Operational and Financial Results Report - Emgesa S.A. E.S.P.
First Half 2012[1]

August 17, 2012

Executive Summary

- ***Emgesa's EBITDA[2] grew 5.5% in the first six months of 2012 compared to the same period of 2011, due to higher sales through contracts in the wholesale and unregulated market and lower operational and maintenance costs.***

- ***Emgesa's net income increased by 11.5% in the first half of 2012 as a result of better operational results and a decrease in financial expenditure due to lower debt balances.***

- ***During the first half of 2012 Emgesa invested more than COP$180 billion, (USD$101 million) mainly in the construction of El Quimbo Hydroelectrical Plant and generated about 21.9% of the energy in the country.***

- ***Financial obligations, including accrued interests, reached COP$2,2 trillion (USD$1,2 billion), a 2.4% decrease with respect to existing obligations in December 2011, mainly due to the annual interest payment in January 2012 of the global peso bond issued by Emgesa.***

- ***In February 2012 Standard and Poor´s affirmed Emgesa's BBB- international risk rating (outlook stable) and in May 2012 Fitch Ratings affirmed Emgesa's foreign and local currency issuer default rating (IDR) at BBB- revising the outlook to positive from stable.***

- ***In the first half of 2012 Emgesa successfully completed the refinancing of a COP $305 billion (USD$171 million) Club Deal with local banks that was due in April and August 2012 with a new Club Deal also with local banks.***

Emgesa's net income reached COP$349,5 billion (USD$196 million) in the first half of 2012

Emgesa, a company of the Endesa Group in Colombia, recorded a net income of COP$349,5 billion (USD$196 million) during the first half of 2012, an 11.5% increase with respect to the same period of 2011. The main factors explaining this result include a higher volume of

[1] Financial statements are prepared under Colombian GAAP in Colombian pesos. However, we present figures in USD for your convenience and analysis using the official COP/USD FX rate (TRM) applicable on the last day of the month (FX June 30, 2012 COP$1,784.60).

[2] EBITDA is calculated adding back the depreciation and amortization (included in the cost of sales and administrative expenses) to the operating income.

sales through contracts in the wholesale and the unregulated market, which has been a continuing trend since the first quarter of the year, lower operational and maintenance costs compared to the first half of 2011 and a decrease in the financial expenditure due to a lower debt balance.

The result for the company is a net margin of 35.3% over total operational revenues in the first half of the year.

Emgesa's EBITDA reached COP$638 billion (USD$358 million) during the first six months of 2012

Operating revenues totaled COP$990,3 billion (USD$555 million), showing a 10.4% increase compared to the first half of 2011, due to a 6.9%% increase in the physical energy sales, specially through contracts in the wholesale and unregulated markets. The increase in the volume of energy sales is the result of a commercial strategy focused in increasing the number of sales through contracts with better prices to compensate for low prices in the spot market.

During the first half of 2012 Emgesa sold 7,719 GWh, out of which 73% corresponded to sales through contracts to clients in the wholesale and unregulated markets and the remaining 27% to sales in the spot market and through the AGC[3] mechanism.

The cost of sales during the first half of the year totaled COP$415,2 billion (USD$233 million) representing an 18.9% increase compared to the result from last year. The increase in the cost of sales was due to a higher cost of fuel during the first quarter of the year as a result of increasing thermo generation in the Cartagena plant using higher amounts of fuel oil to support the electricity supply to the Caribbean region, during a time of restricted gas supply and problems in the region's transmission network.

Administrative expenses had a 5.8% growth compared to the first half of 2011, reaching a total of COP$14 billion (USD$8 million).

As a result, Emgesa's EBITDA between January and June 2012 totaled COP$638 billion (USD$358 million), showing a 5.5% increase with respect to the first six months of 2011. Likewise, operational income increase by 5.2% in the same period, reaching a total of COP$561 billion (USD$314 million) in the first half of 2012.

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3 AGC or Automatic Generation Control, refers to the secondary frequency regulation represented in fees paid to electricity generators by XM (Colombian Administrator of the Commercial Exchange System) acting on behalf of electricity generators in the Wholesale energy market, for implementing technology that moderates the frequency of electricity in order to guarantee the quality of electricity along the National Transmission System.

Net financial expenditure reached COP$62 billion (USD$35 million)

Net financial expenditure in the first half of 2012 had a decrease of COP$$9,9 billion (USD$5,5 million) compared to the same period in 2011, a 13.7% variation in the period. Financial expenditure was reduced in 9.3% reaching COP$67,4 billion (USD$38 million), as a result of a lower average debt balance during the first half of 2012 compared to the same period in the past year, after the company paid at the end of 2011 a total of COP$310 billion (USD$174 million) in bonds and commercial paper maturities in the local market with cash on hand.

Moreover, financial revenues increased by COP$2,9 billion (USD$1,7 million) as a result of the upward trend in the DTF during the first six months of 2012 as a reaction of the tightening in the monetary policy by the Central Bank.

Emgesa's generation reached 6,396 GWh in the first six months of 2012

During the first six months of 2012 Emgesa generated 6,396 GWh, through its 12 generation plants in the country, with 96.8% of the total generation coming from hydro plants and 3.25% from thermo plants, showing a reduction in the share of thermo generation due to high hydrology during the first half of 2012, specially in the Bogota River. In contrast, Colombia's generation mix for the same period was 85.1% from hydro sources while 14.9% came from thermo sources[4].

Emgesa's generation represented 21.9% of national generation during the first half of the year which totaled 29,344 GWh[5].

Gross installed capacity for Emgesa as of June 2012 was 2,914 MW, which represents 19.6% of the country's installed capacity.

During the first six months of 2012, the company served a monthly average of 771 frontiers in the unregulated market, which represented 14.7% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 1,495 GWh, equivalent to 15.3% of the national demand in this market.

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[4] Source: XM

[5] Source: XM

The availability of Emgesa's generation plants between January and June 2012 was 88.34%, up from an 87.1% availability level in the same period of 2011.

Average spot price for the market during the first half of 2012 has fluctuated around COP$72,71/KWh, 7.9% below the average spot price in the same period of 2011. This is a result of a transition between a Niña phenomena (rainy season) to a more neutral hydrological condition in the second half of 2012. Rains in the National Interconnected System (NIS) were above general average levels (+126% with respect to the media). Rains in Guavio and Betania were at 122% and 102% of the average historical levels, respectively. Rains in the Bogota River were at 227% of the average historical level.

In the following table we present a summary of the main operational results of the period:

	June 2012	June 2011	Change (%)
Emgesa's Generation (GWh)	**6,396**	**5,510**	**16.1%**
Hydro	6,189	5,296	16.9%
Thermo	208	214	-2.8%
Emgesa's gross installed capacity (MW)	**2,914**	**2,914**	**0%**
Sales (GWh)	**7,719**	**7,224**	**6,8%**
Contracts	5,654	5,080	11.3%
Spot	2,065	2,144	-3.7%
Availability of Plants	**88.34%**	**87.09%**	**1.4%**
Energy Purchases (GWh)	**1,386**	**1,775**	**-21.9%**

Investments for COP$180,8 billion (USD$101 million) in the first half of 2012

Emgesa has invested COP$180,8 billion (USD$101 million) as of June 2012 mainly in the construction of El Quimbo Hydroelectrical Plant. Likewise, Emgesa performed preventive maintenance in its hydro and thermo plants to guarantee the their reliability and availability. Total investment as of June 2012 was 52% above the executed level between January and June 2011 as the advance in El Quimbo Project has driven investment up. As of June 2012 Emgesa had invested COP$159,7 billion (USD$89,5 million) in El Quimbo project and around COP$21,1 billion (USD$11,8 million) in maintenance.

Financial Debt

As of June 2012, Emgesa's financial debt reached COP$2.2 trillion (USD$1,2 billion) (including accrued interests), showing a 2.4% reduction compared to the debt balance of December 2011, mainly as a result of the annual interest payment of the global peso bond in January 2012. In November 2011 Emgesa assumed a total of COP$310 billion (USD$174 million) of maturities with cash on hand, comprising 60% of the remaining amount of the Betania Bonds issued in 2004 for COP$240 billion (USD$135 million) and commercial paper for COP$70 billion (USD$39 million) issued in November 2010.

As of June 2012, 100% of Emgesa`s financial debt was denominated in pesos including local bonds (51%), international bonds (35%) and long-term loans with local Banks (14%). About 44% of financial debt was indexed to CPI, 39% was in fixed rate and 17% was indexed to DTF. Average cost of Emgesa's debt at the closing of June 2012, was 8.95% with an average life of 6.48 years.

The following table summarizes the conditions of Emgesa's financial debt as of June 30, 2012:

Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. life (years)	Rating
Local Bonds						
Third Bond Issuance (First Tranche)	A7 Series: IPC + 5,04%	IPC + 5.04%	February 23, 2015	$ 210,000	2.65	AAA (local)
		IPC + 2.40%		$ 40,000		
Fourth Bond Issuance (First Tranche under Program)	B10 Series: IPC + 5,15%	IPC + 5.15%	February 20, 2017	$ 170,000	4.65	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1,47%	DTF TA + 1.47%	February 11, 2014	$ 49,440	1.62	AAA (local)
	B10 Series: IPC + 5,78%	IPC + 5.78%	February 11, 2019	$ 160,060	6.62	AAA (local)
	B15 Series: IPC + 6,09%	IPC + 6.09%	February 11, 2024	$ 55,500	11.62	AAA (local)
Sixth Bond Issuance (Third Tranche under Program)	E-5 Series: 9,27%	9.27%	July 2, 2014	$ 92,220	2.01	AAA (local)
	B-9 Series: IPC + 5,90%	IPC + 5.90%	July 2, 2018	$ 218,200	6.01	AAA (local)
	B-12 Series: IPC + 6,10%	IPC + 6.10%	July 2, 2021	$ 89,580	9.01	AAA (local)
		Local Bonds Total		**$ 1,085,500**	**5.11**	
International Bond						
144 A /Reg S	8.75%	8.75%	January 25, 2021	$ 737,760	8.58	BBB- (Intl.)
		International Bonds Total		**$ 1,821,760**		
Local Banks						
Bancolombia	DTF + 3.75%		April 10, 2022	$ 22,599	6.28	N/A
Bancolombia	DTF + 3.75%		April 10, 2022	$ 68,446	6.28	N/A
BBVA Colombia	DTF + 3.75%		April 10, 2022	$ 185,000	6.28	N/A
AV Villas	DTF + 3.75%		April 10, 2022	$ 28,955	6.28	N/A
		Local Banks Total		**$305,000**	**6.28**	
		Emgesa Total		**$ 2,126,760**	6.48%	

In February 2012 Standard and Poor´s affirmed Emgesa's BBB- international risk rating (outlook stable) and in May 2012 Fitch Ratings affirmed Emgesa's foreign and local currency issuer default rating (IDR) at BBB- revising the outlook to positive from stable.

In May 2012 Fitch Ratings Colombia S.A. affirmed Emgesa's long-term credit rating at AAA (Outlook stable) applicable also to its Third Bond Issuance and Local Bond Program for up to COP$1,9 trillion (USD$1,1 billion).

On March 29, 2012 Emgesa signed three loan contracts with local banks (BBVA Colombia, Bancolombia and AV Villas) to refinance an existing Club Deal signed in 2006 also with local banks due in April and August 2012 for a total of COP$305 billion (USD$170 million). The new Club Deal has a 10-year tenor with 3-year grace period, amortizing equally on a semi-annual basis from April 2015 and an interest rate of DTF TA + 3.75%.

Financial Ratios

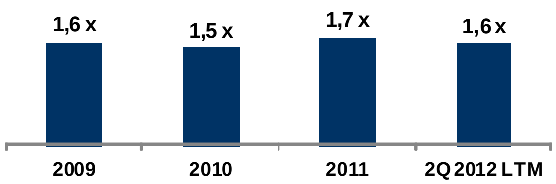
As of June 30, 2012, the Company's assets reached COP$8,3 trillion (USD$4,66 billion), out of which property, plant and equipments represented 61.7% totaling COP$5,1 trillion (USD$2,88 billion) and cash and temporary investments reached COP$233 billion (USD$130 million), about 2.8% of total assets.

During the first half of the year, Emgesa paid the last installment of dividends corresponding to the 2010 net income for COP$77,1 billion (USD$43,2 million) and also completed the payment of the first two installments of dividends corresponding to 50% of the 2011 net income for a total of COP$336 billion (USD$188 million).

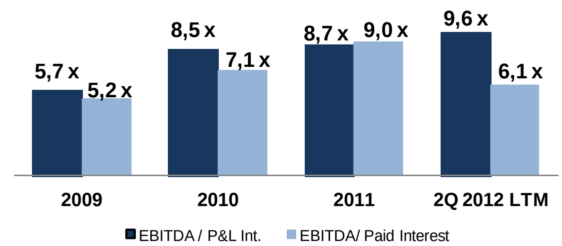
Emgesa's total liabilities as of June 2012 were COP$3,2 billion (USD$1,7 billion) and the shareholders' equity reached COP$5,1 billion (USD$2,8 billion). Regarding the financial structure of the Company, total liabilities represented 38.49% of total assets and the shareholders' equity was 61.51% of total assets. Total financial debt was equivalent to 26.34% of total assets.

The following graphs present Emgesa's key credit metrics as of June 30, 2012:

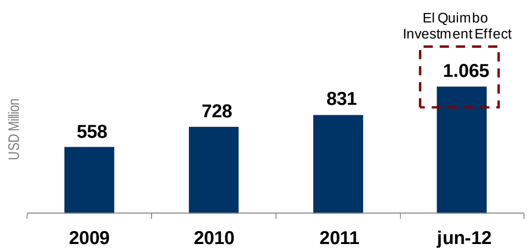
Debt[6] / EBITDA



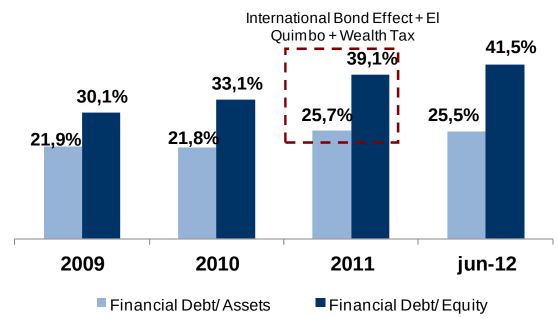
EBITDA / Interest Expense[7]



Net Financial Debt



Leverage



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[4] Includes only the principal balance of the financial debt of the company.
[7] Corresponds to interest expense included in the P&L Statement of the company.