Impacts of IFRS Adoption

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I. Legal Framework and adoption guidelines

II. Impacts on Equity as of January 1\textsuperscript{st}, 2014

III. IFRS Vs. U.S. GAAP

IV. Impacts on net income as of December 31\textsuperscript{st}, 2014

V. Q & A
I. LEGAL FRAMEWORK AND ADOPTION GUIDELINES

- Law 1314 / 2009
  (Colombian Congress)

- Decree 2784 / 2012
- Decrees 3023 and 3024 / 2013

Preparation period
(For comparison purposes)

First time adoption


IFRS Opening Balance
(Jan 1, 2014)
I. LEGAL FRAMEWORK AND ADOPTION GUIDELINES

GENERAL PRINCIPLE
Full retrospective application of IFRS to construct the opening balance.

Limited exceptions are allowed

It is possible to update and/or change accounting policies during the first time adoption period (2014) and the first full comparative financial statements period (2015)
II. Impacts on Equity as of January 1st, 2014

(Amounts in COP billion)

• (+) $4,574: non-controlling interest is presented as part of the equity.

• (+) $133: valuation of account receivables and account payables on imbalances of oil & gas operations, and effect on recovery inventories provision when valued at the lower of cost or net realizable value.

• (-) $21,247: Recognition of fixed assets at historical cost without valuation surplus; asset retirement obligations at present value; Impairment of assets and DD&A recalculation (Similar to U.S. GAAP impact).

• (-) $707: Equity tax and other prepaid expenses not allowed to be deferred under IFRS.

• (-) $1,222: Equion investment under equity method.

• (-) $1,390: Assumptions used in the actuarial calculation increase liabilities.

• (-) $269: Deferred income taxes based on accounting and tax differences.
II. Impacts on Equity as of January 1\textsuperscript{st}, 2014

(Amounts in COP billion)

Equity under RCP Jan 1, 2014
Non-controlling interest
Imbalances & Inventories
PP&E Fixed assets
Equity tax
Equion - non-controlling interest
Actuarial obligation
Deferred Income Tax
Equity under IFRS Jan 1, 2014

71.119
4.574
133
21.247
707
1.222
1.390
269
50.991
III. IFRS Vs. U.S. GAAP

(Amounts in COP billion)

On average under U.S. GAAP the equity has been 38% lower than under Colombian Government Entity GAAP (RCP)
IV. Impacts on net income as of December 31\textsuperscript{st}, 2014

(Amounts in COP billion)

• (+) $718: Lower \textit{depreciation, depletion and amortization} expenses due to changes in useful life of assets.

• (+) $526: Not registered \textit{Equity tax} (included in opening balance).

• (+) $301: Lower employee benefit costs due to \textit{actuarial assumptions} adjustments.

• (+) $20: Application of equity method in \textit{Equion} subsidiary and other adjustments.

• (-) $317: Additional \textit{impairment} of oil and gas properties and intangibles.

• (-) $1,739: \textit{Foreign exchange effect} not fully capitalized.
IV. Impacts on net income as of December 31st, 2014

(Amounts in COP billion)
V. Q & A