UNCONSOLIDATED FINANCIAL STATEMENTS

Emgesa S.A. E.S.P. (Public Utility)

Year ended 31 December 2011
including Auditor's Report

Emgesa S.A. E.S.P.

Unconsolidated Financial Statements

Year ended 31 December 2011

Contents

Auditor's Report

To the Shareholders of
Emgesa S.A. E.S.P.

I have audited the attached unconsolidated financial statements of Emgesa S.A. E.S.P. comprising the balance sheet ending 31 December 2011 and related profit and loss, changes in equity, changes in financial position and cash flow statements for the year ending on said date, and the summary of significant accounting policies and other explanatory notes. The financial statements ending 31 December 2010 for the quarter ending on said date and 30 September 2010, for the nine-month period accumulated on said date, submitted for comparative purposes, were audited by another auditor, who issued a clean audit report on 17 February 2011 and 5 October 5 2010, respectively.

Management is responsible for the preparation and correct presentation of financial statements in accordance with generally accepted accounting principles in Colombia; also responsible for designing, implementing and maintaining internal control relevant to the preparation and correct presentation of financial statements free of material misstatement, due either to fraud or error; selecting and applying appropriate accounting policies; and setting reasonable accounting estimates.

My responsibility is to express an opinion over said financial statements based on my audit. I obtained the necessary information to fulfill my duties and perform my tests in accordance with auditing standards generally accepted in Colombia. Those standards require that an audit be planned and performed in order to obtain reasonable assurance to whether the financial statements are free of material misstatement.

An audit includes developing procedures in order to obtain evidence supporting the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including risk assessment of material misstatement in the financial statements. In the process of assessing these risks, the auditor considers internal control relevant to the preparation and presentation of financial statements in order to design audit procedures that are appropriate according to the circumstances. It also includes assessing the accounting principles adopted and significant estimates made by management, as well as overall presentation of financial statements. I consider that my audit provides reasonable grounds for my opinion.

In my opinion, the attached financial statements reasonably present, in all material respects, the financial position of Emgesa S.A. E.S.P. ending 31 December 2011, the results of its operations, changes in financial position and cash flows for the year ending on said date in accordance with generally accepted accounting principles in Colombia, promulgated by Government.

Furthermore, based on the scope of my audit, I am not aware of situations indicative of failure to fulfill the following obligations of the Company: 1) keeping minutes, shareholder and accounting registry books, according to law and accounting technique, 2) carrying out operations pursuant to Shareholder Meeting and Board Meeting statutes and decisions, and to rules on comprehensive social security, 3) keeping correspondence and records of accounts, and 4) adopting internal control measures and measures of conservation and custody of Company assets or third party assets in its possession. Additionally, there is agreement between the attached financial statements and accounting information contained in the management report prepared by the Directors of the Company.

Angela Jaimes Delgado.
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530

Bogota, Colombia
14 February 2012

Emgesa SA E.S.P.

Unconsolidated Balance Sheets

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
		(Thousands of pesos)	
Assets			
Current Assets:			
Cash and cash equivalents *(Note 3)*	**$ 511,652,031**	$ 306,803,477	$ 105,795,185
Accounts receivable, net *(Note 4)*	**278,095,69**	188,815,089	252,992,919
Affiliates *(Note 5)*	**131,318,92**	133,274,744	136,689,476
Inventories, net *(Note 7)*	**39,538,48**	20,291,536	26,566,485
Prepaid expenses	**6,452,36**	5,633,320	8,341,409
Total current assets	**967,057,49**	654,818,166	530,385,474
Long-term investments, net *(Note 6)*	**8,525,63**	8,421,791	8,329,971
Accounts receivable, net *(Note 4)*	**12,119,85**	11,240,651	10,153,712
Affiliates *(Note 5)*	**768.272**	171.990	117.015
Inventories, net *(Note 7)*	**21,704,16**	20,441,268	20,609,368
Property, plant and equipment, net *(Note 8)*	**5,037,811,10**	4,909,765,339	4,846,897,634
Deferred charges, net *(Note 9)*	**83,894,12**	35,264,705	24,797,977
Deferred tax *(Note 18)*	**71,960,34**	73,905,034	73,607,634
Intangible, net *(Note 10)*	**53,364,19**	54,302,071	54,811,764
Other assets *(Note 11)*	**4,194,95**	2,892,621	1,437,727
Valuations *(Note 12)*	**2,004,455,42**	2,009,648,656	2,009,723,398
Total assets	**$ 8,265,855,565**	$ 7,780,872,292	$ 7,580,871,674
Liabilities and equity			
Current liabilities:			
Financial obligations *(Note 13)*	**$ 425,724,861**	$ 361,152,457	$ 201,096,827
Accounts Payable *(Note 14)*	**119,140,96**	98,309,172	88,315,544
Affiliates *(Note 5)*	**93,312,92**	558,459,905	79,243,598
Labor obligations *(Note 15)*	**9,604,20**	9,399,314	8,350,857
Retirement pensions *(Note 16)*	**10,260,43**	11,111,230	12,655,393
Estimated liabilities and provisions *(Note 17)*	**20,775,63**	25,598,510	14,383,062
Taxes, fees and charges *(Note 18)*	**154,434,54**	115,031,508	50,738,739
Bond premium amortization	**776.881**	4,274,084	4,274,084
Total current liabilities	**834,030,45**	1,183,336,180	459,058,104
Financial obligations *(Note 13)*	**1,821,760,00**	1,390,009,053	1,630,009,053
Retirement pensions *(Note 16)*	**63,978,80**	70,601,522	70,562,577
Bond premium amortization	**1,618,50**	1,812,520	2,881,041
Taxes, fees and charges *(Note 18)*	**98,427,95**	-	-
Revenue received in advance	**1,754,52**	907.383	-
Estimated liabilities and provisions *(Note 17)*	**1,224,18**	1,526,202	1,526,202
Shareholder Equity *(Note 19)*			
Subscribed and paid-in capital	**655,222,31**	655,222,313	655,222,313
Premium in stock placement	**113,255,81**	113,255,816	113,255,816
Legal reserve	**327,611,15**	327,611,156	350,363,087
Occasional reserves	**178.127**	178.127	178.127
Equity revaluation	**1,674,583,27**	1,871,439,181	1,871,439,181
Surplus valuations	**2,004,455,42**	2,009,648,656	2,009,723,398
Net income for the period	**667,755,03**	155,324,183	416,652,775
Total equity	**5,443,061,14**	5,132,679,432	5,416,834,697
Total liabilities and equity	**$ 8,265,855,565**	$ 7,780,872,292	$ 7,580,871,674
Memorandum accounts *(Note 20)*	**$ 2,722,077,621**	$ 3,025,737,807	$ 2,126,615,845

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Diaz
Legal Representative

Alba Lucia Rueda Salcedo
Public Accountant
Professional ID 40562-T

Angela Jaimes Delgado
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530
(See my report date 14 February 2012)

Emgesa SA E.S.P.

Unconsolidated Income Statements

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Operating Revenue *(Note 21)*	**$ 1,899,157,992**	$ 455,201,12	$ 1,431,577,64
Cost of sales *(Note 22)*	**(765,450,443)**	(184,971,884	(709,289,062
Gross profit	**1,133,707,549**	270,229,23	722,288,58
Administrative expenses *(Note 23)*	**(29,210,429)**	(7,677,047	(14,112,937
Operating profit	**1,104,497,120**	262,552,18	708,175,64
Other expenses (revenue):			
Financial, Net *(Note 24)*	**(142,378,638)**	(32,152,102	(92,590,050
Miscellaneous, net *(Note 25)*	**6,931,662**	(483,390	1,259,18
Profit before taxes	**969,050,144**	229,916,69	616,844,77
Income tax *(Note 18)*	**(301,295,111)**	(74,592,514	(200,192,001
Current	**(301,866,788)**	(74,889,914	(201,059,174
Deferred	**571.677**	297.40	867.17
Net profit for the year / period	**667,755,033**	155,324,18	416,652,77
Preferential dividend per share	**$ 215.06**	$ 52.9	$ 149.4
Net profit per share	**$ 4,453.90**	$ 1,035.5	$ 2,776.9

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Diaz
Legal Representative

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(See my report dated 14 February 2012)

Emgesa SA E.S.P.

Unconsolidated Statements of Changes in Equity

	Subscribed and paid-in capital	Premium in Stock placement	Reserves	Equity Revaluation	Surplus valuations	Accrued profits	Total Shareholder Equity
				(Thousands of pesos)			
Balances as of 31 December 2009	$ 1,100,000,000	$ 113,255,816	$ 296,698,790	$ 1,883,907,201	$ 2,010,692,874	$ 538,424,241	$ 5,942,978,922
Appropriations and transfers	-	-	53,842,424	-	-	(53,842,424)	-
Equity tax year 2010	-	-	-	(12,468,020)	-	-	(12,468,020)
Dividends declared	-	-	-	-	-	(484,581,817)	(484,581,817)
Equity Reduction	(444,777,687)	-	-	-	-	-	(444,777,687)
Profit for the period	-	-	-	-	-	416,652,775	416,652,775
Valuation long-term investments	-	-	-	-	139.972	-	139.972
Valuation of fixed assets	-	-	-	-	(1,109,448)	-	(1,109,448)
Balances as of 30 September 2010	655,222,313	113,255,816	350,541,214	1,871,439,181	2,009,723,398	416,652,775	5,416,834,697
Appropriations and transfers	-	-	(22,751,931)	-	-	22,751,931	-
Dividends declared	-	-	-	-	-	(439,404,706)	(439,404,706)
Profit for the period	-	-	-	-	-	155,324,183	155,324,183
Valuation long-term investments	-	-	-	-	24.058	-	24.058
Valuation of fixed assets	-	-	-	-	(98,800)	-	(98,800)
Balances as of 31 December 2010	**655,222,313**	**113,255,816**	**327,789,283**	**1,871,439,181**	**2,009,648,656**	**155,324,183**	**5,132,679,432**
Equity tax year 2011	**-**	**-**	**-**	**(196,855,905)**	**-**	**-**	**(196,855,905)**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**(155,324,183)**	**(155,324,183)**

Emgesa SA E.S.P.

Profit for the year	-	-	-	-	-	667,755,033	667,755,033
Valuation long-term investments	-	-	-	-	(132,371)	-	(132,371)
Valuation of fixed assets	-	-	-	-	(5,060,859)	-	(5,060,859)
Balances as of 31 December 2011	$ 655,222,313	$ 113,255,816	$ 327,789,283	$ 1,674,583,276	$ 2,004,455,426	$ 667,755,033	$ 5,443,061,147

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Diaz
Legal Representative

Alba Lucia Rueda Salcedo
Public Accountant
Professional ID 40562-T

Angela Jaimes Delgado
Auditor
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Appointed by Ernst & Young Audit Ltda TR-530
(See my report of 14 February 2012)

Emgesa SA E.S.P.

Unconsolidated Statements of Changes in Financial Position

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Financial resources provisioned:			
Net income for the year / period	**$ 667,755,033**	$ 155,324,183	$ 416,652,775
Items not affecting working capital:			
Depreciation	**146,064,429**	22,196,036	115,506,721
Amortization of intangibles	**4,283,899**	664.045	2,025,982
Prior years deferred tax	**2,516,369**	-	-
Amortization of deferred charges	**1,385,983**	374.563	1,904,979
Net loss on sale of property, plant and equipment	**633.945**	276.315	1,947,518
Provision for inventories	**749.909**	218.842	1,356,191
Current deferred tax	**(571,677)**	(297,400)	(867,173)
Income from equity method	**(103,848)**	(91,821)	1.422
Provision for pensions	-	38.945	968.964
Recovery of provisions for investments	-	-	(89,100)
Total provisioned by operations	**822,714,042**	178,703,708	539,408,279
Decrease in deferred charges	**-**	-	481.505
Decrease in debtors	**(1,475,486)**	(54,975)	223.237
Decrease in other assets	**(1,302,331)**	-	-
Revenue received in advance	**-**	907.383	-
Net decrease in other assets	**-**	-	2,332,819
Total working capital provisioned	**819,936,225**	179,556,116	542,445,840
Financial resources applied:			
Increase (decrease) in financial obligations	**431,750,947**	(240,000,000)	-
Reclassification of equity tax payable	**98,427,952**	-	-
Recovery Quimbo yields	**18,598,973**	-	-
Loss on Forward valuation	**1,847,053**	-	-
Increased revenue received in advance	**847.137**	-	-
Purchase of property, plant and equipment	**(274,744,135)**	(85,340,056)	(30,463,908)
Registration equity tax	**(196,855,905)**	-	(12,468,020)
Dividends declared	**(155,324,183)**	(227,904,034)	-
International bond interest Quimbo	**(51,600,226)**	-	-
Reclassification of dividends payable	**-**	-	(21)
Decrease (increase) in inventories	**(2,012,807)**	(1,137,683)	(1,328,254)
Increase in deferred charges	**(18,861,204)**	(10,841,291)	-
Increase (decrease) in pension liabilities	**(6,622,716)**	-	-
Purchase of intangibles	**(3,346,021)**	(154,352)	(383,582)
Increase (decrease) in accrued liabilities and provisions	**(302,017)**	-	(229,621)
Transfer premium on ordinary bonds	**(194,015)**	(1,068,520)	(3,205,562)
Decrease (increase) in other assets	-	(1,454,894)	-

Emgesa SA E.S.P.

Reclassification of dividends payable in short term	-	(211,500,670)	(484,581,796)
Equity reduction	-	-	(444,777,687)
Total working capital used	**(158,391,167)**	(779,401,500)	(977,438,451)
(Increase) decrease in working capital	**$ 661,545,058**	$ (599,845,384)	$ (434,992,611)

Emgesa SA E.S.P.

Statements of Changes in Financial Position (Continued)

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Net working capital changes:			
Cash and cash equivalents	**$ 204,848,554**	$ 201,008,292	$ (542,988,755)
Investments	**-**	-	-
Debtors	**89,280,604**	(64,177,830)	26,477,226
Accounts receivable affiliates	**(1,955,822)**	(3,414,732)	5,191,421
Inventories	**19,246,947**	(6,274,949)	606.280
Prepaid expenses	**819.045**	(2,708,089)	2,074,641
Financial obligations	**(64,572,404)**	(160,055,630)	29,238,431
Accounts Payable	**(20,831,791)**	(9,993,628)	12,901,841
Accounts payable affiliates	**465,146,981**	(479,216,307)	(69,042,859)
Labor and comprehensive social security obligations	**(204,890)**	(1,048,457)	60.866
Retirement pensions and fringe benefits	**850.796**	1,544,163	(235,089)
Estimated liabilities and provisions	**4,822,873**	(11,215,448)	139,412,923
Levies and taxes payable	**(39,403,038)**	(64,292,769)	(38,689,537)
Premium bond amortization	**3,497,203**	-	-
Increase (decrease) in working capital	**$ 661,545,058**	$ (599,845,384)	$ (434,992,611)

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Diaz
Legal Representative

Alba Lucia Rueda Salcedo
Public Accountant
Professional ID 40562-T

Angela Jaimes Delgado
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Appointed by Ernst & Young Audit Ltda TR-530
(See my report dated 14 February 2012)

Emgesa SA E.S.P.

Unconsolidated Cash Flow Statements

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Operational activities			
Profit for the year / period	**$ 667,755,033**	$ 155,324,183	$ 416,652,775
Adjustments to reconcile net profit for the year to net cash provisioned (used in) operational activity			
Depreciation and amortization	**151,734,312**	23,234,644	119,437,682
Receivables write-offs	**1,311,943**	2,866,383	-
receivables allowance recovery	**(538,622)**	(8,333)	(189,396)
receivables Allowance	**744.105**	138.539	1,329,123
Scrap recovery	**(294,406)**	-	(217,724)
(Gain) loss on actuarial calculation	**(2,052,873)**	1,731,052	-
Recreation benefit recovery	**(2,339,610)**	-	-
Bond premium amortization	**(3,691,218)**	(1,068,521)	(3,205,563)
Deferred tax debit	**(571,677)**	(297,400)	(867,173)
Deferred tax debit previous years	**2,516,369**	-	-
Recovery of provisions for costs and expenses	**(5,810,751)**	-	-
Provision for inventories	**749.909**	218.842	1,356,191
Provision for pensions	**13,573,398**	-	-
Loss on sale of property, plant and equipment	**633.945**	276.315	1,947,518
Income (loss) from equity method	**(103,848)**	(91,821)	1.422
Net change in operating assets and liabilities			
Debtors	**(92,445,506)**	63,454,327	(32,585,137)
Prepaid expenses	**(819,045)**	2,708,089	(2,074,641)
Inventories	**(20,965,348)**	6,224,208	(1,716,810)
Affiliates	**(328,115,482)**	-	-
Other assets	**(1,302,331)**	(1,454,894)	2,332,819
Accounts Payable	**326,445,186**	173,614,801	(5,141,003)
Tax levies and fees	**(9,810,939)**	(674,251)	(136,393)
Pension liabilities (payments)	**(16,654,427)**	(3,236,270)	1,204,053
Labor obligations	**204.890**	1,048,456	(60,866)
Estimated liabilities and provisions	**685.861**	76,182,469	(100,905,714)
Dividends payable	-	(227,904,304)	-
Revenue received in advance	**847.137**	907.383	-
Net cash provided by operational activities	**681,686,005**	273,193,897	397,161,163
Investment activities			
Purchase of property, plant and equipment	**(274,744,135)**	(85,340,056)	(30,463,908)
Dividends declared	**(155,324,183)**	-	-
International bond interest Quimbo	**(51,600,226)**	-	-
Purchases of deferred charges	**(18,861,204)**	(10,841,291)	481.505
Purchase of intangibles	**(3,346,021)**	(154,352)	(383,582)
Net cash used in investment activities	**(503,875,769)**	(96,335,699)	(30,365,985)

Emgesa SA E.S.P.

Unconsolidated statements of cash flows

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Financial Activities			
Equity Reduction	**-**	-	(444,777,687)
Affiliate Resources	**-**	386,000,000	282,112,788
Payment of bonds	**(310,000,000)**	(184,394,492)	(65,097,467)
payment of loans to affiliates	**(134,903,687)**	(70,404,866)	(220,830,788)
Increased financial obligations and payment of interest, net	**806,323,351**	104,450,122	35,859,037
Equity tax payment	**(49,213,976)**	-	(12,468,020)
Recovery yields Quimbo	**18,598,973**	-	-
Loss on Forward valuation	**1,847,053**	-	-
Payment of dividends	**(305,613,396)**	(211,500,670)	(484,581,796)
Net cash (used) in financial activities	**27,038,318**	$ 24,150,094	(909,783,933)
Net increase in cash and cash equivalents	**204,848,554**	201,008,292	(542,988,755)
Cash and cash equivalents at beginning of year	**306,803,477**	105,795,185	648,783,940
Cash and cash equivalents at end of year	**$ 511,652,031**	$ 306,803,477	$ 105,795,185

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Diaz
Legal Representative

Alba Lucia Rueda Salcedo
Public Accountant
Professional ID 40562-T

Angela Jaimes Delgado
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530
(See my report of 14 February 2012)

As of 31 December 2011.

(All values are expressed in thousands of COP, except sums in foreign currency, exchange rates, number and face value of shares and par value of the share).

1. Critical Accounting Policies and Practices

Reporting entity

Emgesa S.A. E.S.P. (hereinafter "the Company") is a business corporation organized as a public utility, regulated by Law 142 of 1994.

Purpose - The Company's main objective is the generation and sale of electric power under the terms of Laws 142 and 143 of 1994 and rules which regulate, add to, amend or abolish them. In developing its main purpose, the Company may acquire power generation plants and design, build, operate, maintain and commercially exploit power generating plants, carrying out necessary actions to preserve the environment and good community relations within the area influence of their projects; and perform work, designs and electrical engineering consulting and market products for the benefit of its customers. The Company, when pursuing its primary corporate purpose, may pursue all activities related to exploration, development, research, marketing, storage, transportation, and distribution of minerals and stone material. The term of the Company is indefinite.

Project "The Quimbo" **–** The Quimbo Hydroelectric Project approved by resolution 899 of 15 May 2009 and 1628 of 21 August 2009 holds mandatory an "abandonment and final restoration plan" within the environmental licensing process. The Company estimates the operational phase of the Quimbo project in December 2014.

Upon completion of the bidding process, the two major contracts were formalized for the civil works construction project, mounting and commissioning of the electromechanical equipment.

During 2011, amongst all the civil works, progress was made on different fronts; the most important being works on the diversion tunnel. Likewise, excavation went ahead for the powerhouse, spillway, and cargo tunnels. Meanwhile, basic and detailed engineering tasks were performed on electromechanical equipment.

The land declared for public use includes a total area of 16,276.36 hectares of which 11,039.40 hectares have been registered in deeds, corresponding to 67% of those required in the reservoir, construction, site restoration and resettlement area.

Consistent with the requirements of the environmental license, studies and activities related to the submittal of Environmental Compliance Reports (ECR) have been carried out, as well as filing of studies for the restoration plan, vulnerability, ethnography, economic valuation study of environmental impacts, archaeological survey in the work zone among others; disclosure and communication of the employment policy and support via trust funds to the investment plans of the AID municipalities.

1. Critical Accounting Policies and Practices (continued)

Reporting Entity

The Company holds a current performance bond issued in the amount of USD 20 million with an expiration date of 8 June 2012, which was submitted to the Energy and Gas Regulatory Commission (CREG); its conditions and amounts are maintained taking into account that the System Administrator (XM), by means of an external audit, performed a progress review of the project in October 2011, whose results found no evidence which would allow for an affectation on the date of commissioning thereof, as registered before the CREG.

Basis of Presentation

The attached financial statements have been prepared in accordance with generally accepted accounting principles in Colombia, as amended by the Superintendence of Public Utilities, which eliminated as of 1 January 2006 the application of an inflation adjustment system for accounting purposes, for privately-owned public utility companies.

The Company records its operations in accordance with the accounting guidelines for public utility companies issued by the Superintendence of Public Utilities.

Accounting Period

The Company has defined by statute the cut-off date of its accounting period in a yearly basis, as of 31 December, for the preparation and disclosure of general-purpose financial statements.

The duly authorized bylaws empower the Board to determine any cut-off dates it deems necessary. Board Meeting No. 352 held 30 August 2010 ordered the administration to place a cut-off date in financial statements as of 30 September 2010, in order to submit said statements for consideration and approval by the Extraordinary Shareholder Meeting and a dividend distribution.

The attached financial statements for the periods ending 31 December 2011, 31 December 2010 and 30 September 2010, correspond to 12-month, 3-month and 9-month periods, respectively.

Currency

According to law, the currency used by the Company is the Colombian peso (COP).

1. Critical Accounting Policies and Practices (continued)

Materiality Principle Criteria

An economic fact is material when by its nature, amount and circumstances surrounding it, knowing about it or not, can significantly influence the economic decisions of users of said information. Financial statements breakdown specific items pursuant to law or those who represent 5% or more of total assets, current assets, current liabilities, working capital, equity and revenue, as appropriate. Also, lesser amounts are described when they are considered that they can contribute to a better interpretation of financial information.

Foreign Currency Transactions

Foreign currency transactions are accounted for at the applicable rates in effect at the time of the transaction. At the close of each term, receivables or payables in foreign currency are updated to the market exchange rate certified by the Financial Superintendence of Colombia ($ 1942.70, $ 1799.89 and $ 1913.98 per U.S. dollar as of 31 December 2011, 31 December 2010 and 30 September 2010, respectively). Exchange differences are charged to the corresponding asset or liability and to result, income or expense, as appropriate.

Cash and Cash Equivalents

Cash and cash equivalents include funds in cash, banks, and savings accounts. Available equivalents are investments in fixed income instruments, highly liquid short-term instruments, which are stated at market value and are valued by the accrual of yields. Additionally, other investments are recorded held at cost plus accrued interest and adjustments, not to exceed its market value.

Equity Investments by the Cost Method

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

Term Investment in Affiliates

Investments in affiliate companies in which the Company (or its parent) directly owns more than 50% of equity, are accounted for by the equity method and are in accordance with equity, recognizing the difference as a provision or as a valuation thereof.

1. Critical Accounting Policies and Practices (continued)

Financial Instruments

The Company conducts operations using derivatives in order to hedge against unfavorable exchange rates.

Forwards opened by the Company serve the purpose to cover payments in foreign currency for investment projects primarily for the purchase of equipment for the hydroelectric project "Quimbo" wherein said forwards are adjusted monthly to market value and the resulting adjustment is capitalized towards the ongoing project to the deferred account.

Considering the volatility that could affect the disbursement dates and dollar amounts payable to equipment suppliers, the Company states that its hedging strategy will be a roll-over type, which is defined as follows:

- Consists in adjusting the amounts and hedge dates, to the extent that the estimated payment dates are modified. Adjustments may be made through new hirings, early retirements or adjustments to existing contracts. This strategy seeks to achieve maximum effectiveness when hedging exchange rates.

- In the case of Company insurance policy acquisitions, this adjustment is recorded directly in the income statement.

- Re cash and cash equivalents, current forward valuations are acknowledged at the close of each period.

Inventories

These are recorded at average cost or net realizable value, whichever the lowest. Since these inventories were acquired in developing the core business of the Company, they are recorded as current assets and deterioration or obsolescence conditions are analyzed based on technical concepts.

Provision for Debtors

Provisioning for doubtful customer account collection was established in accordance with the policies established by the Company, which defines a doubtful collection provision on 100% of debts over 360 days past due.

1. Critical Accounting Policies and Practices (continued)

Property, Plant and Equipment, Net

These are carried at cost adjusted for inflation (inflation adjustments recorded as of 31 December 2005) and subject to straight-line depreciation according to the following annual depreciation rates:

Concept	Depreciation rates *(Average Rates)*	Asset life *(Year Average)*
Construction and buildings	1.39%	72
Plants, pipelines and tunnels	1.40%	71
Machinery and equipment	5.13%	20
Networks, lines and cables	6.67%	15
Communication Equipment	7.35%	14
Furniture, fixtures and office equipment	10.67%	9
Computer equipment	20.00%	5
Transport equipment, traction and elevation	20.75%	5

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

Deferred Charges, Net

The Company records as deferred charges: (a) costs incurred in obtaining financial obligations, which are straight line amortized over the life of the loan, (b) costs incurred in the merger proceedings of Central Hidroelectrica de Betania S.A. E.S.P. (acquiring company) and Emgesa S.A. E.S.P. (company absorbed), which are straight line amortized over a period of 5 years, (c) pre-feasibility studies on projects which are amortized once their production phase begins and d) legal stability contract for the Quimbo project for $ 9,612,891, amortized over 20 years.

Intangible assets, Net

These relate mainly to: (a) The acquisition cost of water rights from the Chingaza and Rio Blanco projects. Straight-line amortization is carried out over a 50-year period and (b) Expenses incurred in software licenses, which are amortized over 3 years by the straight line method.

Valuations

Property, plant and equipment - Corresponds to differences between the replacement value as determined by appraisals of recognized technical value and net book value of property, plant and equipment. Valuations of property, plant and equipment are recorded in separate accounts within assets and as a surplus valuation in equity, 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.

1. Critical Accounting Policies and Practices (continued)

Valuations (continued)

Equity investments using the cost method - Corresponds to differences between the cost of investment and its intrinsic value. Valuations of investments are accounted for in separate accounts within assets and as a surplus valuation in equity, which is not subject to distribution. The losses on investments are recorded as a lesser value of said valuation and as a valuation surplus in equity, without prejudice that the net balance might be of a different nature.

Labor Obligations

Labor laws provide for the payment of deferred compensation to certain employees at the date of their retirement from the Company. The amount received by each employee depends on the date of admission, type of contract and salary. Moreover, in certain cases, 12% annual interest is set on the amounts accruing to each employee. If removal is unjustified, the employee is entitled to receive payments which vary according to length of service and salary.

The Company makes periodic contributions to workman compensation and comprehensive social security: health, occupational hazards and pensions, deposits made in private funds or the Social Security Institute (Colombia) which assumes these obligations in full.

Furthermore, said legislation establishes the obligations that companies have in paying retirement pensions to employees who meet certain age requirements and length of service. The pension liability is determined by actuarial study set under parameters provided by Government. The retirement pension obligation includes the effects of the application corresponding to the new mortality rates authorized by the Financial Superintendence Decree 1555 of 30 July 2010 and represents the present value of all future allowances that the Company shall pay to those employees who met or will meet certain legal requirements as to age, length of service and others.

Taxes, Levies and Fees

The provision for income tax is calculated at the official rate of 33% using accrual accounting and is determined based on the commercial profit in order to properly relate revenue of the period with its costs and expenses and recorded for the amount of estimated liabilities.

The effect of temporary differences that involve the payment of more or less tax in the current year, is recorded as a deferred tax debit or credit, respectively, provided there is a reasonable expectation that such differences will reverse in the future and also to assets, which at said time could generate sufficient taxable income. The income tax is shown net after deducting advance payments and withholding taxes in favor.

1. Critical Accounting Policies and Practices (continued)

Taxes, Levies and Fees (continued)

Deferred tax assets resulting from the temporary difference arising from the elimination of inflation adjustments as of 1 January 2006, is amortized over the fixed asset life for which they were generated; additionally, deferred tax is acknowledged for other temporary differences between book and tax balances.

Equity Tax

Law 1370 of December 2009 established a new equity (wealth) tax for taxable year 2011, with a rate of 2.4% for taxpayers with fiscal equity in excess of COP 3 billion and less than COP 5 billion, and 4.8% for taxpayers with assets equal to or in excess of COP 5 billion.

Subsequently, Decree 4825 of December 2010 established a surcharge on equity tax of 25% for taxpayers with assets equal to or in excess of COP 3 billion.

This tax is due on assets owned at 1 January 2011 and its payment is made in eight equal installments between 2011 and 2014.

In accordance with what formally established Law 1111 of 2006, the Company records said equity tax charged to equity revaluation.

Revenue, Costs and Expense acknowledgement

Block sales and unregulated market are acknowledged within the period when services are rendered; in accordance with CREG resolution 131 of 1998, in order to be considered an unregulated user, an average monthly power demand for six months of more than of 0.1 MW, or 55 MWh-month is required.

Likewise, said user must also be represented by a power sales and marketing entity, the latter being responsible for registering said user before the Wholesale Energy Market.

The energy market in the exchange is used for issuing energy not committed to contracts. In this market, acknowledgement occurs when generators daily and hourly are bidding prices for the availability of energy available to the system.

The revenue estimates are determined based on information available that reflects the actual consumer situation, valued at the selling price pursuant to current rates.

Costs and expenses are recorded based on accrual. The cost of said energy is included in cost of sales.

1. Critical Accounting Policies and Practices (continued)

Bond Issue premium

Corresponds to the higher value received by the issue of ordinary bonds by the Company as a result of a positive rate differential between the bond face value and the rate offered on the issue date in February 2006. Amortized since March 2006, equivalent in time to the life of the bonds.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that could affect the reported amounts of assets, liabilities and profits and losses. The current values or market values may differ from those estimates. Management believes that the estimates and assumptions used were adequate.

Net 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 review of preferential dividends for 20,952,601 shares as of 31 December 2011 for Empresa de Energia de Bogota (Bogota Power Company) S.A. E.S.P. The preferential dividends are valued at USD 0.1107 per share.

Memorandum Accounts

Contingent rights and responsibilities are recorded as memorandum accounts, mainly differences between book and tax figures.

Cash Flow Statements

The cash flow statements have been prepared according to the indirect method. Cash and cash equivalents presented in non-consolidated cash flow statements correspond to available cash and current investments.

2. Assets and Liabilities in Foreign Currency

Basic rules and regulations in Colombia allow free trading of foreign currencies through banks and other financial institutions according to free market exchange rates. However, most foreign exchange transactions require compliance with certain legal requirements.

Summary of assets and liabilities in foreign currencies:

		As of 31 December 2011		**As of December 2010**		**As of 30 September 2010**
				(In U.S. Dollars)		
Cash and cash equivalents	**$**	**10,843,000**	$	2,750,000	$	953.000
Accounts Payable *(Note 14)*		**(1,860,816)**		(2,496,952)		(507,683)
Net asset position	**$**	**8,982,184**	$	253.048	$	445.317

3. Cash and Cash Equivalents

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Domestic banks - Deposits *(1)*	**$ 460,217,123**	$ 294,727,709	$ 66,101,759
Domestic banks - Checking *(1)*	**40,974,843**	10,371,754	24,113,213
Investments in fixed income liquidity funds *(2)*	**10,449,242**	1,696,145	15,568,554
Cash	**10.823**	7.869	11.659
	$ 511,652,031	$ 306,803,477	$ 105,795,185

(1) During January 2011, an international bond issue of $736,760,000 was performed, said transaction generating a commission of $ 2,579,402, representing a cash revenue of $ 734,180,598.

During December 2011, a factoring operation with Banco Santander Colombia for $ 45 million took place on Codensa S.A. ESP receivables; further prompt payment operations were carried out with Empresas Publicas de Medellín in the amount of $ 9,293,447 and Empresa de Energia de Cundinamarca for $ 3,568,622.

Cash and cash equivalents presents a restriction because of a San Esteban de Caloto (Cauca) judicial lien *(Note 5)* on bank accounts listed below for $ 4,500,000.

Financial Institution	Account #	Date Debit / Freeze	Lien Amount
Banco AV Villas	059-00802-9	15/12/2011	$ 900,000
Helm Bank	13017053	19/12/2011	492.739
Helm Bank	13017053	20/12/2011	244.507
Helm Bank	13017053	21/12/2011	162.754
Citibank	5062119804	23/12/2011	900.000
Banco Davivienda	4300152016	27/12/2011	900.000
Banco Santander	40019978	28/12/2011	900.000
			$ 4,500,000

(2) The balance of cash management fixed-income investments are as follows:

	Average Interest Rate	Amount	Average Interest Rate	Amount	Average Interest Rate	Amount
	As of 31 December 2011		As of 31 December 2010		As of 30 September 2010	
Cash Deposits	**4.05%**	**$ 7.000**	3.07%	$ 7.000	3.50%	$ 13,007,000
Trusts	**4.15%**	**8,222,956**	2.43%	1,464,502	2.23%	2,550,677
Forwards *(Note 27)*		**2,219,286**		224.643		10.877
		$ 10,449,242		$ 1,696,145		$ 15,568,554

4. Receivables, Net

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Power utility customers (1)	**$ 166,403,361**	$ 160,958,133	$ 231,308,259
Progress and advance payments (2)	**89,726,560**	13,268,160	5,319,265
Other debtors (3)	**16,946,365**	11,375,450	16,223,978
Loans to employees	**15,614,201**	14,056,809	12,657,634
Advance tax and credit balances	**5,746,106**	5,744,913	5,744,913
Deposits delivered	**46.863**	26.643	3.127
	294,483,456	205,430,108	271,257,176
Less - provision for debtors	**(4,267,908)**	(5,374,368)	(8,110,545)
	290,215,548	200,055,740	263,146,631
Less – non current portion	**(12,119,855)**	(11,240,651)	(10,153,712)
Total current debtors (*Note 7)*	**$ 278,095,693**	$ 188,815,089	$ 252,992,919

(1) The variation in power utility customers between 31 December 2010 and 30 September 2010 is mainly due to power utility prepayments received in December 2010 in the amount of $ 44,634,267 and write-offs of $ 2,866,383.

(2) As of 31 December 2011, advance payments correspond to:

a. Advance payments for Project Quimbo detailed below:

Item	As of 31 December 2011
Works:	
Consortium Impregilo - OHL	$ 45,838,889
Proyecont Ltd.	1,226,511
Others	678.726
	47,744,126
Premises:	8,994,970
Equipment:	
Alstom Brazil Energy and Transport	11,447,281
Alstom SA Colombia	6,733,635
Schader Camargo Ingenieros	6,008,602
	24,189,518
Others	306.916
Travel advances	116.360
	$ 81,351,890

b. Advances for the purchase of goods and services as follows:

Third party	
Surpetroil SAS	$ 6,044,588
Hitachi de Venezuela CA	1,299,884
Others	1,030,198
	8,374,670
	$ 89,726,560

4. Receivables, net (continued)

(3) As of 31 December 2011, they correspond to:

a. Receivable billed to Generali Colombia in the amount of $ 3,707,860 for the compensation of Termocartagena turbine damage and mitigation expenses for the loss.

b. On 13 December 2011 the municipality of San Esteban de Caloto (Cauca), as part of a tax collection process (Industry and Trade tax) irregularly decreed a lien on certain sums of money, credits and others which Emgesa S.A. E.S.P. had in checking accounts of up to nine hundred million pesos ($ 900,000,000). The injunction became effective in five (5) financial institutions, thus amounting to four thousand five hundred million COP ($ 4,500,000). To counter the move, the Company concurrently with the filing of exceptions against the order for payment, sent legal bond meeting the requirements set out by the Territorial Authority.

c. As of 31 December 2011, the receivable billed to the Finance Ministry re payments made by the Company as part of the sentence against Bethany in existing processes on the date of the stock purchase contract for $ 4,587,436.

d. As of 31 December 2011 accounts receivable billed to former employees worth $ 891.543 are included, as well as other receivables in the amount of $ 3,259,526.

Provisions for debtors are as follows:

		As of 31 December 2011		As of 31 December 2010		As of 30 September 2010
Beginning Balance	**$**	**5,374,368**	$	8,110,545	$	6,970,818
Recovery of provisions		**(538,622)**		(8,333)		(189,396)
Write-off		**(1,311,943)**		(2,866,383)		-
Adjustment to provision – profit/loss		**744.105**		138.539		1,329,123
Ending Balance	**$**	**(4,267,908)**	$	(5,374,368)	$	(8,110,545)

The debtor provision comprises: (a) client accounts receivable provision with more than 360 days past due as of 31 December 2011, and (b) provision of other accounts receivable as of 31 December 2011, in the amount of $ 2,453,110.

Housing loans for workers and other loans are agreed to through collective agreements or Company policy and have agreed upon annual interest rates of 7% and 0%, respectively.

5. AFFILIATES

Operations entered into directly or indirectly with affiliates are recorded in Affiliate accounts.

5. Affiliates (continued)

The following shows receivable and payable balances in detail to affiliates:

		As of 31 December 2011		As of 31 December 2010		As of 30 September 2010
Accounts receivable:						
Codensa S.A. E.S.P. (1)	**$**	**130,093,832**	$	132,178,812	$	135,647,623
Empresa de Energia de Cundinamarca S.A. E.S.P.		**1,150,162**		758.160		833.516
Sociedad Portuaria Central Cartagena S.A.		**843.200**		218.292		117.331
Empresa de Energia de Bogotá S.A. E.S.P.		**-**		175.814		28.938
Compañía Americana de Multiservicios Ltda.		**-**		1.436		1.146
Endesa Latinoamerica		**-**		114.220		114.219
Empresa Nacional de Electricidad		**-**		-		63.718
		132,087,194		133,446,734		136,806,491
Non current portion Sociedad Portuaria Central Cartagena		**(768,272)**		(171,990)		(117,015)
	$	**131,318,922**	$	133,274,744	$	136,689,476
Accounts payable:						
Empresa e Energia De Bogotá S.A. E.S.P. (3)	**$**	**39,727,231**	$	227,422,561	$	31.015
Endesa Chile (3)		**20,725,242**		-		-
Endesa Latinoamerica (3)		**16,663,824**		-		-
Codensa S.A. E.S.P. (2)		**15,537,115**		329,248,719		78,389,389
Empresa de Energia de Cundinamarca S.A. E.S.P.		**466.510**		243.507		267.354
Endesa Servicios		**146.432**		-		-
Ict Servicios Informáticos		**30.785**		65.321		-
Sociedad Portuaria Central Cartagena S.A.		**15.785**		109.180		-
Compañía Americana de Multiservicios Ltda.		**-**		1,175,442		261.759
Synapsis de Colombia Ltda.		**-**		195.175		287.215
Ingendesa S.A.		**-**		-		6.866
	$	**93,312,924**	$	558,459,905	$	79,243,598

(1) Mainly accounts receivable from power sales.

(2) As of 31 December 2011, advances for $ 336.500 million COP were received from Codensa S.A. E.S.P. on account of energy purchases at an annual rate of 5.12%

(3) As of 31 December 2011, mainly relates to unpaid dividends declared for the quarter from 30 September to 31 December 2010.

The following is the effect on transaction results with affiliates, shareholders and the Board.

Emgesa SA E.S.P.

Notes to the unconsolidated financial statements (continued)

5. Affiliates (continued)

Company	Transaction description	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Quarter (1 January to 30 September 2010)
Revenue:				
Codensa S.A. E.S.P.	Sale of power	**$ 677,030,071**	$ 131,267,012	$ 396,588,044
Codensa S.A. E.S.P.	Use contract	**2,803,339**	-	-
Codensa S.A. E.S.P.	Technical services/others	**369.339**	88.519	265.845
EEC S.A. E.S.P.	Tolls	**-**	313.673	-
EEC S.A. E.S.P.	Sale of power	**-**	-	15,167,359
Synapsis Colombia Ltda.	Technical Services	**-**	126.759	-
EEC S.A. E.S.P.	Sale of power	**32,622,417**	648.360	-
CAM Ltda.	Meters and telemetry	**9.555**	3.526	66.550
Synapsis Colombia Ltda.	Others	**-**	-	444
SPCCCartagena S.A.	Operation and interests	**125.181**	43.965	563
		$ 712,959,902	$ 132,491,814	$ 412,088,805
Expenses:				
Codensa S.A. E.S.P.	Energy transport	**$ (84,726,686)**	$ (19,906,788)	$ (55,568,505)
Codensa S.A. E.S.P.	Financial expenses	**(2,173,805)**	(688,337)	(3,708,770)
Codensa S.A. E.S.P.	Use contract	**(3,337,533)**	(421,308)	(6,740)
Codensa S.A. E.S.P	power and lighting	**(503,395)**	(79,524)	(401,762)
Codensa S.A. E.S.P	Others	**(587,037)**	Oo -	(908,764)
Codensa S.A. E.S.P.	Equipment leasing	**-**	-	(64,115)
EEC S.A. E.S.P.	Tolls	**(1,565,276)**	-	-
Synapsis Colombia Ltda.	Technical Services	**(42,808)**	-	(1,406,377)
Synapsis Colombia Ltda.	Communication services	**-**	-	(704,058)
CAM Ltda.	Technical Services	**(291,003)**	(497,306)	(1,395,949)
CAM Ltda.	Equipment leasing	**-**	-	(32,935)
SPCC S.A.	Management and operation	**(528,000)**	(307,000)	-
ICT Servicios Informáticos Ltda.	Computer Services	**(92,373)**	(6,775)	-
EEC S.A. E.S.P.	Tolls	**-**	-	(981,971)
Endesa Servicios	Computer Services	**(22,774)**	-	
Board of Directors	Fees	**(191,159)**	(70,982)	(161,205)
		(94,061,849)	(21,978,020)	(65,341,151)
Net effect on profit/loss		**$ 618,898,053**	$ 110,513,794	$ 346,747,654

6. Term Investments, Net

The balance of equity investments accounted for under the cost method is composed as follows:

	% Participation	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Electrificadora del Caribe S.A. ESP. (a)	**0.22%**	**$ 8,324,408**	$ 8,324,408	$ 8,324,408
Sociedad Portuaria Central Cartagena S.A. (b)	**94.95%**	**201.175**	97.327	5.507
Termocartagena S.A. ESP. (now Vista Capital S.A. En Liquidación)	**0.00%**	**56**	56	56
		$ 8,525,639	$ 8,421,791	$ 8,329,971

(a) The value of investment in Electrificadora del Caribe S.A E.S.P shows variation due to the use of the intrinsic value method.

6. Term Investments, Net (continued)

(b) The value of investment in the Sociedad Portuaria Central Cartagena S.A. is increased by the application of the equity method, generating a profit for 2011 of $ 103.848, and for the year 2010 of $ 91.819.

By 2011 a variation in the equity of Sociedad Portuaria Central Cartagena S.A. appeared, because valuation was generated in $ 2.754.

Valuations and devaluations registered in investments are:

Company	Number of Shares	Class	Acquisition Cost	Intrinsic Value per share as of December 31, 2011	As of December 31, 2011 Valuation (devaluation)	As of December 31, 2010 Valuation (devaluation)	As of September 30, 2010 Valuation (devaluation)
Electrificadora del Caribe S.A. E.S.P.	109,353,394	Common	8,324,408	$ 40.54	**$ (3,891,222)**	$ (3,756,097)	$ (3,780,155)
Sociedad Central Cartagena S.A.	55.071	Common	5.507	3702.993	**2.754**	-	-
Termocartagena S.A. E.S.P. (now Vista Capital S.A. En Liquidación)	22	Common	56		**(56)**	(56)	(56)
					$ (3,888,524)	$ (3,756,153)	$ (3,780,211)

7. Inventories, Net

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Inventory of other fuels	**$ 23,942,824**	$ 12,332,544	$ 15,230,496
Stores - Parts (1)	**22,454,075**	20,441,268	20,609,368
Carbon inventory	**15,595,659**	7,958,992	11,335,989
	61,992,558	40,732,804	47,175,853
Less - Provision for inventories	**(749,909)**	-	-
	$ 61,242,649	$ 40,732,804	$ 47,175,853
Less - current portion	**(39,538,483)**	(20,291,536)	(26,566,485)
	$ 21,704,166	$ 20,441,268	$ 20,609,368

(1) Mainly parts to be used in repairs and / or maintenance of plants according to the maintenance plan defined by Management.

8. Property, Plant and Equipment, Net

As of 31 December 2011, the following are property, plant and equipment values:

	Cost	Accumulated Depreciation	Net value
Plants, pipelines and tunnels (2)	**$ 7,022,334,318**	**$ (2,419,366,124)**	**$ 4,602,968,194**
Construction in progress	**218,306,487**	**-**	**218,306,487**
Land (1)	**141,587,685**	**-**	**141,587,685**
Construction and buildings	**71,632,744**	**(23,160,376)**	**48,472,368**
Machinery and equipment	**34,050,205**	**(21,568,926)**	**12,481,279**
Communication and computer equipment	**24,913,580**	**(20,026,400)**	**4,887,180**
Furniture, fixtures and office equipment	**9,116,688**	**(4,417,065)**	**4,699,623**
Transport equipment, traction and elevation	**6,273,293**	**(4,436,624)**	**1,836,669**
Machinery, plant and equipment in assembly	**2,571,615**	**-**	**2,571,615**
Networks, lines and cables	**544.970**	**(544,970)**	**-**
	$ 7,531,331,585	**$ (2,493,520,485)**	**$ 5,037,811,100**

Emgesa SA E.S.P.

Notes to the unconsolidated financial statements (continued)

8. Property, Plant and Equipment, Net (continued)

(1) Includes land purchases made during 2011, for the Quimbo project in the amount of $ 42,477,939, financing expense of $ 6,043,887 for project Quimbo and other land purchases for other facilities in the amount of $ 1,819,605.

(2) Quimbo project construction in the amount of $ 145,856,723

As of 31 December and 30 September 2010, the following are property, plant and equipment values:

	As of December 31, 2010			As of September 30, 2010		
	Cost	**Accumulated Depreciation**	**Net value**	**Cost**	**Accumulated Depreciation**	**Net value**
Plants, pipelines and tunnels (2)	$ 6,966,076,346	$ (2,292,256,348)	$ 4,673,819,998	$ 6,942,573,05	$ (2,273,411,311	$ 4,669,161,74
Land (1)	91,247,147	-	91,247,147	71,622,03	(21,790,841	49,831,19
Construction in progress	73,266,721	-	73,266,721	57,952,35		57,952,35
Construction and buildings	69,150,968	(21,424,091)	47,726,877	48,511,89		48,511,89
Machinery and equipment	30,811,548	(20,225,488)	10,586,060	30,059,82	(19,910,784	10,149,03
Communication and computer equipment	24,559,682	(18,318,622)	6,241,060	24,197,80	(17,890,622	6,307,18
Furniture, fixtures and office equipment	7,250,076	(3,906,160)	3,343,916	6,771,48	(3,797,958	2,973,53
Transport equipment, traction and elevation	6,983,556	(4,866,128)	2,117,428	5,920,33	(5,019,173	901.15
Machinery, plant and equipment in assembly	1,416,132	-	1,416,132	1,109,54		1,109,54
Networks, lines and cables	544.970	(544,970)	-	544.97	(544,970	
	$ 7,271,307,146	$ (2,361,541,807)	$ 4,909,765,339	$ 7,189,263,29	$ (2,342,365,659	$ 4,846,897,63

(1) In December 2010, the increase in land item, corresponds mainly to land acquired for the Quimbo project in the amount of $ 38.238.

(2) Management in 2010 hired a specialized engineering firm (INGETEC SA) for assessing remaining asset lives of Central Cartagena. As a result of the study: a) remaining asset lives of operating assets were updated, b) a reduction in yearly depreciation expense was recorded retroactive to 1 January 2010 in the amount of $ 18,572 million, as the total expenditure for annual depreciation for this plant without reassessment of asset lives was $ 22.351 million and after the change, amounts to $ 3.779 million.

9. Deferred Charges, Net

		As of December 31, 2011		As of December 31, 2010		As of September 30, 2010
Other deferred charges (2)	**$**	**45,642,517**	$	14,908,355	$	5,488,783
Studies and Projects (1)		**37,706,692**		19,360,223		18,131,312
Expenses and financial charges		**443.760**		827.323		986.351
Accumulated inflation adjustments		**101.157**		168.804		191.531
	$	**83,894,126**	$	35,264,705	$	24,797,977

(1) Applies to deferred assets re studies and projects in the amount of $ 6,063,364 for the Cartagena plants, alternative energy $ 1,732,140, $ 6,022,066 Guaicaramo, Sumapaz $1,487,590 and other minor hydraulic power plant projects for $ 7,352,216; amortization begins when the production stage starts.

Among the studies and projects are insurance policies for Quimbo project in the amount of $ 8,195,200, costs of obtaining the international bond for the same project in the amount of $ 5,434,000, title deeds and legalization of properties worth $ 1,212,057 and other expenses amounting to $ 208.059 .

9. Deferred Charges, Net (continued)

(2) Mainly:

a. Expenses incurred in the merger process between Emgesa S.A. E.S.P. (entity absorbed) and Central Hidroelectrica Betania S.A. E.S.P. (acquiring company). As of 31 December 2011 and 2010 net cost is $ 1,023,591 and $ 2,388,379, respectively, including the legal registration before a notary of the merged entity, fees and legalization of land, among others, is straight line amortized over a period of five years, which began in October 2007.

b. As of 31 December 2011, includes financial costs associated with the Quimbo project worth $ 31,154,200, namely: financial interests of international bond $ 51,600,220, financial returns $ 18,598,973 and forward profits for the Quimbo project in the amount of $ 1,847,053.

c. Legal stability premium - Quimbo Project - in the amount of $ 9,612,891 as a result of entering a contract between the Nation (Ministry of Mines and Energy) and the Company, executed 20 December 2010. The Company has not begun amortizing until project Quimbo initiates.

d. The conversion project for Central Cartagena in the amount of $ 866.680, will begin amortization when projects initiate.

10. Intangibles, Net

		As of December 31, 2011		As of December 31, 2010		As of September 30, 2010
Rights to use water in Chingaza (1)	**$**	**65,364,594**	$	65,364,594	$	65,364,594
Software		**8,828,172**		8,000,619		8,041,838
Licenses		**2,095,061**		1,305,075		1,109,504
Other intangible assets		**663.059**		663.059		663.059
		76,950,886		75,333,347		75,178,995
Less - accumulated depreciation		**(23,586,693)**		(21,031,276)		(20,367,231)
	$	**53,364,193**	$	54,302,071	$	54,811,764

(1) Emgesa S.A. E.S.P. recognized as intangible assets those expenditures for the use of the largest useful water flow from the Chingaza and Rio Blanco projects. Amortization is carried out by the straight-line method over a period of 50 years.

11. Other Assets

		As of December 31, 2011		As of December 31, 2010		As of September 30, 2010
Tomine Trust management (1)	**$**	**1,901,284**	$	2,020,931	$	453.825
Muña Trust management (1)		**259.117**		323.150		368.195
Tesalia Trust Administration of (2)		**589.615**		-		-
Gigante Trust Management (2)		**220.875**		-		-
Garzon Trust Management (2)		**795.353**		-		-
Agrado Trust Management (2)		**108.196**		-		-
Paicol Trust Management (2)		**576**		-		-
Alta Mira Trust Administration (2)		**39.068**		-		-
Proyecol Trust Management (2)		**1.000**		-		-
Works and improvements to property (3)		**279.868**		548.540		615.707
	$	**4,194,952**	$	2.892.621	$	1.437,727

11. Other Assets (continued)

(1) Trusts set up to carry out reclamation works on the Muña and Tominé reservoirs with funds from the Bogota water utility, Bogotá Power Company and Emgesa S.A. E.S.P. The Company adjusted monthly values of these trusts based on the monthly statements received. In December 2010 it received pledges of $ 1,900,000 for reclamation works on the Tominé reservoirs

(2) By 2011, as a product of project Quimbo, trusts were established in several municipalities of Huila in the amount of $ 1,754,683. They are intended to manage the resources that will be contributed by the trustor (the Company) in order to fulfill the purpose of the trust agreement. Hence, deposits and withdrawals of resources are managed by the Company.

The contract is valid for one year, renewable for the same term until the parties agree to liquidate; this will happen when the Company meets the financial commitments agreed to with the municipalities.

The disbursement process follows these steps:

- A Project Committee has been established responsible for approving approved investment initiatives.
- Once the investment initiative is approved, Quimbo supplies will initiate the hiring process.
- The project will manage the amount of resources to transfer to each sub-account according to the disbursement schedule for approved projects.
- The project will approve disbursement to contractors according to the guidelines set corporately for this purpose.

(3) Works and improvements to property correspond to the adjustments made on floors 5 and 6 of the building where the support areas of the Company are found.

12. Valuations

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Property, plant and equipment:			
Plants, pipelines and tunnels	**$ 1,997,804,913**	$ 2,001,754,958	$ 2,001,754,958
Land	**3,516,313**	4,077,545	4,077,545
Construction and buildings	**3,484,172**	3,484,172	3,484,172
Transport equipment, traction and elevation	**1,280,816**	1,830,398	1,929,198
Communication and computer equipment	**925.215**	925.215	925.215
Furniture, fixtures and office equipment	**634.820**	634.820	634.820
Networks, lines and cables	**361.705**	361.705	361.705
Machinery and equipment	**335.996**	335.996	335.996
	2,008,343,950	2,013,404,809	2,013,503,609
Investments in other companies *(Note 6)*	**(3,888,524)**	(3,756,153)	(3,780,211)
	$ 2,004,455,426	$ 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 devaluations. The final technical appraisal of fixed assets to market value was made in the third quarter of 2009 by the Real Estate Association of Bogota.

Appreciation (depreciation) on investments corresponds to intrinsic value settings of shares held by Compañía en la Electrificadora del Caribe S.A. E.S.P. and Termocartagena S.A. E.S.P. (now Vista Capital S.A. En Liquidación) (See Note 4).

12. Valuations (continued)

As of December 31, 2011 and December 31, 2010 this is the value of valuations, devaluations or provisions recorded for each asset class:

Asset Class	Book Value 31/12/2011	Commercial Value 31/12/2009	Valuation 31/12/2011	Valuation 31/12/2010	Valuation adjustment
Plants, pipelines and tunnels (2)	**$ 4,602,968,194**	$ 6,782,399,655	**$ 1,997,804,913**	$ 2,001,754,958	$ 3,950,045
Land (1)	**141,587,685**	61,184,144	**3,516,313**	4,077,545	561.232
Construction and buildings	**48,472,368**	55,113,934	**3,484,172**	3,484,172	-
Machinery and equipment	**12,481,279**	9,388,664	**925.215**	925.215	-
Communication and computer equipment	**4,887,180**	8,080,359	**634.820**	634.820	-
Furniture, fixtures and office equipment	**4,699,623**	1,835,500	**335.996**	335.996	-
Transport equipment, traction and elevation (3)	**1,836,669**	3,363,897	**1,280,816**	1,830,398	549.582
Networks, lines and cables	**-**	373.468	**361.705**	361.705	-
	$ 4,816,932,998	$ 6,921,739,621	**$ 2,008,343,950**	$ 2,013,404,809	$ 5,060,859

Variation in valuation accounts relates to:

(1) Write-off for sale of land during 2010.
(2) Write-offs in operational assets due to part replacement in servicing performed.
(3) Write-off due to sale of 23 vehicles in administrative area.

13. Financial obligations

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Ordinary bonds and commercial papers outstanding (3)	**$ 1,821,760,000**	$ 1,395,000,000	$ 1,485,000,000
Bank loans in domestic currency (1)	**305,009,053**	305,009,053	305,009,053
Interest on domestic debt and bonds (2)	**120,715,808**	51,152,457	41,096,827
	2,247,484,861	1,751,161,510	1,831,105,880
Less - current portion	**(425,724,861)**	(361,152,457)	(201,096,827)
	$ 1,821,760,000	$ 1,390,009,053	$ 1,630,009,053

(1) Applies to:

Description	Performance	Maturity Date	Book Value
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**
			$ 305,009,053

13. Financial Obligations (continued)

(2) Interest on domestic debt and bonds:

Description	Maturity	At 31 December 2011	At 31 December 2010	At 30 September 2010
Interest on bonds	During 2011	**$ 101,225,729**	$ 30,427,599	$ 25,758,091
Interest on bank loans	During 2011	**19,490,079**	20,724,858	15,338,736
		120,715,808	51,152,457	41,096,827
Bank loans in national currency		**305,009,053**	310,000,000	160,000,000
Current financial obligations		**$ 425,724,861**	$ 361,152,457	$ 201,096,827

(3) The Company has four current bond issues in the local market as of December 31, 2011, as follows:

Emgesa Third Bond Issue

Class Title	Ordinary Bonds
Financial Superintendence Approval:	Resolution No.0650 dated July 30, 2004
Total Amount Authorized Issuance	$ 250,000,000
Use of Funds:	Company working capital financing
Nominal value	Series A: $ 1,000 each bond
Term	10 years
First Batch - Feb/05	Series A $ 210,000,000
Second Batch - Feb/06	Series A $ 40,000,000
Bond Issuance premium second batch	$ 6,927.200
Underwriter	Deceval Inc.
Yield	Sub-series A-10 CPI + 5.04% E.A.
Rating	AAA (TripleA) Assigned by Duff & Phelps de Colombia SA S.C.V. (Now Fitch Ratings Colombia SA S.C.V.).

The bond issuance premium of the second lot corresponds to the greater value received through the ordinary bond issuance, as a consequence of the rate differential between the bond face rate and the bond issuance yield rate. As a result, the Company received $ 6,927,200 in 2006 which as of 31 December 2011, a total of $ 4,531,813 had been amortized and an unamortized balance remaining of $ 2,395,387, this value being amortized over 107 months, time equivalent to the life of the bonds.

Emgesa's Ordinary Bond Issuance Program

The Company has a Bond Issuance Program which allows it to perform successive issues of such securities under the global quota authorized and available, and during the period of validity thereof.

13. Financial Obligations (continued)

Type of securities	Ordinary Bonds
Approval by Financial Superintendence	Resolution No. 1235 dated July 18, 2006
Global Amount Initially Approved	$ 700,000,000
Approval of quota expansion and placement extension:	Resolution No. 0833 dated June 16, 2009
First Increase to the Authorized Global Amount:	$ 1,200,000,000
Authorized Total global amount as of August 31, 2010:	$ 1,900,000,000
Balance issued as of December 31, 2011	$ 835 million (*)
Overall quota available as of December 31, 2011	$ 1,065,000,000
Expiration of the term of the program	June 2012
Underwriter	Deceval S.A.
	AAA (Triple A)
Rating	Fitch Ratings Colombia.

The Company has carried out three bond tranches under said program, as follows:

(*) Value of the First Tranche of the Program	$ 170 million (February 2007)
Nominal value	Series B: $ 10.000 each bond
Term	10 years
Yield	Sub-series B-10: CPI + 5.15% E.A.
Use of funds	Replacement of financial liabilities
(*) Value of the Second Tranche	$ 265 million (February 2009)
Nominal 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: CPI + 5.78% E.A.
	Sub-series B-15: CPI + 6.09% E.A.
Use of funds	
	General purposes of the Company, including but not limited to the replacement of current financial obligations.
(*) Value of the Third Tranche	$ 400,000,000 (July 2009)
	Series B: $ 10.000 each bond
Nominal value	Series E: $ 10,000 each bond
Term	5, 9 and 12 years
Yield	Sub-series B-9: CPI + 5.90% E.A.
	Sub-series B-12: CPI + 6.10% E.A.
	Sub-series E-5: 9.27% Fixed Rate E.A.
Use of funds	
	$ 250,000,000 to pre-fund debt maturities of non-current.
	$ 150,000,000 for working capital.

13. Financial Obligations (continued)

The Company has a current issue of bonds in the international market as well:

International global bonds in pesos

On January 20, 2011, the Company placed its first bond issue in the international capital market worth $ 736.76 million, equivalent to USD 400 million, for a term of 10 years. Bonds issued by the Company in COP and payable in USD, have a fixed rate coupon of 8.75%.

According to the *Offering Memorandum*, The Company pays the interest as necessary so that once withholding tax is applied (currently 14% Section 408 of the tax code), the bondholder receives 8.75%; meaning that the rate before discounting 14% withholding is 10.1744%

The operation is part of the financial structure of the Quimbo Hydroelectric Power plant which allowed pre-financing resources to be obtained for project needs for 2011 and part of 2012 and refinance other financial obligations.

Record format	144 A / Reg S
Total value of issuance in pesos	$ 736,760,000
Dollar equivalent	$ 400,000 converted to the current TRM January 20, 2011 ($ 1841.90)
Use of funds	Financing of new projects and refinancing Quimbo's other financial obligations, and other general purposes of the Company.
Nominal value	$ 5.000 each bond
Term	10 years, amortized at maturity.
Frequency of interest	Annual
Counting of days	365/365
Underwriter, Paying Agent, Calculation Agent and Transfer Agent	The Bank of New York Mellon
Yield	8.75% yearly(1)
International rating	BBB-(stable) by Fitch Ratings and Standard & Poor's

Cancellation

Emgesa Commercial Papers, in 2011

The Financial Superintendence of Colombia through Resolution No. 1954 dated December 17, 2009, authorized the entry in the RNVE and public offer of Commercial Papers issued by Emgesa for a total of $ 600,000,000. On November 19, 2010, the Company issued the first batch of Commercial Paper in the amount of $ 70,000,000 with the following conditions:

Value of the first batch	$ 70,000,000
Nominal value	Sub-Series C353: $ 10,000 each role
Term	353 days
Yield	Sub-Series C353: 4.20% E.A.
Use of funds	100% to pay liabilities Codensa Inc. E.S.P. (Company linked Emgesa SAESP), which were purchased for the refinancing of financial obligations.

13. Financial Obligations (continued)

On November 7, 2011 amortization payment of the first batch of commercial paper issued in 2010 by the Company was held.

First Ordinary Bond Issuance by Central Hidroeléctrica de Betania S.A. E.S.P. (acquiring company)

Type of security	Ordinary Bonds
Financial Superintendence Approval:	Resolution No. 885 of 2004
Total Value Authorized Issuance	$ 400,000,000
Use of funds	Substitution of Financial Liabilities
Nominal value	Series B: $ 1,000 Bonus
Term	7 years, with amortization of 40% in year 6, and the remaining 60% at maturity.
First Batch - Nov/04	$ 300,000,000
Second Batch - Feb/06	$ 100,000,000
Bond issuance premium of second lot	$ 19,817,475
Underwriter	Deceval SA (TripleA)
Yield	Sub-series B 07: CPI + 6.29% T.V.
Rating	AAA
	Duff & Phelps de Colombia S.A. S.C.V. (Now Fitch Ratings Colombia SA S.C.V.).

On November 10, 2010 payment was made under the write-down for the sixth anniversary of the Bonds Bethany, or 40% ($ 160 million) of the amount unpaid and outstanding bond issues of the hydroelectric Bethany SA E.S.P. (acquiring company, now Emgesa S.A. ESP), as provided in the information leaflet of the issue.

On November 10, 2011 payment was made of the write-set for the maturity of the Bonds Bethany, equal to 60% ($ 240 million) remaining unpaid and outstanding amount of the bond issue Hydroelectric Bethany SA E.S.P. (Acquiring company, now Emgesa SAESP), as provided in the information leaflet of the issue.

The following is a summary of bonds and bank loans, at December 31, 2011:

Description	Yield	Issuance Date	Maturity Date	Book Value
3 rd. Issue first batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	**$ 210,000,000**
3 rd. Issue second batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	**40,000,000**
4 th. Issue first tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	**170,000,000**
5 th. Issue second tranche of the program	Sub-series A5: +1.47% DTF T.A	February 11, 2009	February 11, 2014	**49,440,000**
5 th. Issue second tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	**160,060,000**
5 th. Issue second tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	**55,500,000**
6 th. Issue third tranche of the program	Sub-series E5: 9.27% Fixed Rate E.A.	July 2, 2009	July 2, 2014	**$ 92,220,000**
6 th. Issue third tranche of the program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	**218,200,000**
6 th. Issue third tranche of the program	Sub-series B 12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	**89,580,000**
144-a / reg s global bond in COP	8.75% E.A. (1)	January 25, 2011	January 25, 2021	**736,760,000**
Total bonds non-current				**$ 1,821,760,000**

13. Financial Obligations (continued)

The installments of bonds and loans payable in local currency in the coming years are as follows:

Year	At December 31, 2011	Concept
2012	**$ 305,009,053**	Bank loans
2014	**141,660,000**	Local bonds issued
2015	**250,000,000**	Local bonds issued
2017	**170,000,000**	Local bonds issued
2018	**218,200,000**	Local bonds issued
2019	**160,060,000**	Local bonds issued
2021	**89,580,000**	Local bonds issued
2021	**736,760,000**	International bonds issued
2024	**55,500,000**	Local bonds issued
	$ 2,126,769,053	

The following is the detail of bonds and commercial paper issued as of 31 December 2010:

Description	Yield	Issuance Date	Due Date	Book value
Non Current				
3 rd. Issue first batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	$ 210,000,000
3 rd. Issue second batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
4 th. Issue first tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
5 th. Issue second tranche of the program	Sub-series A5: +1.47% DTF T.A	February 11, 2009	February 11, 2014	49,440,000
5 th. Issue second tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
5 th. Issue second tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	55,500,000
6 th. Issue third tranche of the program	Sub-series E5: 9.27% Fixed Rate E.A.	July 2, 2009	July 2, 2014	92,220,000
6 th. Issue third tranche of the program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
6 th. Issue third tranche of the program	Sub-series B 12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000
Non-current portion				1,085,000,000
Current:				
1 st. Bethany Bond Issue 1, Lot	Sub-series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2011	180,000,000
1 st. Bethany Bond Issue 2 ° Lot	Sub-series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2011	60,000,000
1st Lot Commercial Papers	Sub-Series C353: 4.20% E.A.	November 19, 2010	November 7, 2011	70,000,000
Bonds and commercial paper				310,000,000
Bonds and commercial paper debt				$ 1,395,000,000

The following is the detail of the bonds issued at September 30, 2010:

Description	Performance	Date of Placement	Due Date	Book value
Non Current				
1 st. Bethany Bond Issue 1, item (1)	Sub-series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2011	$ 180,000,000
1 st. Bethany Bond Issue 2 ° Lot (1)	Sub-series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2011	60,000,000
3 rd. Issue first batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	210,000,000
3 rd. Issue second batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
4 th. Issue first tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
5 th. Issue second tranche of the program	Sub-series A5: +1.47% DTF T.A	February 11, 2009	February 11, 2014	49,440,000
5 th. Issue second tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
5 th. Issue second tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	$ 55,500,000
6 th. Issue third tranche of the program	Sub-series E5: 9.27% Fixed Rate E.A.	July 2, 2009	July 2, 2014	92,220,000
6 th. Issue third tranche of the program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
6 th. Issue third tranche of the program	Sub-series B 12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000

Description	Performance	Date of Placement	Due Date	Book value
Non-current portion				1,325,000,000

13. Financial Obligations (continued)

Description	Yield	Issue Date	Due Date	Book value
Current				
1 st. Bethany Bond Issue 1, item (2)	Sub-series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2010	120,000,000
1 st. Bethany Bond Issue 2 ° Lot (2)	Sub-series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2010	40,000,000
Bonds and commercial paper				160,000,000
Bonds and commercial paper debt				$ 1,485,000,000

14. Accounts Payable

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010	
Suppliers	**$**	**67,721,148**	$	85,783,698	$	78,139,508
Contractors		**3,615,008**		4,779,117		913.773
Creditors		**47,804,807**		7,746,357		9,262,263
	$	**119,140,963**	$	98,309,172	$	88,315,544

15. Labor Obligations

Bonuses	**$**	**3,766,151**	$	3,567,944	$	2,581,914
Premiums		**2,057,084**		2,035,619		2,373,852
Vacation		**2,003,099**		2,155,730		2,102,157
Workman compensation		**1,588,642**		1,464,229		1,185,802
Interest on workman compensation		**189.228**		175.792		107.132
	$	**9,604,204**	$	9,399,314	$	8,350,857

As of December 31, 2011, 2010 and September 30, 2010, the number of active employees on the payroll was 497, 444 and 448, respectively.

The Company executed on September 21, 2005 a Collective Bargaining Agreement with – SINTRAELECOL (union), benefiting union-member employees, from 1 January 2004 to December 31, 2007, partially modified through Conventional Act 01 dated March 3, 2011, executed for a term of four years beginning 1 January 2011. As of 31 December 2011, 302 employees were members.

During 2011, an employee recreational benefit was paid in an amount of $ 2,619,000.

16. Pensions

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010	
Actuarial calculations of pensions and fringe benefits	**$**	**74,239,240**	$	81,712,752	$	83,217,970
Less - Current portion		**(10,260,434)**		(11,111,230)		(12,655,393)
Retirement pensions and fringe benefits to non-current	**$**	**63,978,806**	$	70,601,522	$	70,562,577

16. Pensions (continued)

Book entries during the period 1 January to 31 December 2011 and 31 December 2010 is comprised as follows:

	As of 31 December 2011	As of 31 December 2010
Beginning Balance	**$ 81,712,752**	$ 82,013,917
Increase (decrease) in non-current provision	**(6,622,176)**	1,007,909
Financial cost	**13,573,398**	6,363,346
Payments	**(10,032,251)**	(9,403,472)
Recovery actuarial gain	**(2,052,873)**	1,731,052
Recovery recreation benefit	**(2,339,610)**	-
	$ 74,239,240	$ 81,712,752
Number of retired employees	**312**	313
Number of active employees, with right to a pension	**2**	2
	314	315

As of 31 December 2011, including the effects of reduction rates, namely: Mortality table, (pre-retirement and retirement), authorized by the Superintendence.

Finance Decree 1555 dated 30 July 2010. (RV Mortality Table 2008), total and permanent disability, EISS.

As of December 31, 2011, the pension actuarial liability is fully amortized.

The value of the pension obligation at the end of each period is determined taking into account the actuarial assumptions, Colombian laws on pensions and the particular provisions for each company as to pensions and post-retirement benefits.

Financial assumptions are summarized in an annual 8.5% discount rate, an increase rate in pensions of 3.5% (DANE (National Statistics Office in Colombia) rate, according to Decree 2783 of 2001).

As of December 31, 2011, the Company hired a new actuary AON HEWWIT, external specialist, resulting in a lower value in pension liabilities in the amount of $ 7,473,512.

17. Liabilities and Provisions

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010
Provision for costs and expenses	**$**	**15,650,596**	$	12,644,536	$	12,433,384
Provision for fixed asset purchases		**4,825,942**		12,654,875		1,650,579
Provision for contingencies *(Note 17)*		**1,224,185**		1,526,202		1,526,202
Other provisions		**299.099**		299.099		299.099
		21,999,822		27,124,712		15,909,264
Less – non-current portion		**(1,224,185)**		(1,526,202)		(1,526,202)
Current portion	**$**	**20,775,637**	$	25,598,510	$	14,383,062

18. Taxes, Levies and Fees

Income Tax – As of December 31, 2011, 2010 and September 30, 2010, the Company is subject to an income tax rate of 33% applicable on net income.

In accordance with Act 633 of 2000, power generating companies are not subject to the presumptive income system. Tax years open for tax review are 2003, 2009 and 2010. The income tax statement for the taxable year 2010 was filed on April 18, 2011.

Taxes, levies and fees are detailed below:

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010	
Income tax	**$**	**97,847,040**	$	103,792,950	$	38,825,930
Current equity tax		**49,213,976**		-		-
Others		**7,373,530**		11,238,558		11,912,809
	$	**154,434,546**	$	115,031,508	$	50,738,739

The equity tax to non-current corresponding to December 31, 2011, to December 31, 2010 and September 30, 2010, are detailed below:

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010	
Total equity tax	**$**	**147,641,928**	$	-	$	-
Less current equity tax		**(49,213,976)**		-		-
	$	**98,427,952**	$	-	$	-

The Company decided in 2011 for an alternative treatment of entering as a lower value of the equity revaluation account said pending portion owed in equity tax and surcharge in $ 196,855,905. The tax shall be paid in equal semester installments from 2011 to 2014. In previous years, the accounting treatment was taken as a lower value of the equity revaluation account within the accrual year.

18. Taxes, Levies and Fees (continued)

The liability corresponding to income tax is shown net of advance payments applicable to tax, as detailed below:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Current income tax	**$ 301,866,788**	$ 275,949,088	$ 201,059,174
Advance payments in withholding tax	**(41,878,131)**	(39,507,898)	(29,585,004)
Advance payments of income tax due to self-withholding	**(162,141,617)**	(132,648,240)	(132,648,240)
	$ 97,847,040	$ 103,792,950	$ 38,825,930

The income tax expense breaks down as follows:

Current	**$ 301,866,788**	$ 74,889,914	$ 201,059,174
Deferred tax entries	**(571,677)**	(297,400)	(867,173)
	$ 301,295,111	$ 74,592,514	$ 200,192,001

The following is a summary of the main reconciling entries:

a) Differences between accounting income and taxable net income

	As of 31 December 2011	As of 31 December 2010
Profit before income tax	**$ 969,050,144**	$ 846,761,473
Effect of temporary differences on provisions	**7,230,561**	9,549,795
Non-deductible expenses	**14,439,665**	10,220,377
Depreciation - inflation adjustment	**(5,498,209)**	(6,020,787)
Untaxed income	**(23,565,495)**	(12,352,756)
Special deduction purchase real productive fixed assets	**(46,908,825)**	(11,959,910)
Net income	**914,747,841**	836,198,192
Windfall	**-**	11.165
Applicable rate	**33%**	33%
Current tax on income	**301,866,788**	275,945,404
Windfall tax	**-**	3.684
Deferred tax	**(571,677)**	(1,164,573)
Total income tax	**$ 301,295,111**	$ 274,784,515

b) Difference between book and tax equity

Book equity	**$ 5,443,061,147**	$ 5,132,679,432
Depreciation of inflation adjustment	**199,513,658**	205,429,147
Estimated liabilities and provisions	**27,796,914**	20,666,697
Deferred tax assets and others	**(72,156,009)**	(73,813,214)
Valuations	**(2,004,455,426)**	(2,009,648,656)
Tax Equity	**$ 3,593,760,284**	$ 3,275,313,406

18. Taxes, Levies and Fees (continued)

c) The breakdown of deferred tax assets as of December 31 is as follows:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Inflation adjustment 2006	**$ 65,840,899**	$ 67,868,062	$ 68,358,723
Provisions for costs and expenses	**3,319,368**	4,271,400	4,201,720
Provisions for labor obligations	**1,682,054**	1,498,602	1,038,352
Tax valuation for Tocancipá	**1,037,946**	-	-
Provision for accounts receivable	**195.767**	330.974	2.890
Industry and Trade tax provision	**7.145**	10.128	5.949
Forward valuation	**(122,837)**	(74,132)	-
	$ 71,960,342	$ 73,905,034	$ 73,607,634

Industry and trade tax **-** The industry and trade tax in municipalities adjacent to the generating plants, is calculated according to Law 56 of 1981.

Contribution to the environment **-** According to Law 99 of 1993, the Company is required to make transfers for basic sanitation projects and environmental improvements to the municipalities and autonomous regional corporations, equivalent to 6% of gross sales of power generation in hydraulic plants and 4% for thermal plants, according what CREG defines for block sale rates. Environmental contributions as of December 31, 2011 were $ 21,700,462 thousand COP.

Equity tax. For years 2007, 2008, 2009 and 2010, equity tax was paid in tax bracket having equity equal to or greater than $ 3,000,000 COP. The basis for calculating said tax corresponds to tax equity as of January 1, 2007 and a rate of 1.2%. This tax is accrued and paid at the beginning of each year.

Law 1370 of December 2009 established a new equity (wealth) tax for taxable year 2011, with a rate of 2.4% for taxpayers with fiscal equity in excess of $ 3,000,000 and less than $ 5,000,000, and 4.8% for taxpayers with equity less than $ 5,000,000. Subsequently, Decree 4825 of December 2010 established a surcharge on equity tax, which is 25% for taxpayers with equity equal to or in excess of $ 3,000,000.

This tax is accrued on equity owned as of 1 January 2011 and payment made in eight equal installments between 2011 and 2014.

Transfer Pricing - Independent consultants carry out transfer pricing study updates, required by tax provisions, tending to show that the operations with affiliates were made pursuant to market value during 2011. For this purpose the Company shall provide a disclosure statement and said study will be available by mid June 2012. Failure to comply may result in financial sanctions and increased income tax; however, management and their advisors are of the opinion that the study will be completed on time and will not produce significant changes to the basis for determining the income tax provision for 2011, as did happen in 2010.

18. Taxes, Levies and Fees (continued)

Legal stability contract

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

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

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

Key Standards of Legal Stability (with favorability):

a. Income tax rate (33%), exclusion from the calculation of presumptive income and special deductions relating to investments in scientific development and environmental investments, among others.

b. Ensures stability of the special deduction for investment in productive fixed assets (30%), which was dismantled 1 January 2011.

Obligations of the parties:

a. Obligations of the Company:

Comply with the amount of investment planned for construction and implementation of project Quimbo.

Pay the premium for legal stability in the amount of $ 9,612,891 (deposited on December 23, 2010) - (*Note 9*.)

Pay taxes on time.

Hire an independent audit commissioned to review and certify compliance with the commitments made in the contract; thus, the Company hired a third party specialist and results thereof are expressed during the first quarter.

b. Obligations of the Nation:

20 year guarantee of stability of all standards and norms included in the contract (favorability) for project Quimbo.

Information confidentiality.

19. Equity

Capital as of December 31, 2011 - Authorized capital consists of 286,762,927 shares, par value $ 4.400 per share. The paid-in capital is represented by 127,961,561 common shares and 20,952,601 preferential shares for a total of 148,914,162 shares with a par value of $ 4,400, distributed as follows:

Shareholders	Share (%)	Number of Share
Empresa de Energía de Bogotá S. A. E.S.P. (E.E.B.)	51.51%	76,710,851
Endesa Latinoamericana S.A.	21.61%	32,176,823
Empresa Nacional de Electricidad S.A.	26.87%	40,019,173
Other minority stakes	0.01%	7.315
	100.00%	148,914,162

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

Equity Revaluation - Equity revaluation can not be distributed as profits, but may be capitalized.
Legal reserve - According to Colombian law, the Company must transfer at least 10% of income for the year to a legal reserve until it is equal to 50% of the subscribed and paid-in 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 net profits generated periodically according to audited balance sheets in each fiscal year as well as capital invested and capital gains. Dividends for non-resident shareholders in Colombia are subject to income tax at a 0% rate as of 31 December 2011, corresponding to the non-taxable part and 33% corresponding to taxable income.

Issue premium - Represents the largest amount paid by the shareholder on the share's face value.

Payment of dividends. The Shareholder General Assembly held March 24, 2011, through Minutes No. 79, ordered to pay out dividends in the amount of $ 155,324,183 charged to the profit of the quarter from October to December 2010. 100% of the preferred dividend and 50% of common dividends were paid on September 7, 2011, the remaining 50% were paid on January 11, 2012.

The Shareholder General Assembly held October 29, 2010, in accordance to minutes No.78, ordered dividends of $ 439,404,704 against profit of September 2010, which were paid as follows: 48% of the common dividend on December 27, 2010, the preferred dividend and the remaining 52% of the common dividend on January 3, 2011.

20. Memorandum Accounts

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Debtor:			
Contingent claims	**$ 233,933,212**	$ 260,532,927	$ 141,076,591
Control	**83,610,700**	53,632,219	45,976,758
	317,543,912	314,165,146	187,053,349
Creditors:			
Tax	**1,970,515,634**	1,970,360,858	1,807,519,550
Contingent liabilities *(1)*	**434,018,075**	741,211,803	132,042,946
Credit memorandum accounts	**2,404,533,709**	2,711,572,661	1,939,562,496
	$ 2,722,077,621	$ 3,025,737,807	$ 2,126,615,845

(1) Contingent liabilities as of 31 December 2011 are made for legal, civil and labor contingencies, valued at $ 191,761,869 and contractual guarantees for $ 242,256,206.

21. Operating Revenues

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Block sales (1)	**$ 1,023,734,970**	$ 249,837,801	$ 778,005,394
Sales to unregulated customers	**583,365,022**	131,987,647	381,270,505
Sales in exchange, generator	**287,328,865**	71,669,577	271,104,483
Other services	**4,729,135**	1,706,095	1,197,261
	$ 1,899,157,992	$ 455,201,120	$ 1,431,577,643

The total income received from sales to Codensa SA ESP, represents 35.67% $ (677,389,582) 28.84% $ (131,267,012) and 27.70% $ (396,588,044) at December 31, 2011, 2010 and September 30, 2010 respectively, of net revenues.

22. Cost of Sales

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Energy purchases and related costs	**$ 360,128,377**	$ 97,313,119	$ 381,849,664
Depreciation	**144,486,172**	21,809,598	114,369,707
Consumption of indirect supplies	**99,593,453**	26,892,053	87,830,344
Transfers Law 99 of 1993	**58,110,164**	14,792,049	38,371,081
Other costs of generation	**39,909,696**	9,266,173	29,743,217
Staff costs	**39,579,099**	7,712,912	31,019,417
Insurance	**13,313,821**	3,187,969	9,593,502
General	**3,006,095**	1,789,156	8,094,745
Amortization	**3,000,732**	568.451	2,748,588
Leases	**2,618,230**	987.843	4,785,992
Utilities	**1,704,604**	652.561	882.805
	$ 765,450,443	$ 184,971,884	$ 709,289,062

23. Administrative Expenses

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Other expenses (2)	**$ 10,670,556**	$ 373.454	$ 424.802
Wages, salaries and bonuses (1)	**6,939,345**	$ 3,340,064	$ 6,488,261
Depreciation and amortization	**4,247,408**	765.765	1,639,503
Other general services	**3,183,056**	1,261,608	2,116,228
Commissions, fees and services	**1,753,730**	1,177,281	1,412,858
Social security contributions	**1,184,530**	304.128	922.938
Other staff costs	**847.203**	170.013	253.869
Leases	**384.601**	284.734	854.478
	$ 29,210,429	$ 7,677,047	$ 14,112,937

(1) Wages and salaries as of 31 December 2011 show a decrease mainly in the following areas: staff salaries $ 129.468, $ 437.899 bonus, training $ 167.454 and comprehensive salaries $ 1,993,177.

(2) Other expenses consist primarily, as of December 31, 2011, of the tax on financial transactions in the amount of $ 6,589,692. The variation is the result of the enactment of Law 1430 December 29, 2010, which removed the exemption in some kinds of financial transactions on GMF and expenses for use contracts with Codensa in the amount of $ 3,337,531 and general administrative expenses of $ 618.692.

24. Income (expense), net

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Financial revenue			
Interest on deposits	**$ 4,745,591**	$ 1,883,546	$ -
Adjustment for exchange difference	**1,417,792**	159.587	525.699
Others	**1,115,414**	455.756	726.926
Late fee	**106.170**	45.041	-
Financial income from receivables and investments	**84.727**	(118,039)	10,038,218
Gain on sale of inventories	**-**	324	-
	7,469,694	2,426,215	11,290,843
Financial expenses			
Interest	**143,850,403**	33,397,108	98,068,897
Adjustment for exchange difference	**2,383,407**	426.609	455.386
Others (1)	**3,614,522**	754.600	5,356,610
	149,848,332	34,578,317	$ 103,880,893
Financial expenses, net	**$ (142,378,638)**	$ (32,152,102)	$ (92,590,050)

(1) The other financial expenses mainly relate to financial discounts and commissions $ 1,937,087 $ 670.362.

25. Income (Expense) Miscellaneous, net

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Other Income:			
Claim settlement	**$ 5,650,561**	$ 1,700,495	$ 3,251,483
Use contracts	**2,803,339**	-	-
Recovery benefit recreation	**2,339,610**	-	-
Actuarial gain	**2,052,873**	-	-
Recovery of receiving invoices	**1,789,053**	-	-
Prior year adjustments	**1,771,887**	-	2,989,882
Extraordinary reconciling items	**1,052,558**	-	227.636
Other recoveries	**840.513**	5.437	1,302,828
Receivables Recovery	**538.622**	8.333	189.396
Gain on sale of inventories	**294.406**	-	217.724
Gain on sale of property, plant and equipment	**266.943**	69.734	372.078
Other extraordinary income	**170.092**	325.962	181.947
Profit equity method	**103.848**	91.821	-
	19,674,305	2,201,782	8,732,974
Other expenses:			
Adjustments of prior years deferred tax	**(2,516,368)**	-	-
Payment of the purchase of recreational benefit	**(2,500,386)**	-	-
Adjustment of prior years income tax	**(2,261,572)**	(161,431)	(1,412,043)
Other adjustments to prior years	**(921,623)**	-	(704,474)
Loss on property, plant and equipment	**(900,888)**	(346,049)	(2,319,596)
Adjustment of previous years of expansion projects	**(776,976)**	-	-
Provision for inventories	**(749,909)**	(218,842)	(1,356,191)
Provision for debtors	**(744,105)**	(138,539)	(1,329,123)
Legal contingencies	**(722,573)**	-	-
Contribution to the Endesa Foundation	**(577,000)**	-	-
Other expenses	**(71,243)**	(89,259)	(260,312)
Loss on actuarial gain	**-**	(1,731,052)	-
Voluntary retirement bonuses	**-**	-	(90,631)
loss Equity method	**-**	-	(1,422)
	(12,742,643)	(2,685,172)	(7,473,792)
Other income, net	**$ 6,931,662**	$ (483,390)	$ 1,259,182

26. Forward Operations

In an effort to hedge the gain or loss effect from exchange differences arising on net monetary position, Emgesa S.A. ESP., established hedge contracts (Non Delivery forwards), valued at the exchange rate as of December 31, 2011, 2010 and September 30, 2010, obtaining financial revenue as follows:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
40% all-risk policy (1)	**$ 372.233**	$ 224.643	$ 10.877
Project Quimbo fixed-assets (2)	**1,847,053**	-	-

(1) Forwards generated revenue charged to the income statement

(2) Forwards entered into for the purchase of fixed assets associated to project Quimbo generated revenue and were recorded in deferred charges.

26. Forward Operations (Continued)

Details of Forwards as of 31 December 2011 is:

Entity	Start Date	Final Date	Rate Negotiable	(Thousands of USD)	(Thousands of COP)	Valuation
Citibank Colombia	13-Jan-11	20-Jan-12	1,868.50	**U.S. $ 477,860.82**	**$ 892.883**	**$ 28.601**
Citibank Colombia	13-Jan-11	20-Feb-12	1,868.50	**3,415,854.63**	**6,382,524**	**178.839**
Citibank Colombia	13-Jan-11	20-Mar-12	1,868.50	**5,650,523.14**	**10,558,002**	**312.568**
Citibank Colombia	13-Jan-11	20-Apr-12	1,868.50	**4,686,769.25**	**8,757,228**	**223.240**
Citibank Colombia	13-Jan-11	18-may-12	1,868.50	**3,804,420.24**	**7,108,559**	**175.683**
Citibank Colombia	25-Jan-11	19-Jul-12	1,859.00	**4,784,647.80**	**8,894,660**	**226.671**
Citibank Colombia	25-Jan-11	17-Aug-12	1,859.00	**1,641,892.71**	**3,052,279**	**72.405**
Citibank Colombia	25-Jan-11	19-Oct-12	1,859.00	**2,277,236.42**	**4,233,383**	**61.793**
Citibank Colombia	25-Jan-11	20-Nov-12	1,859.00	**4,953,668.45**	**9,208,870**	**110.901**
Citibank Colombia	25-Jan-11	20-Dec-12	1,859.00	**7,469,722.06**	**13,886,213**	**207.272**
Citibank Colombia	25-Jan-11	20-Feb-13	1,859.00	**5,814,076.89**	**10,808,369**	**73.652**
Banco Santander	26-Jan-11	20-Jun-13	1,867.00	**3,761,117.07**	**7,022,006**	**(77,297)**
Banco Santander	26-Jan-11	19-Jul-13	1,867.00	**7,605,550.48**	**14,199,563**	**(67,212)**
Banco Santander	26-Jan-11	20-Sep-13	1,867.00	**95,572.16**	**178.433**	**(2,801)**
Banco Santander	26-Jan-11	20-Feb-14	1,867.00	**1,252,865.81**	**2,339,100**	**(42,553)**
Banco Santander	26-Jan-11	20-Mar-14	1,867.00	**49,717.56**	**92.823**	**(1,662)**
Banco Santander	26-Jan-11	16-Apr-14	1,867.00	**1,889,406.08**	**3,527,521**	**(70,164)**
Banco Santander	26-Jan-11	18-Jul-14	1,867.00	**417,621.94**	**779.700**	**(12,637)**
Banco Santander	26-Jan-11	19-Sep-14	1,867.00	**1,781,005.53**	**3,325,137**	**(50,553)**
Banco Santander	26-Jan-11	20-Nov-14	1,867.00	**1,781,005.53**	**3,325,137**	**(47,696)**
Banco Santander	26-Jan-11	20-Feb-15	1,867.00	**112,437.84**	**209.921**	**(3,563)**
JP Morgan Chase Bank	28-Apr-11	14-Jun-12	1,767.00	**2,849,058.00**	**5,034,285**	**495.262**
Banco de Bogota	24-Aug-11	12-Jan-12	1,792.95	**2,877,471.00**	**5,159,162**	**372.233**
Banco de Bogota	19-Dec-11	20-Feb-12	1,860.07	**874,129.93**	**1,625,943**	**56.304**
				U.S. $ 70,323,631.34	**$ 130,601,701**	**$ 2,219,286**

Details of Forwards as of December 31 and September 30, 2010 is:

Entity	Start Date	Final Date	Rate Negotiable	(Thousands of USD)	(Thousands of $ COP)	Valuation as of December 31, 2010	Valuation as of September 31. 2010
Banco de Bogota	08-Sep-10	04-Jan-11	1,808,14	2,005,371	3,615,684	224.643	10.877

27. Contingencies

As of December 31, 2011, 2010 and September 30, 2010, the following are the major litigations facing the Company, of which management, together with its in-house and external legal advisors, believe that the litigation outcome corresponding to the non-provisioned parts shall be favorable in regards to the interests of the Company and will not cause significant liabilities that must be accounted for or, provided they do arise, they will not significantly affect its financial position.

Environmental contingency – Class action against Emgesa S.A. E.S.P, the Empresa 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, both health-wise affecting the population as well as the value of property as a result of environmental issues caused by water quality from the Bogotá River at the Muña reservoir. The initial intention of the claimants was three trillion COP. This action was joined with another existing for the same reason at the Administrative Tribunal of Cundinamarca and in which there are a number of other claimants.

27. Contingencies (continued)

Management and internal and external advisors of the Company consider that this contingency is remote, and considering a possible sentence under the most critical scenario, the amount could be $ 114,838,800.

Industry and trade tax - Power generation companies in Colombia have been required by municipalities, who ignore the special regime contained in Law 56 of 1981 when calculating the Industry and Trade Tax on the basis of power generation plant capacity, to tax their income based on Law 14 of 1983.

Municipalities of Yaguará, Caloto, Puerto Tejada and Yumbo, have issued industry and trade tax statements for years1998 through 2007 for an accumulated amount totaling $ 164,746,979. Annulment Actions are currently underway before Administrative courts against these tax calculations made by said municipalities. During fiscal year 2011 we obtained three (3) final favorable rulings in relation to the claims of the Puerto Tejada and Caloto municipalities. Finance management and Directors of the Company together with its external and internal consultants, based on repeated case law, concluded that contingent events related to the industry and trade tax are remote given that the probability of success is higher than 65 %.

Income tax 2003 - The process is based on failure of Company management knowledge of the benefits arising from the application of Law Paez. As such, the tax authority considers that the Company was not subject to the application of the benefits from this law on all their income. The amount in dispute amounts to $ 89,745,231. Finance management and Directors of the Company together with its external advisors, concluded that the contingent event related to income in 2003 is remote.

Other contingencies – As of December 31, 2011 the value of claims for administrative litigation, civil, labor and contractors is detailed as follows:

Processes	Process docket no.	rating	Amount of Contingency	Amount of Provision
	14	Likely	$ 1,183,581	$ 1,183,580
	149	Eventual	35,175,932	-
Administrative and civil	26	Remote	131,081,651	-
	189		167,441,164	1,183,580
Labor and contractors	1	Likely	40.604	40.605
	5	Eventual	696.101	-
	16	Remote	23,584,000	-
	22		24,320,705	-
	211		$ 191,761,869	$ 1,224,185

27. Contingencies (continued)

As of December 31, 2010 the value of claims for administrative litigation, civil, labor and contractors is detailed as follows:

Processes	Docket No.	Rating	Amount of Contingency	Amount of Provision
	19	Likely	$ 1,842,352	$ 1,433,633
	52	Eventual	178,981,404	-
	87	Remote	363,209,788	-
Total administrative and civil	158		544,033,544	1,433,633
	1	Likely	92.569	92.569
	6	Eventual	1,696,101	-
	15	Remote	23,837,000	-
Total labor and contractors	22		25,625,670	-
Total processes	180		$ 569,659,214.	$ 1,526,202

At September 30, 2010 the value of claims for administrative litigation, civil, labor and contractors is detailed as follows:

Processes	Docket No.	Rating	Amount of Contingency	Amount of Provision
	19	Likely	$ 1,842,352	$ 1,433,633
	46	Eventual	28,981,404	-
	87	Remote	363,259,788	-
Total administrative and civil	152		394,083,544	1,433,633
	1	Likely	92.569	92.569
	6	Eventual	1,696,101	-
	16	Remote	23,332,000	-
Total labor and contractors	23		25,120,670	-
Total processes	175		$ 419,204,214	$ 1,526,202

28. Further Events

On January 16, 2012 the municipality of San Esteban de Caloto (Cauca) ordered the injunction to be lifted, corresponding to the lien on five bank accounts (Note 5).

On January 2012, the Forward contract corresponding to 40% of the all-risk insurance policy was settled, generating a profit of $ 95.590.

29. Commitments

On 5 December 2011, an Inter-institutional Agreement was entered into between the Empresa de Acueducto y Alcantarillado de Bogotá E.S.P. (Bogotá water utility company) and the Company, in order to join efforts to ensure the construction of Lift Station Canoas through economic support and operations offered by the Company.

It is worth noting the importance of said agreement for the Bogota River Basin inhabitants, to the extent that it contributes significantly to the financing of megaprojects necessary to clean up the Bogota River and allowing for the use of water resources in ensuring power thus guaranteeing trust in the power generation system; hence bringing together energy generation and optimization of water quality.

The economic contribution of the Company amounts to the sum of $ 84.048 million COP for the construction of said Lift Station and close to 7.000 billion COP annually for its operation, administration and maintenance. These funds will be disbursed once the Regional Autonomous Corporation of Cundinamarca - CAR, rules on the request for extension of the water concession requested by the Company on 21 September 2011.

30. Financial Indicators

The following financial indicators were calculated based on cut-offs in the financial statements described below:

Indicator	Expression	2011	2010	Explanation of indicator
Liquidity				
Current ratio: *(Current Assets / Current Liabilities)*	(Times)	1.16	0.55	Indicates the Company's ability to meet its current debts, compromising its current assets.
Indebtedness				
Total indebtedness: *(Total liabilities / Total assets)*	%	34.15%	34.03%	This indicator shows the degree of leverage that corresponds to the participation of creditors in the assets of the Company.
Debt to current: *(Total current liabilities / total assets)*	%	10.09%	15.21%	Represents the percentage of debt maturing in third stream.
Debt to Total noncurrent: *(Total non-current liabilities / total assets)*	%	24.06%	18.83%	Represents the percentage of third-party debt maturing in the medium and non-current.
Activity				
Commercial accts receivable turnover: *(365 / (Operating income / Total accts receivable))*	Days	63	61	Indicates the number of days in average commercial loans broken in the year.
Rotation of providers: *(365 / (Cost of sales / payables providers))*	Days	57	55	Indicates the number of days on average the company takes to pay their bills to suppliers.

30. Financial Indicators (continued)

Profitability

Gross margin: *(Gross Profit / Net Revenues)*	%	59.70%	59.36%	Shows the Company's ability to manage their sales, to generate gross profits, i.e., before administration, sales expenses, other income, other expenses and taxes.
Operating margin: *(Operating income / operating income)*	%	58.16%	57.68%	Indicates how much weight contributed by each sales generating operating income.
Net profit Margin : *(Net income / revenue operations)*	%	35.16%	34.12%	Represents the percentage of net sales generated after-tax profit in the Company.
Return on equity *(Net income / Total assets)*	%	12.27%	3.03%	Represents the return on investment for shareholders.
Operating return on assets *(Net Income / Total Assets)*	%	8.08%	2.00%	Measured for each dollar invested in total assets, how much net profit generated.