Emgesa S.A. E.S.P.

Financial Statements for the Three Month Period Ending December 31, 2010 and the Nine Month Period Ending September 30, 2010 and Auditor's Opinion.

AUDITOR'S OPINION

To
EMGESA E.S.P. S.A. shareholders:

I have audited the balance sheets for Emgesa E.S.P. S.A. as of December 31, 2010 and September 30, 2010, and the related income statements, changes in shareholders'equity, changes in financial position and cash flows for the three month period ending December 31, 2010 and for the nine month period ending September 30, 2010, and the summary of significant accounting policies and other explanatory notes.

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining an adequate internal control system for the preparation and presentation of financial statements, free of significant errors, whether due to fraud or error; selecting and applying appropriate accounting policies, as well as making accounting estimates which prove reasonable under the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the information necessary to fulfill my duties and perform my work in accordance with auditing standards generally accepted in Colombia. Those standards require that we plan and perform the audit in order to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a selective basis, evidence supporting the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional opinion, including its assessment of the risks of material misstatement of the financial statements. In assessing the risk, the auditor considers the Company's internal control which proves relevant to the preparation and fair presentation of financial statements, in order to design audit procedures that are appropriate under the circumstances. An audit also includes assessing the accounting principles used and significant accounting estimates made by the management, as well as evaluating the overall presentation of financial statements. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, taken from the books of accounts present fairly, in all material respects, the financial position of EMGESA SA E.S.P. as of December 31, 2010 and September 30, 2010, the results of its operations, changes in shareholders' equity , changes in financial position and cash flows for the three months ended December 31, 2010 and for the nine months ended September 30, 2010, in accordance with accounting principles generally accepted in Colombia.

Furthermore, based on the scope of my audit, I report that the Company has kept accounting in compliance with legal regulations and technical accounting; transactions recorded in accounting books and actions taken by company officers are consistent with the bylaws and decisions taken by the Shareholder Assembly and the Board of Directors; correspondence, accounting vouchers and minute books and share registration books are kept and stored properly; the annual report of company officers duly comply with the basic financial statements, and the Company is not in default on account of contributions to the Comprehensive Social Security System. My assessment of internal control conducted for the purpose of establishing the scope of my audit evidence, did not reveal that the Company had not followed proper measures for internal control and for conservation and custody of their assets and other parties' assets which are in its possession.

LINA M. BERMÚDEZ RICAURTE
Auditor
T.P. 132 458-T
Appointed by Deloitte & Touche Ltda

February 17th, 2011

1. ECONOMIC ENTITY

Emgesa E.S.P. S.A. (hereinafter the "Company") is a public limited company incorporated as a public utility company regulated by Law 142 of 1994.

Purpose - The Company’s main purpose is electric power generation and sale of electricity under the terms of the Laws 142 and 143 of 1994 and the rules that regulate, supplement, amend or void them. In developing its main purpose, the Company may acquire power generating plants and design, construct, operate, maintain and run commercial power plants, taking the necessary actions to preserve the environment and good relations with the community in the area of influence of its projects; and perform electrical engineering projects, designs and consultant work as well as market products for the benefit of their clients. The Company may, when developing its corporate purpose, perform all activities related to exploration, development, research, operations, sale, storage, marketing, transportation, and distribution of minerals and mining material. The Company’s period of duration is perpetual.

"El Quimbo" Project - On June 20, 2008, the Company was awarded the construction of the Hydroelectric Project El Quimbo at the Firm Energy auction. The main objective of this project is the formation of a reservoir on the Magdalena River at the canyon sector called "El Quimbo" which will allow the Company to generate power at a hydroelectric plant of 400 Megawatts (MW) of installed capacity. On May 2009, the Colombian Government issued the environmental license for the construction of this project, which was contested by the Company and resolved through resolution 1628 issued August 21, 2009 confirming the social and environmental compensation originally imposed.

At the beginning of 2010, Emgesa E.S.P. S.A. initiated a settlement process with the Ministry of the Environment, Housing and Development related to the environmental license. By virtue of the control and monitoring powers granted to the Ministry of Environment, a technical visit to the project area was performed and after reviewing the Environmental Compliance Report and a study by Natura Foundation, said Ministry issued Resolution 1814 on September 17, 2010, through which it made adjustments to the compensation considering the project’s environmental and social reality.

Once the above Resolution was known and reviewed, meeting No. 354 of the Board of Directors was held on September 22, 2010, in which the investment for the hydroelectric project was approved.

The competitive bidding process was carried out simultaneously for the construction of the project , especially the bidding for the construction of the main civil works and the manufacture, supply, installation and commissioning of electromechanical equipment, construction of technical and housing camps, and construction of access roads , among others.

The Company holds a performance guarantee bond of USD 20 million currently in force expiring on August 12, 2011, which was submitted to the Colombian Energy and Gas Regulatory Commission (CREG); conditions and amounts are maintained considering the System Manager (XM), by means of an external audit, conducted the review of the progress of the project in October, concluding that no facts exist which might affect the date of commissioning thereof, as registered with the CREG.

The Company entered into a legal stability contract with the Nation (Mining and Energy Ministry), signed on December 20, 2010, (See Note 28).

Capital reduction – The General Assembly Meeting in special session on 29 July 2009, authorized capital reduction by four hundred forty-four billion seven hundred seventy-seven million six hundred eighty seven thousand pesos ($ 444,777,687), in the form of reduced nominal share value, which dropped from seven thousand three hundred eighty-six pesos and eighty cents ($ 7,386.80) per share, to four thousand four hundred pesos ($ 4,400.00) and ordered the administration to push the legal procedures before competent authorities in order to obtain approval. By means of Resolution No. 341-007603 issued November 26, 2009, the Superintendency of Corporations authorized the Company the reduction of its capital stock under the terms of Article 145 of the Code of Commerce, and the Ministry of Social Protection by means of Resolution No. 0095 issued April 23, 2010 approved said reduction, notarized by deed No. 3804 issued April 29, 2010, duly registered at the Bogota Chamber of Commerce on May 5, 2010.

2. PRINCIPAL ACCOUNTING POLICIES AND PRACTICES

Financial statements were prepared in accordance with accounting principles generally accepted in Colombia, which are prescribed by law, mainly by Decree 2649 of 1993 or the Colombian Accounting System. Likewise, the accounting plan for Public Utility Companies also applies, which was adopted by the Colombian Superintendency of Domiciliary Public Services through Resolution No. 1416 of 1997, and amended by Resolutions No. 4493 of 1999, 4640 of 2000, 6572 of 2001, 3064 of 2002, 33635 of 2005 and the Unified System of Costs and Expenses adopted by the Colombian Superintendency of Domiciliary Public Services through Resolution 1417 of 1997. Certain accounting principles applied by the Company which are in accordance with accounting principles generally accepted in Colombia, may not be in accordance with accounting principles generally accepted in other countries.

Adoption of International Financial Reporting Standards - On June 28, 2010, the Superintendent of Domiciliary Public Services adopted the General Accounting Model for Domiciliary Public Services Companies in convergence with worldwide accepted International Standards on Accounting and Financial Reporting, which shall be implemented from the start of said resolution until the year ending December 31, 2012.

The following are significant accounting policies adopted by the Company:

a) *Accounting period* - The Company is compelled by its bylaws to close the financial year and make a cutoff of its accounts, and prepare and distribute general purpose financial statements once a year ending December 31.

   The Company bylaws authorizes the Board to determine account cutoffs it deems necessary. Board Meeting No. 352 of August 30, 2010 ordered the administration to make a cutoff in financial statements as of September 30, 2010, in order to submit them for approval and a dividend distribution by a Special Shareholders Assembly Meeting.

   The attached financial statements for the periods ending December 31, 2010 and September 30, 2010 correspond to 3 and 9-month periods respectively, which affects the comparison of financial statement figures.

b) *Currency Unit* - According to law, the currency used by the Company is the Colombian peso.

c) *Materiality* - Economic facts are acknowledged and presented according to their relative importance. In preparing financial statements, materiality is determined in relation to total current assets and liabilities; total assets and liabilities; working capital or earnings, as appropriate. As a general rule of thumb, the 5% of total assets and 5% of operating revenues criteria was followed.

d) *Foreign currency conversion* - Foreign currency transactions are recorded at the applicable rates in effect at the time of the transaction. At the close of each year, accounts receivable or payable in foreign currency are updated pursuant to the exchange rate certified by the Colombian Superintendecy of Finance ($ 1,913.98 and $1,799.89 per U.S. dollar as of December 31, 2010 and as of September 30, 2010, respectively). The gain or loss on exchange, as defined, is included in current earnings, except those incurred by debts due to the acquisition of assets, which are capitalized until they are able to be used.

e) *Investment liquidity management* - Correspond to investments in debt instruments, highly liquid in the short-term, which are stated at market face value and are valued using the accrual of yields. Additionally, other investments are recorded at cost of acquisition plus accrued interest and adjustments, not to exceed their market value.

f) *Equity investments accounted for by using the cost method:* Equity investments recognized under the cost method, are recorded at cost adjusted for inflation (inflation adjustments recorded until December 31, 2005) and are valued at intrinsic value, recorded as greater or lesser value in the account valuations, the difference between the adjusted cost and the intrinsic value of the investment.

g) *Equity investments in subsidiaries* – Investments in subordinate companies in which the Company (or its parent) owns directly more than 50% of the stock capital, are accounted for by the equity method and are in accordance with equity, recognizing the difference as a provision or as a valuation thereof.

h) *Financial derivatives***-**The Company performs operations using derivatives in order to reduce its exposure to fluctuations in the exchange rate. These contracts are adjusted on a monthly basis to market value and the resulting adjustment is left in profit and loss statements.

i) *Inventories* – They are recorded at the lowest between the average cost or net realizable value. . As this inventory is for internal use only, they are only written off in case of deterioration, prior technical opinion.

j) *Provision for doubtful debt* -The provision for difficult customer accounts receivable is established pursuant to policy established by the Company, which defines that the portfolio provision is made for 100% of debts over 360 days past due.

k) *Property, plant and equipment* - Are carried at cost adjusted for inflation (inflation adjustment recorded until December 31, 2005) and are subject to straight-line depreciation according to the following annual depreciation rates:

Concept	**Depreciation rates (Annual average)**	**Shelf Life (Average years)**
Buildings and constructions	1.35%	74 Years
Plants, pipelines and tunnels	1.40%	71 years
Networks, lines and cables	6.67%	15 Years
Machinery and equipment	5.02%	20 Years
Furniture, fixtures and office equipment	9.68%	10 Years
Communication Equipment	6.12%	16 Years
Computer equipment	20.27%	5 Years
Transportation equipment, traction and lift	20.74%	5 Years

Major improvements to assets are capitalized and maintenance costs which do not prolong shelf life or do not improve productivity and efficiency of the assets are expensed as incurred.

l) *Deferred charges* - The Company recorded in deferred charges: (a) costs incurred in making arrangements for the engagement of financial obligations, which are straight-line amortized over the life of the loan, (b) costs incurred in the proceedings of the integration process (merger) of the companies Central Hidroelectrica de Betania E.S.P. S.A. (absorbing entity) and Emgesa E.S.P. S.A. (absorbed entity), which are amortized on a straight line over a period of five years (c) deferred tax assets, resulting from the temporary difference which stems from the elimination of inflation adjustments starting January 1, 2006; this agreement is amortized over the shelf life of fixed assets for which they were generated; additionally recognizes other deferred tax temporary differences between accounting and fiscal balances, and (d) pre-feasibility studies of plant projects which are amortized once their productive phase begins.

m) *Intangibles* - Relate mainly to: (a) The cost of acquiring water rights from projects Chingaza and Rio Blanco. Amortization is recognized by the straight-line method over a period of 50 years and (b) Expenses incurred in the implementation of software licenses, which are amortized over 3 years by the straight line method.

n) Valuations

- *Property, plant and equipment* - Corresponds to differences between the replacement value determined by appraisal of recognized technical value and net book value of property, plant and equipment. Valuations of property, plant and equipment are recorded in separate accounts in assets and a surplus in equity valuations, which is not subject to distribution. The devaluation of property, plant and equipment are recorded directly in the income statement as an expense in the period.

- *Equity investments by the cost method* - Corresponds to differences between the cost of investment and its intrinsic value. Valuations of investments are recorded in separate accounts in assets and a surplus in equity valuations, which is not subject to distribution. The devaluation of investments are recorded as a decrease of the recovery and the surplus in equity valuations.

o) *Labor obligations* - Labor obligations are adjusted at the end of each year based on the laws and labor agreements in force.

The retirement pension obligation represents the present value of all future allowances which the Company must pay those employees who have met or will meet certain legal requirements regarding age, length of service and others, determined based on actuarial studies which the Company obtains quarterly, as required by current regulations, without specific investment in funds.

The reserve for the year 2010 takes into account the new mortality tables authorized by the Superintendence of Financial Institutions by Decree 1555 of 30 July 2010. For the calculation of depreciation, the provisions of Decree 4565 of 7 December 2010 were applied.

For employees covered by the new social security scheme (Law 100 of 1993), the Company covers its pension obligations through the payment of contributions to the Social Security Institute (ISS), and/or Private Pension Funds in the terms and conditions specified in said legislation.

The Company records a liability for fringe benefits such as education, recreation and energy to eligible retirees and current employees soon to be retired by the company, according to actuarial calculations prepared by an independent actuary. Therefore, the liability is being accrued which, at present value, covers the estimated obligation for these supplemental benefits projected to the year end date.

p) *Taxes, fees and charges* - The provision for income tax is determined based on the commercial profit in order to properly relate the period’s income with its costs and expenses and the amount of the estimated liability is recorded. The effect of temporary differences that involve payment of more or less in taxes in the current year is recorded as a deferred tax payable or receivable, as applicable, provided that there is reasonable expectation that those differences will reverse.

q) *Estate tax* - According to the extent permitted by Law 1111 of 2006, the Company records estate tax under the revaluation of assets.

r) *Recognition of revenue, costs and expenses* - Revenues are recognized in the period when services are rendered. Costs and expenses are recorded based on incurment. Power supplied but not billed at the end of each period, which is valued at the selling price according to current prices, has been deemed income for power generation services. These amounts are presented in current assets in the account debtor clients. The cost of this power is included in the category of cost of sales.

s) *Premium on bond issue* - Corresponds to the greater value received for the placement of ordinary bonds issued by the Company, as a result of the positive differential between the bond face value and the yield on the placement date thereof in February 2006. It is amortized as of March 2006, at a time equivalent to the life of the bonds.

t) *Use of estimates* - The Company's accounting policies are in accordance with generally accepted accounting principles, which requires the Administration make certain estimates and assumptions used to determine the valuation of some individual items in the financial statements and accompanying notes required to make in them. Even when they can differ from their final effect, the Administration believes that the estimates and assumptions used were appropriate under the circumstances.

u) *Earnings per share* - Is determined based on net income for the year divided by the number of shares outstanding. The calculation of net income per share includes the cleaning of preferred dividends for 20,952,601 shares as of December 31, 2010, from the Empresa de Energia de Bogota E.S.P. S.A. The preferred dividends are valued at USD 0.1107 per share.

v) *Memorandum accounts* – rights and contingent liabilities are recorded as memorandum accounts, mainly the differences between book and tax figures.

w) *Cash flow statements* - The cash flow statements have been prepared in accordance with the indirect method. Cash and cash equivalents presented in the cash flow statements, correspond to available cash and current investments.

x) *Reclassifications* - Certain figures included in the financial statements of the Company as of September 30, 2010 were reclassified for comparative purposes.

3. AVAILABLE

	As of December 31, 2010	As of September 30, 2010
Cash	$ 7,869	$ 11,659
National banks (1)	305,099,463	90,214,972
	$ 305,107,332	$ 90,226,631

(1) The increase in available cash is due to electric power cash advances received in December in the amount of $ 224,634,267, which corresponds to Codensa, Empresas Publicas de Medellin and Electricaribe.

As ofDecember 31, 2010 and September 30, 2010 the available cash balance includes balances in foreign currency in the amount of USD $2,750 and USD $953, respectively.

4. INVESTMENT

Temporary –short term

Fixed income liquid management investments(1)	$ 1,696,145	$ 15,568,554

Permanent –long term

Equity investments using the cost method (2)	$ 8,421,791	$ 8,329,971

(1) The balance of fixed income liquid management investments breaks down as follows:

	As of December 31, 2010		As of September 30, 2010	
	Average interest rate	Amount	Average interest rate	Amount
CD pesos (a)	3.07%	$ 7,000	3.50%	$ 13,007,000
Trusts pesos	2.43%	1,464,502	2.23%	2,550,677
Forwards		224,643		10,877
		$ 1,696,145		$ 15,568,554

(a) The CD recorded at September 30, 2010, expired on 27 December and was used in the payment of dividends.

(2) The balance of equity investments accounted for under the cost method breaks down as follows:

	As of December 31, 2010	As of September 30, 2010

Electrificadora del Caribe S.A. E.S.P.	$ 8,324,408	8,324,408
Sociedad Portuaria Central Cartagena S.A. (b)	97,327	5,507
Termocartagena S.A. E.S.P. (currently, Vista Capital S.A. under liquidation)	56	56
	$ 8,421,791	$ 8,329,971

(B) The amount of investment in Sociedad Portuaria Central Cartagena S.A. is increased by the application of the equity method. As of December 31, 2010 the value of the investment amounts to $ 97,327, after registering a gain of $ 91,820 million stemming from the implementation of the method.

As of December 31, 2010, the following provides detail of current investments and the total value of the valuations and impairments registered:

Company	Number of shares	Class	Acquisition Cost	Intrinsic value per share (Col $)	Valuation (Impairment)
Electrificadora del Caribe S.A. E.S.P.	109,353,394	common	8,324,408	$ 41.78	(3,756,097)
Termocartagena SA E.S.P. (currently Vista Capital S. A. under Liquidation)	22	common	56		(56)
					(3,756,153)

As of September 30, 2010, the following provides detail of current investments and the total value of the valuations and impairments registered:

Company	Number of shares	Class	Acquisition Cost	Intrinsic value per share (Col $)	Recovery (Impairment)
Electrificadora del Caribe S.A. E.S.P.	109,353,394	common	8,324,408	$ 41.29	(3,780,155)
Sociedad Portuaria Central Cartagena S.A.	55,071	common	5,507	100	-
Termocartagena S.A. E.S.P. (currently Vista Capital S. A. under Liquidation)	22	common	56		(56)
					(3,780,211)

5. DEBTORS

	As of December 31, 2010	As of September 30, 2010
Power utility customers (1)	$ 161,467,895	$ 231,308,259

	As of December 31, 2010	As of September 30, 2010
cash advance payments	13,268,160	5,319,265
Advance tax and credit balances	5,744,913	5,744,913
Accounts receivable from related parties (Note 6)	133,446,734	136,806,491
Deposits given	26,643	3,127
Loans to employees	14,056,809	12,657,634
Other receivables (2)	10,865,688	16,223,978
	338,876,842	408,063,667
Less - provision for doubtful	(5,374,368)	(8,110,545)
	333,502,474	399,953,122
Less - current long-term	(11,240,651)	(10,153,712)
Less - accounts receivable from related parties (Note 6)	(133,446,734)	(136,806,491)
Total short-term debtors	$ 188,815,089	$ 252,992,919

(1) The change in power service customers occurs mainly due to power prepayments received in December for $44,634,267 and portfolio write-offs for $ 2,866,383.

(2) As of December 31 and September 30, 2010, relates mainly to the account receivable from the Ministry of Finance on account of payments made by the Company', due to rulings against Betania of existing processes at the time of the share sale and purchase agreement, for $ 4,275,144 and $ 6,581,628, respectively, which is reduced by the payment made by the Ministry of Finance on December 23 in the amount of $ 2,918,555.

Transactions of provision for doubtful debt is as follows:

	Between October 1st and December 31 2010	Between January 1 and September 30 2010
Opening balance	$ 8,110,545	$ 6,970,818
Provision Recoveries	(8,333)	(189,396)
Portfolio write-offs	(2,866,383)	-
Provision adjustment, income statement	138,539	1,329,123
Ending Balance	$ 5,374,368	$ 8,110,545

The balance of the provision for doubtful debt is composed of: (a) The provision of accounts receivable with more than 360 days past due as of December 31, 2010 and September 30, 2010 by $ 3,170,201 and $ 6,006,654, respectively, and (b) the provision of other accounts receivable at December 31, 2010 and September 30, 2010 by $ 2,204,167 and $ 2,103,891, respectively.

6. RELATED COMPANIES

Recorded in the related company accounts are transactions with related entities held directly and indirectly.

The following is the detail of the balances receivable and payable to the Related Companies:

Accounts receivable:	As of December 31, 2010	As of September 30, 2010
Empresa de Energia de Bogota SA E.S.P.	$ 175,814	$ 28,938
Codensa SA E.S.P. (1)	132,178,812	135,647,623
Compañía Americana de Multiservicios Ltda.	1,436	1,146
Empresa de Energía de Cundinamarca S.A. E.S.P.	758,160	833,516
Endesa Latinoamérica	114,219	114,219
Empresa Nacional de Electricidad	-	63,718
Sociedad Portuaria Central Cartagena SA	218,293	117,331
	$ 133,446,734	$ 136,806,491
Accounts Payable		
Empresa de Energia de Bogota SA E.S.P. (2)	$ 227,422,561	$ 31,015
Codensa SA E.S.P. (3)	329,248,719	78,389,389
Compañía Americana de Multiservicios Ltda.	1,175,442	261,759
Synapsis de Colombia Ltda	195,175	287,215
Empresa de Energía de Cundinamarca S.A. E.S.P	243,507	267,354
	As of December 31, 2010	**As of September 30, 2010**
Sociedad Portuaria Central Cartagena SA	109,180	-
ICT servicios informáticos	65,321	-
Ingendesa S.A.	-	6,866
	$ 558,459,905	$ 79,243,598

(1) As of December 31, 2010 and September 30, 2010, accounts receivable for energy sales is primarily noted.

(2) As of December 31, 2010, dividends declared but not paid, for the nine-month period ending September 30, 2010 is primarily noted.

(3) As of December 31, 2010, cash advances were received for $ 180,000 million pesos from Codensa S.A. E.S.P. for power purchases at an interest rate of 4.18%, as well as loans for $ 205,457 million pesos at an interest rate of 3.84%, of which $ 70,000 million pesos in payments have been made, directed towards financing Project Quimbo.

The following is the effect on the results of October 1 to December 31, 2010, of transactions with Related Parties, Shareholders and Board of Directors.

Company	Transaction Concept	Effect Results
Codensa S.A. E.S.P.	Electric power sales	$ 131,267,012
Codensa S.A. E.S.P.	Technical Services	88,519
Empresa de Energía de Cundinamarca S.A. E.S.P.	Electric power sales	648,360
Compañía Americana de Multiservicios Ltda.	Metering and telemetry programming	3,526
Sociedad Portuaria Central Cartagena S.A.	Management and operation and interest	43,965
Total income		132,051,382
Codensa S.A. E.S.P.	Energy transmission	(19,906,788)
Codensa S.A. E.S.P.	Financial expenses	(497,183)
Codensa S.A. E.S.P.	Contract applications	(133,548)
Codensa S.A. E.S.P.	Other	(558,437)
Synapsis Colombia Ltda	Communication Services	126,759
Compañía Americana de Multiservicios Ltda.	Equipment Leasing Services	(113,446)
Compañía Americana de Multiservicios Ltda.	Technical Services	(383,860)
Empresa de Energía de Cundinamarca S.A. E.S.P.	Tolls	313,673
Sociedad Portuaria Central Cartagena S.A.	Management and operation	(307,000)
ICT Servicios Informáticos Ltda.	Computer Services	(6,775)
Board of Directors	Fees	(70,982)
Total expenses		21,537,587
Net effect on results		$ 110,513,795

The following is the effect on the results ofJanuary 1st to September 30, 2010, transactions with Related Parties, Shareholders and Board of Directors.

Company	Transaction Concept	Effect Results
Codensa S.A. E.S.P.	Electric power sales	$ 396,588,044
Codensa S.A. E.S.P.	Technical Services	265,845
Empresa de Energía de Cundinamarca S.A. E.S.P.	Electric power sales	15,167,359
Compañía Americana de Multiservicios Ltda.	Metering and telemetry programming	66,550
Synapsis Colombia Ltda.	Other	444
Sociedad Portuaria Central Cartagena S.A.	Interest loans	563
Total income		412,088,805
Codensa S.A. E.S.P.	Energy transmission	(55,568,505)
Codensa S.A. E.S.P.	Equipment leasing	(64,115)
Codensa S.A. E.S.P.	Financial expenses	(3,708,770)
Codensa S.A. E.S.P.	Contract applications	(6,740)
Codensa S.A. E.S.P.	Street lighting service	(401,762)
Codensa S.A. E.S.P.	Other	(908,764)
Synapsis Colombia Ltda	Communication Services	(704,058)
Synapsis Colombia Ltda	Technical Services	(1,406,377)
Compañía Americana de Multiservicios Ltda.	Equipment Leasing Services	(32,935)

Compañía Americana de Multiservicios Ltda.	Technical Services	(1,395,949)
Empresa de Energía de Cundinamarca S.A. E.S.P.	Tolls	(981,971)
Board of Directors	Fees	(161,205)
Total expenses		(65,341,151)
Net effect on results		$ 346,747,654

7. INVENTORIES

	As of December 31, 2010	As of September 30, 2010
Warehouses - spare parts	$ 20,441,268	$ 20,609,368
Stocks of other fuels	12,332,544	15,230,496
Coal stocks	7,958,992	11,335,989
	40,732,804	47,175,853
Less - long-term inventories (1)	(20,441,268)	(20,609,368)
	$ 20,291,536	$ 26,566,485

(1) Corresponds mainly to parts which will be used in repairs and/or maintenance of plants according to the maintenance plan defined by the administration.

8. DEFERRED CHARGES, NET

	As of December 31, 2010	As of September 30, 2010
Expenses and financial charges	$ 827,323	$ 986,351
Studies and Projects (1)	19,360,223	18,131,313
Deferred income tax (2)	73,905,034	73,607,634
Other deferred charges (3)	14,908,355	5,488,782
Accumulated inflation adjustments	168,804	191,531
	$ 109,169,739	$ 98,405,611

(1) Corresponds to deferred assets for pre-feasibility studies on projects at the Cartagena and Termozipa plants for $ 8,443,507 and other projects in hydro power plants for $ 10,916,716 of which amortization began or will begin when it begins its production phase.

(2) Corresponds mainly to the record of the deferred tax asset which is the temporary difference between inflation adjustments and fixed assets in fiscal tax year 2006. The tax deferred will be amortized over the remaining useful life of assets on which the temporary difference was made.

(3) Relate mainly to:

i) Expenses incurred in the integration process of Emgesa SA E.S.P. (entity absorbed) and Central Hidroeléctrica S.A. E.S.P. (acquiring company). As of December 31, 2010 and September 30, 2010 its net cost amounts to $ 2,388,379 and $ 2,729,576 respectively, including legal registration before the notary of the merged entity, fees and legalization of land, among others, amortized in straight line over a period of five years, which began in October 2007.

ii) Legal stability premium - Quimbo Project in the amount of $ 9,612,891 as a result of executing the contract entered in and between the Nation (Mining and Energy Ministry) and the Company, executed December 20, 2010.

iii) The Conversion Central Cartagena project in the amount of $ 866,680, which will initiate amortization when the projects begin.

9. INTANGIBLES, NET

Chingaza water rights (1)	$	65,364,595	$	65,364,595
Licenses		1,305,074		1,109,504
Software		8,000,619		8,041,838
Other intangible assets		663,059		663,059
		75,333,347		75,178,996
Less - accumulated depreciation		(21,031,276)		(20,367,232)
	$	54,302,071	$	54,811,764

(1) Emgesa S.A. E.S.P. acknowledged as intangible the outlays in order to obtain the most useful water flow from projects Chingaza and Rio Blanco. Amortization is recognized by the straight-line method over a period of 50 years.

10. PROPERTY, PLANT AND EQUIPMENT, NET

As of 31 December 2010, the following are the values for property, plant and equipment:

		Cost		Accumulated depreciation		Net
Land (1)	$	91,247,147	$	-	$	91,247,147
Construction in progress		73,266,721		-		73,266,721
Machinery, plant and equipment mounting		1,416,132		-		1,416,132
Buildings and constructions		69,150,968		(21,424,091)		47,726,877
Plants, pipelines and tunnels (2)		6,966,076,346		(2292256,348)		4,673,819,998
Networks, lines and cables		544,970		(544,970)		-
Machinery and equipment		30,811,548		(20,225,488)		10,586,060
Furniture, fixtures and office equipment		7,250,076		(3,906,160)		3,343,916
Computing and communication equipment		24,559,682		(18,318,622)		6241,060
Transportation equipment, traction and lift		6,983,556		(4866,128)		2,117,428
	$	7,271,307,146	$	(2,361,541,807)	$	4,909,765,339

(1) As of December 2010, the increase in the land item, primarily corresponds to land acquired for the project Quimbo, in the amount of $ 38,238.

(2) The administration in 2010, hired a specialized engineering firm (INGETEC SA) to conduct the assessment of remaining shelf lives of the assets belonging to Central Cartagena. As a result of the study, the following was

done: a) the remaining shelf lives of operational assets were updated, b) a reduction was shown in yearly depreciation expense having a retroactive effect as of January 1st, 2010 of $ 18,572 since the total cost per annual depreciation for this plant without reassessment of shelf lives amounted to $ 22,351 million and after the change amounted to $ 3,779 million.

As of September 30, 2010, the following are the values for property, plant and equipment:

	Cost	Accumulated depreciation	Net
Land	$ 57,952,351	$ -	$ 57,952,351
Construction in progress	48,511,892	-	48,511,892
Machinery, plant and equipment mounting	1,109,544	-	1,109,544
Buildings and constructions	71,622,031	(21,790,841)	49,831,190
Plants, pipelines and tunnels (2)	6,942,573,056	(2,273,411,311)	4,669,161,745
Networks, lines and cables	544,970	(544,970)	-
Machinery and equipment	30,059,821	(19,910,784)	10,149,037
Furniture, fixtures and office equipment	6,771,489	(3,797,958)	2,973,531
Computing and communication equipment	24,197,807	(17,890,622)	6,307,185
Transportation equipment, traction and lift	5,920,332	(5,019,173)	901,159
	$ 7,189,263,293	$ (2,342,365,659)	$ 4,846,897,634

As of December 31 and September 30, 2010 this is the value of the valuations, impairments or provisions made for each asset class:

Asset class	Net book value as of 31 / 12/ 2010	Commercial value as of 30/11/2009	Valuation as of 31/12/ 2010	Valuation as of 30/09/ 2010	Valuation adjustments October-December 2010
Land	91,247,147	$ 61,184,144	$ 4,077,545	$ 4,077,545	-
Buildings and constructions	47,726,878	55,113,934	3,484,172	3,484,172	-
Plants, pipelines and tunnels	4,673,819,998	6,782,399,655	2,001,754,958	2,001,754,958	-
Networks, lines and cables	-	373,468	361,705	361,705	-
Machinery and equipment	10,586,060	9,388,664	925,216	925,216	-
Furniture, fixtures and equipment office	3,343,916	1,835,500	335,995	335,995	-
Communication equipment and computer	6,241,059	8,080,359	634,820	634,820	-
Transportation equipment, traction and elevation (1)	2,117,428	3,363,897	1,830,398	1,929,198	(98,800)
	$ 4,835,082,486	$ 6,921,739,621	$ 2,013,404,809	$ 2,013,503,609	$ (98,800)

(1) The variation in the valuations corresponds to the closing of accounts due to the sale of three vehicles in the administrative area in December 2010,

11. VALUATIONS

	As of December 31, 2010	As of September 30, 2010
Property, plant and equipment:		
Land	$ 4,077,545	$ 4,077,545
Buildings and constructions	3,484,172	3,484,172
Plants, pipelines and tunnels	2,001,754,958	2,001,754,958
Networks, lines and cables	361,705	361,705
Computing and communication equipment	634,820	634,820
Machinery and equipment	925,,216	925,,216
Furniture, fixtures and office equipment	335,995	335,995
Transportation equipment, traction and lift	1,830,398	1,929,198
	2,013,404,809	2,013,503,609
Investments in other companies	(3,756,153)	(3,780,211)
	$ 2,009,648,656	$ 2,009,723,398

According to Regulatory Decree 2649 of 1993, the Company must make a technical appraisal of property, plant and equipment at least every three years and record valuations and/or resulting impairments. The last technical appraisal of fixed assets at market value was made during the third quarter of 2009 by the Real Estate Association of Bogota.

Valuation (impairment) on investments corresponds to intrinsic value adjustment of shares the Company holds in Electrificadora del Caribe S.A. E.S.P. and Termocartagena S.A. E.S.P. (currently, Vista Capital S.A. under Liquidation) (See Note 4).

12. OTHER ASSETS

	As of December 31, 2010	As of September 30, 2010
Muña Trust Management (1)	$ 323,150	$ 368,195
Tominé Trust Management (1)	2,020,931	453,825
Construction works and property improvements (2)	548,540	615,707
	$ 2,892,621	$ 1,437,727

(1) Trusts created in order to perform restoration works at the Muña and Tominé reservoirs funded by the Bogota Water Company, Empresa de Energia de Bogota S.A. and Emgesa S.A. E.S.P. The Company adjusts the values of these trusts on a monthly basis based on monthly statements it receives. The variation in December 2010 is due to contributions in the amount of $1,900,000 for restoration of the Tominé reservoir.

(2) Construction works and property improvements correspond to renovations made on floors 5 and 6 of the building where the Company's back office runs.

13. FINANCIAL OBLIGATIONS

Bank loans in domestic currency	$ 305,009,053	$ 305,009,053
Ordinary bonds and commercial paper debt outstanding	1,395,000,000	1,485,000,000
Interest on domestic debt and bonds	51,152,457	41,096,827
	1,751,161,510	1,831,105,880
Less – short-term portion	(361,152,457)	(201,096,827)
	$ 1,390,009,053	$ 1,630,009,053

Emgesa S.A. E.S.P. has six outstanding issuances of bond and/or commercial paper as follows:

(1) Emgesa's Third Bond Issuance

Class Title	Notes
Financial Superintendence Approval:	Resolution No.0650 issued 30 July 2004
Total value Authorized for Issue	$ 250,000,000
Use of Funds:	Finance Company's working capital
Face value	A Series $ 1,000 per bond
Term	10 years
First Block - Feb/05	A Series $ 210,000,000
Second block - Feb/06	A Series $ 40,000,000
Premium on Placement of Notes during second block	$ 6,927,200
Trustee	Deceval S.A.
Yield	Sub-series-A-10 IPC + 5.04% (Effective annual interest rate)
Rating	AAA (TripleA) Assigned by Duff & Phelps de Colombia S.A. S.C.V. (currently Fitch Ratings Colombia S.A. S.C.V.)

The bond issue call premium for the second block corresponds to the greater value received for the issue of ordinary bonds, as a consequence of the interest rate differential between the bond face value and the bonds´yield at issuance . As a result, the Company obtained $6,927,200 in 2006 of which a total of $3,754,931had been amortized by December 31, 2010, leaving an outstanding balance of $ 3,172,269, this value is being amortized over 107 months, which is the time equal to the bonds' duration.

(2) First Note Issuance for Central Hidroelectrica de Betania S.A. E.S.P. (Absorbing entity)

Class Title	Notes
Financial Superintendence Approval:	Resolution No. 885 of 2004
Total value Authorized for Issue	$ 400,000,000
Use of Funds	Refinancing of Financial Liabilities

Face value	Series B: $ 1,000 per bond
Term	7 years, with 40% amortization in year 6, and remaining 60% to maturity.
First Block - Nov/04	$ 300,000,000
Second Block - Feb/06	$ 100,000,000
Premium on Placement of Notes- Second Block	$ 19,817,475
Trustee	Deceval S.A.
Yield	Sub-series B-07: IPC + 6.29% quarterly in arrears
Rating	AAA Assigned by Duff & Phelps de Colombia S.A. S.C.V. (currently Fitch Ratings Colombia S.A. S.C.V.)

The bond issue call premium for the second block corresponds to the greater value received for the issue of ordinary bonds, as a consequence of the interest rate differential between the bond face value and the bond issue yield rate. As a result, the Company obtained $19,187,475 of which a total of $16,903,140 had been amortized as of December 31, 2010, leaving an outstanding balance of $ 2,914,335, this value is being amortized over 68 months, which is the time equal to the bonds' duration.

On November 10, 2010, partial redemption was made provided for the sixth anniversary of the Betania Bonds equal to 40% ($ 160,000,000) of the unpaid and outstanding amount of the Central Hidroelectrica de Betania S.A. E.S.P bond issuance (absorbing entity, now Emgesa S.A. E.S.P.), as set out in the prospectus.

Issuance and Placement Program of Emgesa's Notes Emgesa has a Note Issuance and Placement Program which allows it to issue said securities within the authorized and available global quota, and during the an authorized period of time.

Class Title	Notes
Financial Superintendence Approval	Resolution No. 1235 issued July 18, 2006
Global quota Initially Approved	$ 700,000,000
Approval for quota expansion and extension of the placement term	Resolution No. 0833 issued June 16, 2009
First Increase of Authorized GlobalQuota:	$ 1,200,000,000
Total Quota Authorized as of December 31, 2010:	$ 1,900,000,000
Balance issued as of December 31, 2010	$ 835,000,000
Total Global quota available as of , 2010	$ 1,065,000,000
Expiration of Program Term	June 2012
Trustee	Deceval S.A.
Rating	AAA (Triple A) assigned by Fitch Ratings Colombia

Emgesa has carried out three issuances ("Tranches") under the mentioned program, as follows:

(3)	Amount of Program's First Tranche	$ 170,000,000 (February 2007)
	Face value	Series B: $ 10,000 each bond
	Term	10 years
	Yield	Sub-series B-10: IPC + 5.15%
	Use of Funds:	Refinancing of Financial Liabilitie
(4)	Amount of Program's Second Tranche	$ 265,000,000 (February 2009)
	Face value	Series A: $ 10,000 each bond

	Series B: $ 10,000 each bond
Term	5, 10 and 15 years
Yield	Sub-Series A-5: DTF T.A. + 1.47% Sub-series B-10: IPC + 5.78% E.A. Sub-series B-15: IPC + 6.09% E.A.
Use of Funds:	General Company Purposes, such as but not limited to, substitution of short-term financial obligations

(5)	Amount of Program's Third Tranche	$ 400,000,000 (July 2009)
	Face value	Series B: $ 10,000 each bond Series E: $ 10,000 each bond
	Term	5, 9 and 12
	Yield	Sub-series B-9: IPC + 5.90% E.A. Sub-series B-12: IPC + 6.10% E.A. Sub-series E-5: Fixed Rate 9.27% E.A.
	Use of Funds:	$ 250,000,000 to pre-fund long-term debt maturities $ 150,000,000 for working capital.

The Colombian Financial Superintendence through Resolution No. 1954 issued December 17, 2009, authorized the RNVE (Security Exchange) registration and public offer of commercial papers issued by Emgesa for a total amount of $ 600,000,000. On November 19, 2010, the company issued the first tranche of commercial paper in an amount of $ 70,000,000 with the following conditions:

(6)	Value of the First Tranche	$ 70,000,000
	Face value	Sub-series C-353: $ 10,000 per security (bill)
	Term	353 days
	Yield	Sub-series C-353: 4.20% E.A.
	Use of Funds	100% to pay liabilities with Codensa S.A. E.S.P. (Emgesa S.A.E.S.P. related company), acquired to refinance financial obligations.

The following is a breakdown of the bonds and commercial paper issued and bank loans as of December 31, 2010:

i. Bonds and commercial papers (bills)

Description	Yield	Date of Placement	Due Date	Book value
Long term:				
3rd issue First Tranche	Sub-series A10: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	210,000,000
3rd issue Second Tranche	Sub-series A10: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
4th issue Program's First Tranche	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
5th issue Program'sSecond Tranche	Sub-series A5: DTF +1.47% T.A	February 11, 2009	February 11, 2014	49,440,000
5th issue Program's Second Tranche	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
5th issue Program's Second Tranche	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	55,500,000

Description	Yield	Date of Placement	Due Date	Book value
6th issue Program's Third Tranche	Sub-series E5: Fixed Rate 9.27% E.A.	July 2, 2009	July 2, 2014	92,220,000
6th issue Program's Third Tranche	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
6th issue Program's Third Tranche	Sub-series B12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000
Total long-term bonds				$ 1,085,000,000
Short term:				
1st issue Betania Bonds 1st Block	Sub-Series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2011	$ 180,000,000
1st issue Betania Bonds 2nd Block	Sub-Series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2011	60,000,000
1st Tranche of Commercial papers	Sub-series C353 : 4,20% E.A.	November 19, 2010	November 7, 2011	70,000,000
Total short-term bonds and commercial paper				$ 310,000,000
Total bonds and commercial paper				$ 1,395,000,000

ii. Bank Loans

Description	Yield	Due Date	Book value
Local currency Bank loans	DTF (average CD rate)		
Bancolombia	DTF + 2.80%. T.A	August 12, 2012	$ 22,598,999
Bancolombia	DTF + 2.80%. T.A	April 12, 2012	74,420,931
BBVA Colombia	DTF + 2.80%. T.A	April 12, 2012	82,506,228
Davivienda	DTF + 2.80%. T.A	April 12, 2012	31,548,435
Santander	DTF + 2.80%. T.A	April 12, 2012	93,934,460
Total bank loans in local currency			305,009,053
Less short-term bonds and commercial paper			(310,000,000)
Total long-term debt			$ 1,390,009,053

The following is a breakdown of bonds issued and bank loans, as of 30 September 2010:

i. Bonds

Description	Yield	Date of Placement	Due Date	Book value
Long term:				

Description	Yield	Date of Placement	Due Date	Book value
1st Issue Betania Bonds 1st Block (1)	Sub-Series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2011	$ 180,000,000
1st Issue Betania Bonds 2nd Block (1)	Sub-Series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2011	60,000,000
3 ª. Issue First Block	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	210,000,000
3 ª. Issue Second Block	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
4 ª. Issue First Tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
5 ª. Issue Second Tranche of the program	Sub-series A5: DTF +1.47% T.A	February 11, 2009	February 11, 2014	49,440,000
5 ª. Issue Second Tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
5 ª. Issue Second Tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	55,500,000
6 ª. Issue Third Tranche of the Program	Sub-series E5: Fixed Rate 9.27% E.A.	July 2, 2009	July 2, 2014	92,220,000
6 ª. Issue Third Tranche of the Program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
6 ª. Issue Third Tranche of the Program	Sub-series B12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000
Total long-term bonds				$ 1,325,000,000
Short term:				
1st Issue Betania Bonds, First Block (2)	Sub-Series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2010	$ 120,000,000
1st issue Betania Bonds Second Block (2)	Sub-Series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2010	40,000,000
Total short-term bonds				$ 160,000,000
Total debt bonds				$ 1,485,000,000

(1) Corresponds to the second amortization of 60% of the principal amount bond issuance from Central Hidroelectrica de Betania S.A. E.S.P (absorbing entity , now Emgesa S.A. E.S.P.).

(2) This corresponds to the partial amortization foreseen at the sixth anniversary, equivalent to 40% of the unpaid and outstanding amount of the bond issuance of Central Hidroelectrica de Betania S.A. E.S.P (absorbing entity , now Emgesa S.A. E.S.P.), pursuant to the emission's prospectus, paid on November 10, 2010.

ii. Bank Loans

Description	Yield	Due Date	Book value
Bank Loans in local currency:			
Bancolombia	DTF + 2.80%. T.A.	August 12, 2012	$ 22,598,999
Bancolombia	DTF + 2.80%. T.A.	April 12, 2012	74,420,931
BBVA Colombia	DTF + 2.80%. T.A.	April 12, 2012	82,506,228
Davivienda	DTF + 2.80%. T.A.	April 12, 2012	31,548,435

Description	Yield	Due Date	Book value
Santander	DTF + 2.80%. T.A.	April 12, 2012	93,934,460
Total bank loans in local currency			305,009,053
Less short-term bonds			(160,000,000)
Total long-term debt			$ 1,630,009,053

The installments of the bonds and commercial paper due in the coming years are as follows:

Year	As of December 31, 2010
2011	310,000,000
2014	141,660,000
2015	250,000,000
2017	170,000,000
2018	218,200,000
2019	160,060,000
2021	89,580,000
2024	55,500,000
	$ 1,395,000,000

The following is the breakdown of credit and short-term interest as of December 31, 2010:

Short term:

Description	Maturity	Book value
Interest on bonds	During 2010	$ 30,427,599
Interest on bank loans	During 2010	20,724,858
		51,152,457
Plus total bonds and commercial paper short term		310,000,000
Total short-term debt		$ 361,152,457

The following is the breakdown of credit loans and short-term interest as of September 30, 2010:

Short term:

Description	Maturity	Book value
Interest on bonds	During 2010	$ 25,758,091
Interest on bank loans	During 2010	15,338,736
		41,096,827
Plus total short-term bonds		160,000,000
Total short-term debt		$ 201,096,827

14. ACCOUNTS PAYABLE

	As of December 31, 2010	As of September 30, 2010
Vendors/Suppliers	$ 85,783,698	$ 78,139,508
Contractors (foreign currency)	4,779,117	913,773
Creditors	7,746,357	9,262,263
Related companies (Note 6)	558,459,905	79,243,598
	656,769,077	167,559,142
Less - related companies (Note 6)	(558,459,905)	(79,243,598)
	$ 98,309,172	$ 88,315,544

As of December 31, 2010 and September 30, 2010, the accounts payable balance includes foreign currency balances of USD 2,496,952 and USD 505,638, respectively.

15. LABOR AND SOCIAL SECURITY LIABILITIES

	At December 31, 2010	As of September 30 , 2010
Severance pay	$ 1,464,229	$ 1,185,802
Interest on severance pay	175,792	107,132
Vacation	2,155,730	2,102,157
Bonuses	2,035,619	2,373,852
Allowances	3,567,944	2,581,914
	$ 9,399,314	$ 8,350,857

As of December 31, 2010 and September 30, 2010, the number of active employees the company had was 444 and 448, respectively.

16. ACCRUED LIABILITIES AND PROVISIONS

Provision for contingencies (See Note 17)	$ 1,433,633	$ 1,433,633
Provision for income tax (See Note 19)	103,792,950	38,825,930
Provision for costs and expenses	12,644,535	12,433,383
Provision for fixed asset purchases	12,654,875	1,650,579
Other provisions	391,669	391,669

	130,917,662	54,735,194
Less - current portion	(129,391,460)	(53,208,992)
Long-term portion	$ 1,526,202	$ 1,526,202

17. CONTINGENCIES

As of December 30 and September 30, 2010, the following are the major litigations the Company faces, for which management, supported by external legal counsel, believes that the outcome of litigation corresponding to the part not provided for shall be favorable for the company's interests and will not create important liabilities which should be taken into account, and if they do arise, they will not significantly affect the company's financial position.

Environmental contingency – Collective action against Emgesa S.A. E.S.P, Compañía de Energía de Bogotá S.A. E.S.P. and the CAR for alleged material and moral damage caused to the inhabitants of the municipality of Sibaté, affecting both the population's health and the value of property, as a result of environmental problems caused by the water quality of Rio Bogota at the Muna reservoir. The plaintiffs' initial claim was three trillion COP $ 3,000,000,000. This action was consolidated with an existing one for the same act before the Cundinamarca Administrative Tribunal, and in which there are a number of other plaintiffs.

Management and the Company's external counsel considers that this contingency is remote, and in the event of a possible ruling, in the most critical scenario, said contingency could be COP 114,838,800.

Industry and trade tax **–** Power generation companies in Colombia have been sued by municipalities that are unaware of the application of special regime found in Law 56 of 1981 when applying the Industry and Trade tax on power generation capacity and try to tax income based on Law 14 of 1983. The municipalities of Yaguará, Caloto, Puerto Tejada and Yumbo have issued liquidation adjustments in industry and trade tax for an accumulated amount of COP 166,164,999. There are current proceedings as part of Annulment Actions against said municipalities. The Company's legal department together with external counsel, based on repeated case law criteria, concluded that contingency events related to industry and trade tax are remote.

2003 Income tax - The process is based on Company management unawareness of the benefits in implementing Paez tax law. Furthermore, the tax authority considered that the Company was not subject to the application of said benefits stemming from said law over its entire income. The lawsuit was filed and accepted. The amount in dispute is COP 89,795,231. Company management together with external counsel, concluded that contingency events related to 2003 income tax are remote.

Other contingencies **–** As of December 31, 2010 the amount administrative, civil, labor and contractor litigation claims are detailed as follows:

Actions	# of actions	Rating	Contingency Amount	Provision amount
Administrative and civil	19	Likely	$ 1,842,352	$ 1,433,633
	52	Eventually	179,494,792	-
	87	Remote	363,471,542	-
Total	158		$ 544,808,686	$ 1,433,633
Labor and contractor				
	6	Eventually	1,696,101	-
	15	Remote	23,837,000	-
Total	21		$ 25,533,101	$ -
Total Actions	179		$ 570,341,787	$ 1,433,633

As of September 30, 2010 the amount administrative, civil, labor and contractor litigation claims are detailed as follows:

Actions	# of actions	Rating	Contingency amount	Providing amount
Administrative and civil	19	Likely	$ 1,842,352	$ 1,433,633
	46	Eventually	28,981,404	-
	87	Remote	363,259,788	-
Total	152		$ 394,083,544	$ 1,433,633
Labor and contractor				
	6	Eventually	1,696,101	-
	16	Remote	23,332,000	-
Total	22		$ 25,028,101	$ -
Total Actions	174		$ 419,111,645	$ 1,433,633

18. RETIREMENT PENSIONS AND FRINGE BENEFITS

The liability recorded represents 100% of the actuarial value determined as follows:

	As of December 31, 2010	As of September 30, 2010
Actuarial calculation of retirement pensions and fringe benefits	$ 81,712,752	$ 83,217,970
Amortized Pensions and fringe benefits (1)	81,712,752	83,217,970
Less - current portion	(11,111,230)	(12,655,393)
long-term liabilities for pensions and fringe benefits	$ 70,601,522	$ 70,562,577

The expense recorded in the income statement by way of pensions and fringe benefits breaks down as follows:

	Between October 1 and December 31, 2010	Between January 1 and September 30, 2010
Recovery of provisions for pensions or pension-eligible employees, excluded from Law 100	$ (1,627,868)	$ (2,570,666)
Increased provision for fringe benefits	122,650	3,774,719
Pension payments and payments to pension funds	2,151,410	7,252,062
	$ 646,192	$ 8,456,115

(1) As of December 31, 2010, COP 1.731.052 is included corresponding to actuarial losses recorded as extraordinary expenses, incurred by the change in mortality tables, as described below.

As of December 31, 2010, the effects of the application of new mortality rates authorized by the Superintendence of Financial Institutions Decree 1555 of July 30, 2010 is included. The effect generated by the application of these new tables was recorded in the Company's income statement, as detailed in paragraph 1 above. As of December 31, 2010 the actuarial liability is fully amortized.

The amount of the obligation for pensions at the end of each period is determined in accordance with Decree 2783 of 2001, Constitutional Court ruling Case C754 of 10 August 2004 and Legislative Act 01 of 2005, taking into account a DANE (Colombia’s Statistical Agency) rate of 4.8% on December 31 and 4.51% as of September 30, 2010.

The actuarial calculation as of December 30, 2010 and September 30, 2010 was determined for 313 and 313 retirees, 2 and 2 active workers, respectively.

19. TAXES, LEVIES AND FEES

Income tax **-** As of December 31 and September 302010 Company is subject to income tax at a rate of 33% on net income.

In accordance with Law 633 of 2000, power companies are not subject to the presumptive income tax system. Taxable years open to audit are 2003, 2008 and 2009. 2009 Income tax was filed 20 April 2010.

The income tax expense is broken down as follows:

	Between October 1 and December 31, 2010	Between January 1 and September 30, 2010
Current	$ 74,889,914	$ 201,059,174
Deferred tax assets	(297,400)	(867,173)
	$ 74,592,514	$ 200,192,001

The liability for income tax as of 31 December and 30 September 2010, is presented net of tax advances, as detailed below:

	As of December 31, 2010	As of September 30, 2010
Current income tax	$ 275,949,088	$ 201,059,174
Advance withholding and self-withholding	(39,507,898)	(29,585,004)
Income tax advance due to self-withholding	(132,648,240)	(132,648,240)
Balance due (see Note 16)	$ 103,792,950	$ 38,825,930

Below is a summary of the main reconciling entries between:

a) Differences between profit and taxable net income -

	Between January 1 and December 31, 2010
Profit before income tax	$ 846,761,473
Effect of temporary differences on provisions	9,549,795

Non deductible expenses	10,220,377
Depreciation - inflation adjustment	(6,020,787)
Untaxed income	(12,352,756)
Special deduction for the purchase of productive fixed assets	(11,959,910)
Net income	836,198,192
Windfall (occasional profit)	11,165
Applicable fee	33%
Current tax on income	$ 275,945,404
	Between January 1 and December 31, 2010
Tax occasional profit	3,684
Deferred tax	(1,164,573)
Total current income tax	$ 274,784,515

b) Difference between accounting and fiscal equity

	As of December 31, 2010
Book equity	$5,132,679,432
Depreciation inflation adjustment	205,429,147
Estimated liabilities and provisions	20,666,697
Deferred tax assets and other non-fiscal assets	(73,813,214)
Valuations	(2,009,648,656)
Fiscal equity	$ 3,275,313,406

Industry and commerce tax – Industry and trade tax in the neighboring municipalities of generating plants, is assessed according to Law 56, 1981.

Contribution to the environment - According to Law 99 of 1993, the Company is required to make transfers for basic sanitation projects and environmental improvement to the municipalities and autonomous regional corporations, accounting for 6% of gross sales of energy by own power generation in hydroelectric plants, and 4% for thermal plants, according to the block sale rate established by the Gas and Energy Regulatory Commission (CREG). Environmental contributions as of December 31 and September 30, 2010 were COP 9,562,138 and COP 29,309,492, respectively.

***Equity tax* -** Law 1111 of December 27, 2006 established that the taxable base and equity tax rate is 1.2% for four years starting 2007 on net worth as of January 1, 2007. For the years 2010 and 2009, an equity tax of COP 12,468,020 was incurred, which was recorded as a decrease in the revaluation of assets, pursuant to the provisions of said legislation.

20. SHAREHOLDERS' EQUITY

***Capital as of December 31, 2010* -** Authorized capital consists of 286,762,927 shares with a face value of $ 4,400 per share. Paid capital is represented by 127,961,561 common shares and 20,952,601 preferential shares with preferential dividend for a total of 148,914,162 shares with face value of $ 4,400, distributed as follows:

Shareholders	Number of shares	Share (%)
Empresa de Energia de Bogota S. A. E.S.P. (E.E.B.)	76,710,851	51.51%
Endesa Latinoamericana S.A.	32,176,823	21.61%
Empresa Nacional de Electricidad SA	40,019,173	26.87%
Other minority stakes	7,315	0.01%
	148,914,162	100.00%

Of the total shares of the E.E. B., 20,952,601 shares correspond to non-voting shares with preferential dividend in the amount of USD 0.1107 per share.

Equity revaluation - The revaluation of assets may not be distributed as profits, but may be capitalized.

Legal reserve - According to Colombian law, the Company must transfer at least 10% of the yearly profit to a legal reserve until it reaches 50% of the paid capital. This reserve is not available for distribution, but can be used to absorb losses.

***Income Tax* -** Under current legislation, foreign investment entitles the holder to remit abroad in freely convertible currency both the proven net profits generated periodically according to each fiscal year’s balance sheets, as well as the invested capital and capital gains. Dividends for non-resident shareholders in Colombia are subject to income tax at the rate of 0% as of 31 December 2010 and 2009, which corresponds to the non-taxable part and 33% corresponding to the taxable part.

Premium in stock placement - Represents the largest amount paid by the shareholder on the share's face value.

Payment of dividends. The General Shareholders Meeting held March 24, 2010 pursuant to Minutes No. 77, ordered dividend distribution in the amount of COP 484,581,817 charged to the profit of December 2009. 100% of the preferential dividend and common dividends were paid on 24 March 2010.

The General Shareholders Meeting held 29 October 2010 pursuant to Minutes No. 78, ordered dividend distribution in the amount of COP 439,404,704 against profit of September 2010, which were paid as follows: 48% of common dividend on December 27, 2010, preferential dividend and the remaining 52% of common dividend on January 3, 2011.

21. MEMORANDUM ACCOUNTS

	As of December 31, 2010	As of September 30, 2010
Debtor:		
Contingent claims	$ 260,532,927	$ 141,076,591
Control	53,632,219	45,976,758
	314,165,146	187,053,349
Creditor:		
Fiscal	1,970,360,858	1,807,519,550
Contingent liabilities	741,211,803	132,042,946
	2,711,572,661	1,939,562,496
	$ 3,025,737,807	$ 2,126,615,845

22. OPERATING INCOME

	Between October 1 and December 31, 2010	Between January 1 and September 30, 2010
Block sales	$ 249,837,801	$ 778,005,394
Sales in power generation exchange	71,669,577	271,104,483
Sales to unregulated customers (marketing)	131,987,645	381,270,505
Other services	1,706,097	1,197,261
	$ 455,201,120	$ 1,431,577,643

The total revenue received from sales to Codensa S.A. ESP, represents 28.84% (COP 131,267,012) and 27.70% (COP 396,588,044) as of December 31 and September 30, 2010 respectively, of operational revenue,

23. COST OF SALES

	Between October 1 and December 31, 2010	Between January 1 and September 30, 2010
Energy purchases and related costs	$ 97,313,119	$ 381,849,664
Depreciation	21,809,598	114,369,707
Staff costs	7,712,912	31,019,417
Indirect supplies consumption	26,892,052	87,830,344
Other costs of generation (1)	16,452,154	55,848,849
Transfers Law 99 of 1993	14,792,049	38,371,081
	$ 184,971,884	$ 709,289,062

(1) Other generation costs are mainly insurance costs in the amount of COP 3,187,969 and COP 9,593,502, public utilities in the amount of COP 652,562 and COP 882,805, rents in the amount of COP 987,843 and COP 4,785,992, taxes COP 1,789,156 and $ 8,094,745, amortization COP 568,451 and COP 2,748,588, stemming from the operation of the Company as of December 31 and September 30, 2010, respectively.

24. ADMINISTRATIVE EXPENSES

Wages, salaries and bonuses	$ 3,340,064	$ 6,488,261
Social security contributions	304,128	922,938
Other staff costs	170,013	253,869
Commissions, fees and services	1,177,281	1,412,858
Leases (rent)	284,734	854,478
Other general services	1,261,608	2,116,228
Other expenses	373,454	424,802
Depreciation and amortization	765,765	1,639,503
	$ 7,677,047	$ 14,112,937

25. FINANCIAL (EXPENSES) REVENUE

Financial revenue -

Financial yield of accounts receivable and investments	$ 1,810,872	$ 10,038,218
Adjustments for exchange differences	159,587	525,699
Others	455,756	726,926

	$ 2,426,215	$ 11,290,843

Financial expenses -

	Between October 1 and December 31, 2010	Between January 1 and September 30, 2010
Interest	$ 33,397,108	$ 98,068,897
Adjustments for exchange differences	426,609	455,386
Other (1)	754,600	5,356,610
	$ 34,578,317	$ 103,880,893

(1) Other financial expenses mainly relate to financial discounts in the amount of COP 489,738 and COP 4,590,837, interest on financing COP 71,981 and COP 225,041 and commissions COP 0 and COP 540,732 as of December 31 and September 30, 2010, respectively.

26. MISCELLANEOUS, NET

Other income:		
Recoveries (1)	$ 13,770	$ 1,492,224
Prior year adjustments	-	2,989,882
Profit sharing method	91,820	-
Other income (2)	2,096,192	4,250,868
Total other income	$ 2,201,782	$ 8,732,974
Other expenses:		
Voluntary retirement bonus plan	$ -	$ (90,631)
Prior year adjustment	(161,431)	(2,116,517)
Other expenses (3)	(2,523,741)	(5,266,644)
Total other expenses	$ (2,685,172)	$ (7,473,792)
Total number, net	$ (483,390)	$ 1,259,182

(1) As of December 31 2010 and September 30, 2010, corresponds mainly to the recovery of provisions for COP 8,332 and COP 1,477,139.

(2) As of December 31, 2010, relates mainly to revenue in the amount of COP 1,700,495 received in October by way of compensation for the loss which affected the Betania unit 2 in 2008, as of September 30, 2010 revenue

by way of compensation for actual damage and lost earnings in the amounts of COP 2,550,846 and COP 700,637, for incidents at the Termozipa unit 5, respectively.

(3) For the period ranging October 1 to December 31, 2010 they mainly relate to: i) Provision for other receivables COP 138,539, ii) Actuarial gains and losses of COP 1,731,052, iii) Impairment losses on parts COP 218,842, iv) Sale of land COP 346,049. For the period ranging January 1 to September 30, 2010, the following significant records were conducted: i) Provision for other receivables COP 1,329,123, ii) real income record COP 1,412,043, iii) carbon missing at the Termozipa plant COP 1,356,191, iv) write-off due to the loss at Termozipa unit 5 COP 2,319,596.

27. SUBSEQUENT EVENTS

Bond Issue: On January 20, 2011, Emgesa S.A. E.S.P. issued 10-year bonds in the international bond market for COP 736,760,000 and payable in USD, maturing January 25, 2021 and issued at a yield and coupon rate of 8.75%, net after taxes.

The proceeds of the issue will be used to finance investment projects, such as El Quimbo, refinance existing financial obligations (short-term inter-company and bank loan) and to meet overall needs of the company.

Entering a Forward contract: During 2010 Emgesa obtained the necessary approvals for the construction of the El Quimbo Hydroelectric Project. For its construction, the company entered contracts with equipment suppliers, which according to its terms and conditions, said payments will be indexed to dollars.

Given the high volatility of the COP/USD exchange rate, from January 11 to January 26, several derivatives transactions were competed by entering into USD purchasing forward contracts. The total amount hedged was USD 90,740,287 and cash flows will be hedged between 2011 to 2015.

28. TAX REFORM AND TAX ISSUES

The following summarizes the major changes introduced by Law 1370 of 2009 supplemented by Decree 4825 and Law 1430 of December 26, 2010:

1. Financial transactions tax (4x1000)

- Said tariff will be removed as follows: 2014 and 2015 the rate will be 2 per thousand. 2016 and 2017, 1 per thousand. As of 2018, all provisions of the tax are entirely removed.

- 25% of the money collected during 2012 and 2013 by this tax will devoted to the wet-season victim relief fund.

- the taxable event is added including same-day abandoned or paid credit disbursements.

- Starting 2013, 50% of the tax paid and certified by the withholding agent shall be deductible, not mattering if it is or not related with the income-tax producing activity.

2. Equity tax

- By 2011, equity tax is calculated based on the value of liquid assets owned on 1 January 2011. The applicable rate is 1% for estates whose taxable income is between COP 1 and COP 2 billion, 1.4% for estates between COP 2 and COP 3 billion, 2.4% for estates between COP 3 and COP 5 billion and 4.8% for estates equal or above COP 5 billion. For estates over COP 3 billion, a surcharge of 25% over the applicable equity tax rate is established. It is further indicated that the equity tax created for equities less than COP 3 billion and the surcharge created for equities over COP 3 billion may not be subject to legal stability contracts.

- This tax must be paid in 8 installments between 2011 and 2014. The net equity amount of stock investment in domestic companies is not part of the taxable base.

3. Fiscally-accepted methods of payment

- For purposes of tax acknowledgment such as costs, deductions, tax liabilities and deductible taxes, payments made by tax-payers must be done through one of the following payment channels: bank deposits, money orders or wire transfers, checks cut out to the first beneficiary, credit cards, debit cards or other cards or coupons that serve as means of payment.

- This does not prevent tax acknowledgment of payments in kind or use of any means of liability extinguishment other than payment.

- Starting 2014, this acknowledgment will be as follows: in the first year the lesser between 85% of the amount paid or 100,000 UVT or 50% of total costs and deductions. The second year, the lesser between 70% of the amount paid or 80,000 UVT or 45% of total costs and deductions. The third year, the lesser between 55% of the amount paid or 60,000 UVT or 40% of the total costs and deductions. Starting the fourth year, the lesser between 40% of the amount paid or 40,000 UVT or 35% of the total costs and deductions.

4. Legal stability contract:

The following describes the main aspects of the legal stability contract entered between the Nation (Ministry of Mines and Energy) and Emgesa S.A. E.S.P., executed 20 December 2010:

Purpose: The Company is committed to building the "El Quimbo" hydroelectric plant (See Note 1).

Investment Amount and Terms: The Company's investments related to the El Quimbo project can not be less than COP 1,922,578,143.

Key Standards re Legal Stability (favorable):

a) Income tax rate (33%), excluding presumptive income tax and special deductions for investments in scientific development and environmental investments, among others.

b) It ensures the stability of the special deduction for investment in real productive fixed assets (30%), which will be dismantled 1 January 2011.

Obligations of the parties:

a) Obligations of the Company:

- Comply with the amount of planned investment for the construction and commissioning of the El Quimbo project.
- Pay the premium for legal stability in the amount of COP 9,612,891 (set 23 December 2010) - See Note 8.
- Pay taxes on a timely fashion.
- Hire an independent audit commissioned to review and certify compliance with the commitments made in the contract.

b) Obligations of the Nation:

- 20-year guarantee stability of the standards included in the contract (with favorability) for the El Quimbo project..
- Confidentiality of information.

29. FINANCIAL INDICATORS

The following financial indicators were calculated based on cuts in the financial statements described below:

Indicator	Term	As of December 31, 2010	As of September 30, 2010	Explanation
Liquidity				
Current ratio: *(Current Assets / Current Liabilities)*	(Times)	0,55	1,16	Indicates the ability of Company to address short-term debts, jeopardizing its current assets.
Debt				
Total debt level: *(Total liabilities / Total assets)*	%	34.03%	28.55%	This indicator shows the degree of leverage that corresponds to the participation of creditors in the assets of the Company.

Indicator	Term	As of December 31, 2010	As of September 30, 2010	Explanation
Short-term borrowings: *(Total current liabilities / Total assets)*	%	15.21%	6.06%	Represents the percentage of debt maturing third short-term.
Long-term debt total: *(Total long term liabilities / Total assets)*	%	18.83%	22.49%	Represents the percentage of debt maturing third in the medium and long term.
Activity				
Commercial portfolio turnover: *(365 / (Operating Income / Total Portfolio))*	Days	60	71	Indicates the number of days on average commercial loans broken this year.
Vendor Rotation: *(365 / (Cost of sales / payables suppliers))*	Days	55	32	Indicates the number of days on average Company takes to cancel their accounts to the suppliers.
Profitability				
Gross margin: *(Gross Profit / Operating Revenue)*	%	59.36%	50.45%	Displays the capacity of Company in managing sales, to generate gross profits, ie, before administration, sales, other income, other expenses and taxes.
Operating margin: *(Operating income / operating income)*	%	57.68%	49.47%	Provides each weight indicates how sales in generating operating profit.
Net profit margin: *(Net income / operating income)*	%	34.12%	29.10%	Represents the percentage of net sales generated profit after tax the Company.
Return on equity *(Net income / Total assets)*	%	3.03%	7.69%	Represents the return on investment for shareholders.
Operating return on assets (ROA) *(Net Income / Total Assets)*	%	2,00%	5.50%	Measured for each dollar invested in total assets, how much net income generated.