105.000.000	A7	7	CPI + 3,54%	23/01/2018	Central S.A.
Promioriente S.A. E.S.P.		100.000.000	100.000.000	C5	5	CPI + 7,10%	23/01/2018	Central S.A.
Total	$	2.725.206.000	2.725.206.000					

(1) It is included in the short term due to its early expiry.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Promigas and its subsidiaries apply the amortized cost method for calculating the effective interest rate, which means that the amortization of these costs is made over the expected life of the instrument.

Interests were recognized as follows during the half-years ended:

		December 2018	June 2017
Accrued in financial expenses	$	78.577.651	82.449.747
Accrued in cost of sale non-bank financing		8.913.839	8.737.387
Capitalized in projects		9.615.502	6.773.190
Total accrued interests	$	97.106.992	97.960.324
Paid	$	96.547.344	95.501.324

Below is the detail of the bond issue maturities of Promigas and its subsidiaries:

Year		Value
2019	$	200.027.000
2020		100.000.000
2021		120.000.000
2022		740.561.000
2023 onwards		1.309.618.000
	$	2.470.206.000

22. PROVISIONS

In the ordinary course of business, Promigas and its subsidiaries are subject to various legal regulations inherent to public utilities and environmental protection services. In the opinion of Promigas and its subsidiaries' management no situations have been identified that lead to the discovery of a possible breaches to such rules, thus producing a significant impact on the financial statements. The table below shows the nature and value of long-term loss contingencies:

		Administrative	Labor	Civil	Dismantling and restoration costs	Other Provisions (1)	Total Provisions
Balance as of December 2017	$	2.350.758	463.865	57.255.100	16.046.787	179.325.733	255.442.243
New provisions		327.502	-	9.870.371	511	64.547	10.262.931
Increase in provisions charged to expenses		(23.775)	15.658	652.478	597.531	14.403.783	15.645.675
Provisions used		(327.502)	-	-	-	(1.636.620)	(1.964.122)
Withdrawal of provisions		-	-	(8.054)	-	(4.706.196)	(4.714.250)
Adoption effect IFRS 9		-	-	-	-	419.196	419.196
Reclassifications		-	520.000	(520.000)	-	36.615	36.615
Conversion adjustments		-	-	-	-	(106.319)	(106.319)
Balance as of June 2018	$	2.326.983	999.523	67.249.895	16.644.829	187.800.739	275.021.969

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

New provisions		312.034	-	-	(511)	(64.547)	246.976
Increase in provisions charged to expenses		577.498	-	5.401.463	365.391	16.628.097	22.972.449
Provisions capitalized		-	-	-	-	1.712.252	1.712.252
Provisions used		-	-	(56.160.992)	(637.413)	(2.499.187)	(59.297.592)
Withdrawal of provisions		(23.775)	(270.000)	(949.113)	-	(3.410.254)	(4.653.142)
Reclassifications		248.204	-	(248.204)	-	(36.615)	(36.615)
Conversion adjustments		-	-	-	-	3.596.993	3.596.993
Balance as of December 2018	$	3.440.944	729.523	15.293.049	16.372.296	203.727.478	239.563.290

(1) As of December 31st and June 30th, 2018, mainly includes estimates of the investment plan of Compañía Energética de Occidente S.A. E.S.P. for $145.824.484 and $146.770.928, respectively. This provision is decreasing because of the repayment plan. Compañía Energética de Occidente S.A. E.S.P. agreed to implement an infrastructure expansion, replacement and improvement plan for the development of the trading services of CEDELCA. IFRIC 12.21 sets out contractual obligations for these to maintain or restore the infrastructure, such as the case of the investment plan, which must be recognized and measured in accordance with IAS 37, i.e., according to the best estimate of the expenditure that would be required to settle the obligation at the end of the reporting period. To contribute to the analysis, it should be noted that, under the type of contract entered into by and between CEDELCA and Compañía Energética de Occidente S.A. E.S.P., no construction contracts are performed.

23. EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS

Share Capital – As of December 31st and June 30th, 2018, share capital was represented by 1,150,000,000 common shares, respectively, with a nominal value of one hundred pesos each. The detail of the assets is presented below:

		December 2018	June 2018
Number of shares authorized, issued and outstanding		1.134.848.043	1.134.848.043
Number of shares paid-in and subscribed		1.134.918.610	1.134.918.610
Number of shares repurchased (1)		70.567	70.567
Paid-in and subscribed capital	$	113.491.861	113.491.861

(1) From 2005 to June 30th, 2017, the Company has repurchased 70,567 shares for $1.527.933. In accordance with the provisions of the Code of Commerce, any rights inherent to repurchased shares are suspended.

Reserves – The balance of reserves is detailed as follows:

		December 2018	June 2018
Legal reserve	$	56.745.931	56.745.931
Reserves pursuant to bylaws		77.142.919	77.142.919
Occasional reserves		629.242.798	524.628.701
Wealth tax reserves paid by subsidiaries		(25.761.740)	(25.761.740)
	$	737.369.908	632.755.811

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Legal Reserve – According to Colombian Law, the Company must transfer at least 10% of profits for the period to a legal reserve until such reserve equals 50% of the subscribed capital. This reserve is not available for allocation, but may be used to offset losses.

Tax Reserve – Pursuant to article 45 of Act 75/1986, the Company created a reserve equal to 70% of the higher value of the depreciation requested as tax deduction. Such reserve may be capitalized or allocated insofar as it is released.

Reserve for Share Repurchase – In 2005, the Company created a reserve for share repurchase amounting to $1,527,933.

Profit Allocation – Dividends are ordered and paid to shareholders based on non-consolidated net profits for the immediately previous year half. The dividends ordered were the following:

		December 2018	**June 2018**
Date of Meeting		September 21st, 2018	March 20th, 2018
Unconsolidated earnings from the immediately preceding half-year	$	365.629.147	328.818.686
Cash dividends		Ordinary dividends of $18 monthly per share which will be paid monthly each 21st day from October 2018 to March 2019 An extraordinary dividend of $82 per share payable on October 21st, 2018.	Ordinary dividends of $17 monthly per share which will be paid monthly each 21st day from April to September 2018. An extraordinary dividend of $122 per share payable on April 21st, 2018.
Total outstanding shares		1.134.848.043	1.134.848.043
Total dividends declared	$	215.621.128	254.205.962
Detail of mandatory and voluntary reserves (1)	$	59.220.175	6.277.572
Available for future allocation	$	45.393.922	68.335.152

(1) Corresponds to the transfer to the Reserve due to CFRS convergence effects approved by the General Shareholders' Meeting.

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

24. NON-CONTROLLING INTEREST

Below is the detail of the non-controlling interest in the consolidated companies:

	December 2018			June 2018		
Company	**%**	**Interest in Equity**	**Interest in Earnings**	**%**	**Interest in Equity**	**Interest in Earnings**
Surtigas S.A. E.S.P.	0,01%	$ 54.588	3.311	0,01%	51.155	3.019
Transoccidente S.A. E.S.P.	21,00%	2.129.265	332.426	31,00%	3.169.130	367.098
Promioriente S.A. E.S.P.	26,73%	101.584.816	8.549.606	26,73%	99.062.775	10.010.301
Transmetano E.S.P. S.A.	0,33%	536.591	49.406	0,33%	532.144	47.517
Gases de Occidente S.A. E.S.P.	5,57%	14.205.409	3.910.274	9,88%	22.425.018	4.054.491
Zonagen S.A.S.	0,05%	1.223	(4)	0,05%	1.225	151
Sociedad Portuaria El Cayao S.A. E.S.P.	49,00%	102.359.133	10.661.391	49,00%	92.338.454	12.065.558
	0,00%	220.871.025	23.506.410		217.579.901	26.548.135

25. REVENUES FROM ORDINARY ACTIVITIES

Below is the detail of revenues from ordinary activities for the half-years ending:

	December 2018	June 2018
Transport and distribution of natural gas	$ 1.201.914.011	1.115.490.164
Generation and distribution of power	210.250.222	199.931.809
Installations and technical services	125.879.871	95.663.234
Revenues from non-banking financing	47.222.455	46.205.333
Construction of concessions (see note 13)	225.666.649	120.508.859
Other services	182.527.190	156.420.017
	$ 1.993.460.398	1.734.219.416

26. COST OF GOODS SOLD

Below is the detail of costs of goods sold:

	December 2018	June 2018
Employee benefits	$ 71.329.662	63.441.325
Maintenance and materials (1)	123.910.219	78.786.478
Fees and consultancies	14.437.481	12.188.300
General costs (2)	868.839.474	760.457.554
Construction of concessions (See note 13)	225.666.649	120.508.859
Taxes	786.055	1.357.832
Depreciation and amortization	73.630.910	67.684.706
	$ 1.378.600.450	1.104.425.054

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

(1) Corresponds mainly to maintenance related to coating changes in the transportation system for $3.311.000, cost incurred by Promisol S.A.S. with third parties in the construction of the crossing of the North-South dike to Promigas S.A. E.S.P. for $12.287.000, payments made to third parties in the development of the Paiva compressor station project for $4.481.000, adjustment in conversion of the maintenance costs of Sociedad Portuaria el Cayao S.A. E.S.P for $5.648.000, taxes paid associated with maintenance for $3.153.000, among others.
(2) In Gases de Occidente S.A. E.S.P. mainly due to the increase in gas distribution for $4.077.000, use of networks for $30.439.000; in Surtidora de Gas del Caribe S.A. E.S.P. there was a greater amount of purchase of gas from different suppliers, increasing this cost by $17.546.800.

27. OPERATING EXPENSES

Below is the detail of operating expenses:

		December 2018	June 2018
Employee benefits	$	55.644.012	52.727.142
Fees		27.144.067	18.643.849
Maintenance and materials		5.739.302	3.489.331
General administrative expenses		26.862.669	25.378.515
Impairment		7.284.939	16.104.898
Provisions (1)		934.409	10.338.537
Administrative taxes		26.683.430	25.314.308
Depreciation and amortization		16.699.552	17.065.158
	$	166.992.380	169.061.738

(1) In the first half-year civil provisions were regonized corresponding to the lawsuit for breach of a gas transport contract due to the late operation of a new gas pipeline, as a result of the delays in the construction works mainly due to the prior consultations, stoppages and non-legal recourses of the communities, filed by Generadora y Comercializadora de Energía del Caribe SA E.S.P. - Gecelca S.A. E.S.P., with which a settlement was reached for $ 9.870.371 plus interest.

28. FINANCIAL REVENUES

Below is the detail of financial revenues:

		December 2018	June 2018
Debt securities yields	$	7.516.054	7.772.344
Revenues from financial assets concession		79.154.991	127.045.226
Exchange Difference		55.712.080	38.182.009
Other financial revenues		3.956.301	3.585.900
	$	146.339.426	176.585.479

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

29. FINANCIAL EXPENSES

Below is the detail of financial expenses:

		December 2018	June 2018
Interests issued bonds and securities	$	78.577.651	82.449.747
Interests financial obligations		84.160.100	83.899.860
Cost for financial asset under concession		397.539	-
Exchange difference		54.926.570	37.244.352
Other financial expenses		11.404.852	5.642.083
	$	229.466.712	209.236.042

30. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES AND ASSOCIATES

According to the "IAS 24 - Related Party Disclosures", a related party is a person or entity that is related to the entity that is preparing its financial statements and has control or joint control over the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. The definition of a related party includes: a) persons and/or close members of that person's family related to the reporting entity, entities that are members of the same group (parent and subsidiaries), associates or joint ventures of the entity, post-employment benefit plans for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

Related parties are:

- An economic affiliate is a person or entity that is related to any group entity through transactions such as transfers of resources, services and obligations, regardless of whether or not it is charged. For the Company, transactions between economic affiliates are any economic operations held with shareholders and entities of the parent company.

- Shareholders who individually own more than 10% of the Company's share capital.

- Key management personnel: persons with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director or manager (whether executives or otherwise) of the entity, including the CEO, Senior Executives and Board Members.

- Subordinated Entities: Companies where control is exercised according to the definition of control in the code of commerce and "*IFRS 10 - Consolidated Financial Statements*".

- Affiliated Entities: companies where significant influence is exercised, which is generally considered as a participating interest of between 20% and 50% of its share capital.

Operations with related parties:
During the half-years ended December 31st and June 30th, 2018, there were no significant operations of the following characteristics:

- Free or compensated services debited to a related company.

- Loans implying an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.

Below is the summary of assets and liabilities as of December 31st and June 30th, 2018, with shareholders, board members, managers, affiliated companies and other related entities:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

		Shareholders	Members of	Key	Associates	Others	Total
December 2018							
Assets							
Cash	$	314.046	-	-	-	88.444.403	88.758.449
Investments		-	-	-	689.021.050	-	689.021.050
Debtors		-	1.953.507	-	6.082.581	-	8.036.088
	$	314.046	1.953.507	-	695.103.631	88.444.403	785.815.587
Liabilities							
Financial Obligations	$	116.582	-	-	-	-	116.582
Accounts payable		62.265.013	-	-	3.615.869	198.082	66.078.964
Issued bonds and securities		9.020.000	-	-	-	-	9.020.000
	$	71.401.595	-	-	3.615.869	198.082	75.215.546
Revenues							
Sale of Goods	$	963	-	-	37.686		38.649
Sale of Services		4.633	-	-	30.589.250	1.011.746	31.605.629
Financial		-	-	-	-	343.069	343.069
Equity Method		-	-	-	94.158.988	-	94.158.988
Other revenues		-	-	-	73.858	-	73.858
	$	5.596	-	-	124.859.782	1.354.815	126.220.193
Expenses							
Costs	$	-	-	-	1.746.179	386.357	2.132.536
Salaries and wages		-	-	-	-	-	-
General		-	-	-	46.952	786.360	833.312
Interest		526.854	-	-	-	24.084	550.938
	$	526.854	-	-	1.793.131	1.196.801	3.516.786
June 2018							
Assets							
Cash	$	373.025	-	-	-	46.924.312	47.297.337
Investments		-	-	-	594.955.463	-	594.955.463
Debtors		-	-	-	7.758.506	1.336	7.759.842
	$	373.025	-	-	602.713.969	46.925.648	650.012.642
Liabilities							
Financial Obligations	$	131.932	-	-	-	-	131.932
Accounts payable		61.873.371	-	-	426.063	202.503	62.501.937
Issued bonds and securities		23.020.000	-	-	-	-	23.020.000
	$	85.025.303	-	-	426.063	202.503	85.653.869
Revenues							
Sale of Goods	$	-	-	-	14.287	-	14.287
Sale of Services		555	-	-	32.898.761	954.281	33.853.597
Financial		21.132	-	22.846	-	361.974	405.952
Equity Method		-	-	-	78.469.790	-	78.469.790
Other revenues		-	-	-	22.335	-	22.335
	$	21.687	-	22.846	111.405.173	1.316.255	112.765.961
Expenses							
Costs	$	-	-	-	716	235.704	236.420
Salaries and wages		-	-	2.996.157	-	-	2.996.157
General		484.457	243.812	-	36.950	777.547	1.542.766
Interest		815.157	-	-	-	361.742	1.176.899
	$	1.299.614	243.812	2.996.157	37.666	1.374.993	5.952.242

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

Below is the compensation for key management personnel on the half-years ending:

		December 2018	June 2018
Salaries	$	9.311.903	10.650.110
Employee Benefits		3.207.963	606.864
Total	$	12.519.866	11.256.974

Structure of key management personnel for the half-years ended:

	No. of executives	
	December 2018	June 2018
CEO	1	1
Senior Executives	5	5
Managers	14	10
Area Managers	22	21
Other executives	55	60
Total	97	97

31. COMMITMENTS AND CONTINGENCIES

Commitments **Promigas S.A. E.S.P. -** For the development of its corporate purpose, the Company and its subsidiaries have entered into the following agreements, among others:

a. By Public Deed No. 1629 of September 16th, 1976, the Company obtained from the National government the concession to build, operate, maintain, exploit and manage a public utility pipeline for the transportation of hydrocarbons from Ballenas, Department of La Guajira, to the cities of Barranquilla and Cartagena, for an 50-year term, extendable to 20 more years. Under the terms of the concession, The National Government has a preemption right over the transportation of these products through the gas pipeline, paying a current rate. The Company shall be obligated to sell the pipeline to the Nation, if required by the Government, upon completion of the first 30 years of the Agreement (2006), at the expiry thereof (2026) or upon termination of the extension period, at the price agreed by the parties, or based on the appraisal of an independent expert. The Company may not assign or relinquish the agreement, neither totally nor partially, without prior approval by the National Government.
   In notice served to the Company on May 11th, 2005, the ministry of Mines confirmed that they would not take up the purchase option that was available for 2006 over the gas pipelines under concession.
   The detail of the concession agreements for the pipeline sectors entered into with the National Government is included in note 13.
b. Agreements signed with customers for the transportation of natural gas through the gas pipeline systems available to the Company are in accordance with the current regulatory framework and have the guarantees stipulated by the Company for each agreement.

   The Company's management considers that there are no risks of significant losses in the future arising from the performance of these agreements and commitments.

Commitments of Gases del Pacifico S.A.C. **-** Maintains a letter of guarantee of US $20.000.000 in favor of the Peruvian State for a term of one year, pursuant to the Natural Gas Concession Agreement in the Northern Zone of Peru.

Commitments of Sociedad Portuaria el Cayao S.A. E.S.P. **-** For the development of its corporate purpose, the Company has entered into the following agreements, among others:

Port Concession Agreement No. 001 of 2015 - The Ministry of Transport, through resolution No. 594 of March 5th, 2015, indicates the terms in which the port concession would be established, to occupy temporarily and exclusively a public use area for 20 years, to develop am unloading platform, underwater gas pipelines and connections to the land pipeline connected to the National Transport System, for the import, export and cabotage of liquefied natural gas, in the department of Bolivar, district of Cartagena de Indias, in the form of public utility service. On July 17th, 2015, port concession agreement No. 001 of 2015 was entered into by and between the National Infrastructure Agency and the Company.

This agreement will not be automatically extended. It may be extended only by carrying out the procedure provided for such purpose in current regulations, not less than 12 calendar months before the date of expiry of the concession period.

The reference value of the port concession agreement is equal to the net present value of the consideration, which corresponds to US $3.931.493 payable during 20 years with annual installments. Payment must be made in Colombian pesos.

Agreements with Thermoelectric Companies - On October 29th, 2014, the Company signed agreements with Zona Franca Celsia S.A. E.S.P., Termobarranquilla S.A. E.S.P. and Termocandelaria S.C.A. E.S.P. (the Customers) in order to provide services for access to and use of port infrastructure for the reception, storage, regasification of liquefied natural gas (LNG) and gas conduction and delivery at the Inlet Point into the National Transportation System (TUA Agreements). To fulfill said purpose, the Company must design, construct, operate and maintain the Terminal in accordance with the terms established in said contracts.

The annual fixed revenues of US $82,500,000, which will be paid in 12 equal installments, allocated according to the percentage share of each customer. This revenue corresponds to all investment costs, fixed costs of administration, operation and maintenance, and other costs relative to the Terminal and the provision of services. This revenue also includes the acquisition and maintenance of LNG Heel in the Terminal.

In addition, there is a variable revenue that corresponds to all variable costs of administration, operation (including fuel and electricity), maintenance and other costs relative to the Terminal and the provision of services, such as LNG cargo services on gas tankers from the Terminal, which will be charged on a monthly basis according to the terms set out.

The commercial operation start date was December 2016. The TUA Agreements are valid for ten (10) years until November 30th, 2026. At the Customers' discretion, the TUA Agreement can be extended once, giving 4-year notice before the date of its expiry, for the term agreed by the parties, otherwise the extension will be of 5 years. In the event that the Company, for any reason, cannot provide the gas delivery service or causes the Customer to declare itself before the Wholesale Power Market Administrator as unavailable to generate electric power, the Company must pay the Customer for each KPC nominated and not delivered at the inlet point into the NTS the equivalent of US $2 per KPC for the number of hours unavailable over 24 hours. The Company will be exempt from paying this fine as long as the event is an exemption event. Said fine shall not exceed US $12,000,000 per contract year. Further, in the event that the Company fails to comply with its unloading obligation or the actual unloading time exceeds the time provided, the Company must compensate the Customer for any damages incurred arising from the event up to a point in time US $8,000,000 per event. The Company will be exempt from the payment of this fine as long as the event is due to an exemption event or force majeure.

Other Agreements - On November 1st, 2014, the Company signed with HOEGH LNG FSRU IV LTD an International Lease Agreement - ILA on a Floating Storage and Regasification Unit - FSRU "Hoegh Grace," which has an annual value during the term of the agreement of US $40,809,000 and allows a purchase option in year 10 of US $425,798,487. On that same date, the Company signed with HÖEGH LNG HOLDINGS LTD. An Agreement for the Provision of Operation and Maintenance Services with respect to the FSRU. Both agreements have a 10 year term from the date of acceptance of the FSRU (03/12/2016). The cumulative limit of liability, borne by the Company, arising from the agreement, extracontractual civil liability (including negligence) or arising out of the law, for both agreements is USD $100,000,000. Additionally, both agreements contain a provision that in the event of non-compliance, the party in compliance can terminate the respective agreement.

Commitments of Gases de Occidente S.A. E.S.P. - The Company established an irrevocable Commercial Trust Agreement for Trust Resources Management with Corficolombiana S.A., related to the GNCV Bond Program, from 2010. Said agreement completed the agreed term and a new irrevocable Commercial Trust Agreement for Trust Resources Management was created with Corficolombiana S.A., as provided in the Bond Conversion Agreement CNG-IV (signed on March 21st, 2015) for cooperation to encourage the trade, distribution and consumption of compressed vehicular natural gas in the country's western market, where Gases de Occidente SA E.S.P. serves as administrative operator.

Commitment of Compañía Energética de Occidente S.A. E.S.P: The Company, among others commitments, undertook to execute an infrastructure expansion, replacement, and improvement plan for the development of the trading and distribution services in Cedelca's trading market aimed at maintaining and/or rehabilitating the existing networks so that they can operate optimally.

The Investment Plan has a defined amount that is estimated at current prices by means of adjustment techniques to the net present value. The TES (Public Debt Securities issued by the General Treasury of the Nation) is used as the discount rate. Changes in the provision are recognized as a result of changes in the discount rate and the CPI. The provision utilization corresponds to the projects carried out according to the commitment acquired with Cedelca.

Commitments of Surtidora de Gas del Caribe S.A. E.S.P. - For the development of its corporate purpose, the Company has entered into the following agreements, among others:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

a. Natural gas supply agreements with Empresa Colombiana de Petróleos (Ecopetrol), Frontera Energy, CNE oil & gas, Hocol and Lewis, and gas transportation agreements with Promigas S.A. E.S.P. These agreements are in accordance with the regulatory framework, and their terms of duration range from one to five years, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed.
b. Agreements with industrial users and power generating companies with consumptions greater than 100,000 cubic feet per day, under wellhead gas trading and natural gas transport capacity of customer. These agreements are in accordance with the regulatory framework and their terms of duration conform to the trading period determined by current regulations, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed. The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments.
   Surtigas S.A. E.P. in 2018 signed a gas purchase agreement with CNE OIL GAS S.A.S. consisting of 8 MCFD at US4/MBTU for a year under the take or pay scheme as of December 1st, 2019, with invoicing in July 2019; However, payments will be made as follows: first payment in January 2020, second payment in April 2020 and monthly payments as of June 2020.
   The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments.

Contingencies

As of December 31st and June 30th, 2018, the following individual litigations and lawsuits are filed against the Company. Their quantities are determined by the claims and are not recognized in the provisions, given that the lawyers handling each process consider that the success likelihoods of such claims are classified as eventual:

	December 2018		June 2018	
	Number of Claims	Value	Number of Claims	Value
Litigations and Lawsuits Against				
Easement claims				
Between $1 and $1.000.000	29	6.547.549	31	1.394.840
From $1.000.001 onward	7	32.847.496	6	4.600.000
Easement	36	39.395.045	37	5.994.840
Ordinary processes				
Between $1 and $1.000.000	62	17.389.941	58	16.060.209
Between $1.000.001 and $3.000.000	12	18.462.609	9	13.439.630
From $3.000.001 onward	2	137.420.759	1	50.710.273
Ordinary	76	173.273.310	68	80.210.112
Labor	112	5.861.170	80	8.220.077
Other litigation and lawsuits	8	952.042		
Total processes	232	219.481.567	185	94.425.029

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

	December 2018		June 2018	
	Number of Claims	Value	Number of Claims	Value
Contingency rights				
Contingency rights	1.707	86.429.595	1.396	17.563.056
Litigations and lawsuits	12	1.113.018	31	68.618.363
Total	1.719	87.542.613	1.427	86.181.419

In the course of its operations, Promigas and its subsidiaries are subject to several legal regulations pertaining to public utilities and environmental protection companies. The Management of these Companies considers, based on legal opinions, that there have been no situations that may indicate possible breaches to those standards and leading to significant impacts on the financial statements.

32. OPERATIONS BY SEGMENT

Information by segment is structured according to the different lines of business of Promigas and its subsidiaries. The lines of business described below were established according to the organizational structure of the Company, considering the nature of services and products offered. The structure of this information is designed as if each line of business were an autonomous business and had its own separate resources, allocated based on the assets assigned to each line according to an internal system of percentage distribution of costs.

The Company's operating segments are structured as follows:

Natural Gas Transportation	Integrated solutions for the industry and power generation
Promigas S.A. E.S.P.	Promisol S.A.S.
Promioriente S.A. E.S.P.	Zonagen S.A.S.
Transmetano E.S.P. S.A.	Sociedad Portuaria el Cayao S.A. E.S.P.
Transoccidente S.A. E.S.P.	Energía Eficiente S.A. E.S.P.

Distribution of Natural Gas	Distribution of Electricity	Non-bank financing
Surtigas S.A. E.S.P.	Compañía Energética de Occidente S.A. E.S.P.	Compañía Energética de Occidente S.A. E.S.P.
Gases de Occidente S.A. E.S.P.		Gases de Occidente S.A. E.S.P.
Gases del Caribe S.A. E.S.P.		Surtigas S.A. E.S.P.
Efigas S.A. E.S.P.		Gascaribe S.A. E.S.P.
Gases de la Guajira S.A. E.S.P.		Gases de la Guajira S.A. E.S.P.
Gas Natural de Lima y Callao S.A.C.		Efigas S.A. E.S.P.
Gases del Pacífico S.A.C.		
Orion Contac Center S.A.S.		
Enlace Servicios Compartidos S.A.S.		

Below are the assets, liabilities and income statement by segment:

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

		Gas transportation	Gas distribution	Distribution and trade of energy	Integrated solutions for industry	Non-bank financing	Total
December 2018							
Assets	$	6.246.006.806	3.025.435.752	536.573.616	261.737.771	355.716.978	10.425.470.923
Liabilities	$	4.721.720.075	1.759.149.911	421.587.505	81.954.121	7.237.171	6.991.648.783
Revenues	$	579.209.860	1.115.102.921	213.127.407	46.173.360	39.846.850	1.993.460.398
Costs		(227.277.599)	(939.459.940)	(149.315.446)	(46.527.850)	(16.019.615)	(1.378.600.450)
Gross earnings		351.932.261	175.642.981	63.811.961	(354.490)	23.827.235	614.859.948
Equity method		(21.330)	94.180.318	-	-	-	94.158.988
Operating expenses		(51.265.982)	(72.671.051)	(29.414.573)	(10.368.014)	(3.272.760)	(166.992.380)
Dividends received			129.002	-	-	-	129.002
Others, net		18.181.745	11.880.564	(6.916.961)	(9.555.207)	(13.835.334)	(245.193)
Results from ordinary activities		318.826.694	209.161.814	27.480.427	(20.277.711)	6.719.141	541.910.365
Financial revenues		85.816.800	21.631.018	3.085.201	34.490.988	1.315.419	146.339.426
Financial expenses		(167.607.522)	(40.557.400)	(9.595.901)	(11.705.889)	-	(229.466.712)
Earnings before income tax		237.035.972	190.235.432	20.969.727	2.507.388	8.034.560	458.783.079
Income tax		(28.503.175)	(26.914.872)	(14.624.423)	(2.032.661)	(3.445.841)	(75.520.972)
Net income	$	208.532.797	163.320.560	6.345.304	474.727	4.588.719	383.262.107
June 2018							
Assets	$	5.954.895.366	2.757.956.653	503.885.283	270.638.679	322.648.773	9.810.024.754
Liabilities	$	4.436.272.713	1.653.524.267	381.522.348	59.296.710	5.841.438	6.536.457.476
Revenues	$	605.235.848	833.643.132	201.529.572	54.820.365	38.990.499	1.734.219.416
Costs		(249.859.195)	(679.931.323)	(136.371.239)	(23.873.686)	(14.389.611)	(1.104.425.054)
Gross earnings		355.376.653	153.711.809	65.158.333	30.946.679	24.600.888	629.794.362
Equity method		7.647	78.462.143	-	-	-	78.469.790
Operating expenses		(63.885.966)	(69.066.532)	(28.308.306)	(5.469.414)	(2.331.520)	(169.061.738)
Dividends received			924.976				924.976
Others, net		6.440.223	22.933.573	(9.192.266)	(8.552.069)	(12.660.363)	(1.030.902)
Results from ordinary activities		297.938.557	186.965.969	27.657.761	16.925.196	9.609.005	539.096.488
Financial revenues		139.747.333	18.765.546	2.210.724	14.588.909	1.272.967	176.585.479
Financial expenses		(138.345.572)	(41.675.448)	(8.977.348)	(20.237.674)	-	(209.236.042)
Earnings before income tax		299.340.318	164.056.067	20.891.137	11.276.431	10.881.972	506.445.925
Income tax		(78.158.900)	(21.442.129)	(11.416.279)	(3.173.153)	-	(114.190.461)
Net income	$	221.181.418	142.613.938	9.474.858	8.103.278	10.881.972	392.255.464

(Expressed in thousands of Colombian Pesos, unless otherwise stated)

33. IMPACT FROM THE ADOPTION OF NEW STANDARDS

IFR 16 – LEASES

IFRS 16 was issued by the IASB on January 13th, 2016 and is effective for periods beginning on or after 1st January 2019, with earlier adoption permitted.

IFRS 16 replaced the existing guidelines for accounting for leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduced a single accounting registration model of lease agreements in the statement of financial position for lessees. A lessee recognizes an asset by right of use representing the right to use the leased asset and a lease liability representing its obligation to make the lease payments. There are optional exemptions for short-term leases or leases of very low-value assets. The accounting treatment of lease agreements for lessors remains similar to current accounting standards in which the lessor classifies leases as financial or operating leases.

The nature of the expenses related to operating leases will change, as IFRS 16 replaces the straight-line lease expense for a depreciation charge for assets for right of use and interest expense for lease liabilities.

The following is a general summary of the analysis performed by Promigas and its subsidiaries, the volume of agreements analyzed and the segmentation of properties and services, as well as the initial recognition of the asset for right of use and the lease liability for the entity as a result of the implementation of the new lease policy (IFRS 16).

To complete this information, the agreements that meet the conditions to be determined as leases under IFRS 16 were considered:

- Entity: Corresponds to Promigas and its subsidiaries.
- Leases: The amount of lease agreements that the Entity has is reported.
- Average term: The average term of the identified agreements is determined.
- Discount rate: The average rate of the identified agreements is determined.
- Value: The total value of the liabilities of the agreements is reported.

Entity	Leases (amount)	Average term (meses)	Average discount rate	
PROMIGAS & SUBSIDIARIES	158	166	10,46%	$

The entity has completed its initial assessment of the possible impact on its financial statements, but has not yet completed its detailed assessment. The actual impact of the application of IFRS 16 on the financial statements of the initial application period will depend on future economic conditions, including the discount rate as of January 1st, 2019, the composition of the lease detail at that date, the last assessment of the entity with respect to whether it will exercise any option to renew the lease and the extent to which the company chooses to use practical solutions and recognition exemptions.

So far, the most significant impact identified is that new assets and liabilities should be recognized for the leases that are held in land, premises, warehouses and servers of Datacenter services. As of December 31st, 2018, the effect of the IFRS 16 application in the statement of financial position is:

Impact on assets and liabilities due to the recognition of IFRS 16 in the separate Financial Statements of Promigas and subsidiaries. Expressed in thousands of pesos	**Impact of IFRS 16 adoption as of January 1st, 2019**
Assets	
Property, plant and equipment by right of use	145.417.332
Deferred tax assets	56.100.845
Total impact IFRS 16 on assets	**201.518.177**
Liabilities	
Lease liabilities	(185.676.509)
Deferred tax liability	(44.130.839)
Total impact IFRS 16 on liabilities	**(229.807.348)**
Equity	
Controlling Interest	
Property, plant and equipment for right of use	39.115.768
Related tax	(11.970.006)
Total impact IFRS 16 on controlling equity	**27.145.762**
Non-controlling Interest	
Property, plant and equipment for right of use	1.143.410
Related tax	(377.325)
Total impact IFRS 16 on non-controlling equity	**766.085**

34. NEW STANDARDS AND INTERPRETATIONS

a) Standards and interpretations with subsequent application issued by the Ministry of Finance and Public Credit and the Ministry of Trade, Industry and Tourism

- ***IAS 40: Investment Property***

  The explanation of when there is a transfer of investment properties is simplified, indicating that an entity will transfer a property to, or from, investment properties when, and only when, there is a change in its use. A change in its use occurs when the property meets, or fails to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions of using a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

i. Commencement of owner-occupation, or of the development with a view to owner-occupation, in case of transfer from investment property to owner-occupied property;
ii. Commencement of development with a view to sale, in case of transfer from investment property to inventories;
iii. End of owner-occupation, in case of transfer from owner-occupied property to investment property; and
iv. Commencement of an operating lease to another party, in case of transfer from inventories to investment property.

- ***IAS 19: Employee Benefits: Amendment, reduction and liquidation of a plan***
The amendment requires a company to remeasure its liability or net assets when changes occur in a defined benefit plan.

These amendments will be effective as of January 1st, 2019. To the extent there are changes to the defined benefit plan, the company will measure the impacts by using the updated assumptions of the new measurement to determine the annual cost of the service and net interest.

- ***New Conceptual Framework***
The revised Conceptual Framework includes: a new chapter on measurement; guidance on the presentation of financial reports; improved definitions and guidance such as, for example, the definition of obligation; and clarifications in important areas, such as management functions, prudence and uncertainty in the measurement of financial information.

The new revised conceptual framework contains 6 relevant aspects:

1. Analysis of the most important issues, in order to serve as basis for the Board to establish new or update the IFRS Standards.
2. Confirms the objective of providing useful financial information for investors and clarify the role of the investor when deciding to invest in a company.
3. Highlights the importance of financial reporting in terms of returns, i.e., the ratio of revenue and expenses; and the financial position: assets, liabilities and equity. It also provides guidance on how to report a company's financial performance.
4. The definitions of assets and liabilities in the new conceptual framework focus on a company's rights and obligations. It also establishes the decisions for the disclosures of assets, liabilities, revenue and expenses, which should be based on what is useful for investors.
5. Explain how to make decisions regarding the measurement of assets and liabilities, i.e., when to use the historical cost and when they should be measured at the current value, to the extent that it constitutes useful information for investors.
6. The new conceptual framework is not a standard. It is the basis for the revision, update or creation of new standards. It does not replace nor does it annul the current standards or any of its requirements.

This framework will be applied immediately by IASB, while companies will do so as of 2020.

IFRS 4 Insurance Contracts

The amendment gives entities that meet the criteria to participate predominantly in insurance activities the option to continue the current IFRS accounting and postpone the application of IFRS 9 up to the first of the application of the new insurance standard or the periods beginning on or after January 1st, 2021.

The valuation of the predominance must be made at the level of the reporting entity and on the annual reporting date immediately preceding April 1st, 2016. Subsequently, it should not be revalued, unless there is a significant change in the activities of the entity that would originate a mandatory re-valuation. Separately, the amendment provides all entities with contracts that are within the scope of IFRS 4 with the option to fully apply IFRS 9, but makes adjustments to profit or loss to remove the impact of IFRS 9, compared to IAS 39, for designated financial assets that qualify. This is referred to as the overlay approach and is available on an asset-by-asset basis with specific requirements about designations and de-designations. Both the temporary exemption and the overlap approach are also available to first-time adopters of IFRS.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

This Interpretation addresses the way to determine the date of the transaction for purposes of establishing the exchange rate to be used in the initial recognition of the related asset, expense or revenue (or the corresponding part thereof), in the derecognition of an non-monetary asset or non-monetary liability arising from the payment or collection of the advance consideration in foreign currency, indicating that the date of the transaction for purposes of determining the exchange rate to be used in the initial recognition of the related asset, expense or revenue (or the corresponding part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability that arises from the payment or collection of the advance consideration. If there are multiple advance payments or collections, the entity will determine a date of the transaction for each payment or collection of the advance consideration.

The amendment indicates that first-time adopters of IFRS will not need to apply IFRIC 22 to assets, expenses and revenues that fall within the scope of that interpretation initially recognized before the date of transition to IFRS Standards.

IFRS 9: Financial Instruments - Prepayment features with negative compensation

In order to determine the amortized cost, a company must consider the contractual terms that may terminate a contractual relationship. Regardless of the event or circumstance that causes the early termination of the contract, a party may pay or receive a reasonable compensation for that early termination. For example, a party may pay or receive a reasonable compensation when it chooses to terminate the contract in advance (or causes the early termination of the contract by other means).

A negative compensation can occur when an early payment feature results in the party that causes the early termination of the contract receiving effectively an amount from the other party, instead of paying a consideration to the other party. To illustrate, the IASB considered a loan with an early payment feature that may result in negative compensation. Specifically, the borrower and the lender have the option to pay the loan before maturity and, if it is paid early, the corresponding amount includes the compensation that reflects the change in the relevant reference interest rate. That is, if the loan is paid in advance (by either party) and the corresponding reference interest rate has decreased since the loan was initially recognized, then the lender will effectively receive an amount that represents the present value of those interest income lost over the remaining term of the loan. On the contrary, if the contract is paid in advance (by either party) and the corresponding reference interest rate has increased, the borrower will effectively receive an amount representing the effect of that change in said interest rate on the remaining term of the loan.

Annual Improvements 2015 - 2017 Cycle

The amendments to IFRS 3 and 11 indicate that an entity can gain control over a joint operation in stages over time. If this occurs, it must derecognise its previously held shareholding and recognize a controlling interest in all the assets and liabilities of the previous joint operation. These changes are applied to the financial statements that are issued as of January 1st, 2019.

For IAS 12, the paragraph regarding the effects of the dividends on the income tax is amended, not making reference to the same IAS 12, but rather according to the provisions of IFRS 9, indicating that this effect is recognized through profit or loss, other comprehensive income or equity, depending on where the entity originally recognized those transactions or past events. The mandatory application date for these changes is as of January 1st, 2019.

In IAS 23, the determination of the capitalization rate on susceptible costs is amended, where the weighted average of the borrowing costs of all the loans received by the entity during the period is taken, except for those taken to finance eligible assets until substantially all the activities necessary to provide that asset for its intended use or sale are executed. For this last change, the application date will be from the beginning of the annual reporting period in which the entity applies these amendments for the first time.

b) New Accounting Statements Issued by the International Accounting Standards Board (IASB):

During the year 2018 the IASB International Accounting Standards Board issued new statements on amendments related to standards already issued or new issues of standards that may imply an impact on the Company and its subordinates, which are:

IAS 1: Definition of material or materiality

The definitions of materiality and relative importance are modified to allow early adoption independently of the amendments to the references to the Conceptual Framework in the IFRS.

Previous concept:

"Omissions or misstatements of items are material or of relative importance if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality (or relative importance) depends on the size and nature of the omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

New definition:
"Materiality or relative importance depends on the size and nature of the information, or both. An entity evaluates whether the information in question, individually or in combination with other information, is material or of relative importance in the context of its financial statements taken collectively."

Changes made in IAS 1 and IAS 8 will necessarily apply to periods beginning on January 1st, 2019.

Definition of a business (amendments to IFRS 3)
The amendment modifies the definition of business in order to help entities determine whether a transaction should be accounted for as a business combination or as the acquisition of an asset. The modifications are the following:

a) clarifies that, to be considered a business, an acquired set of activities and assets must include, at least, an input and a substantive process that together contribute significantly to the ability to produce products;

b) eliminates the assessment of whether the market participants can substitute the missing processes or supplies and continue with the production of products;

c) adds guides and illustrative examples to help entities assess whether a substantial process has been acquired;

d) restricts the definitions of a business or products focusing on goods and services provided to customers and eliminate the reference to the ability to reduce costs; and

e) adds an optional concentration test that allows a simplified assessment of whether a set of activities and businesses acquired is not a business.

The impacts of the previous amendments must be executed at the time of acquisition transactions on assets and liabilities that can be considered a business to be combined in their current operations.

The amendments are applied prospectively to the transactions in which the acquisition date occurs from the beginning of the period to January 1st, 2020.

35. EVENTS OCCURRED AFTER THE REPORTING PERIOD

As of the date of the opinion on the consolidated financial statements for the year ended December 31st, 2018, there are no subsequent events that require adjustments or disclosures to said financial statements.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and notes thereto were approved for issue according to Board Meeting Minutes No. 485 of February 14th , 2019. These financial statements and notes thereto will be presented at the Shareholders' Meeting of March 22nd, 2019. Shareholders have the power to approve or modify the Company's financial statements.