

EMGESA S.A. E.S.P.

BALANCE SHEETS AS OF 31 DECEMBER 2011, 31 DECEMBER 2010 AND 30 SEPTEMBER 2010

(In thousands of pesos) - COP

	as of 31 December 2011	as of 31 December 2010	as of 30 September 2010
ASSETS			
Current Assets:			
Available and Investments (Note 3)	\$ 511.652.031	\$ 306.803.477	\$ 105.795.185
Accounts receivable (Note 4)	278.095.693	188.815.089	252.992.919
Related companies (Note 5)	131.318.922	133.274.744	136.689.476
Inventories, Net (Note 7)	39.538.483	20.291.536	26.566.485
Prepaid expenses	6.452.365	5.633.320	8.341.409
Total current assets	967.057.494	654.818.166	530.385.474
Long-Term Investments, Net (Note 6)	8.525.639	8.421.791	8.329.971
Long-Term Receivables, Net (Note 4)	12.119.855	11.240.651	10.153.712
Long Term Related companies (Note 5)	768.272	171.990	117.015
Inventories, Net (Note 7)	21.704.166	20.441.268	20.609.368
Property, Plant and Equipment, Net (Note 8)	5.037.811.100	4.909.765.339	4.846.897.634
Deferred Charges, Net (Note 9)	83.894.126	35.264.705	24.797.977
Deferred Tax (Note 18)	71.960.342	73.905.034	73.607.634
Intangibles, Net (Note 10)	53.364.193	54.302.071	54.811.764
Other Assets (Note 11)	4.194.952	2.892.621	1.437.727
Valuations (Note 12)	2.004.455.426	2.009.648.656	2.009.723.398
Total assets	\$ 8.265.855.565	\$ 7.780.872.292	\$ 7.580.871.674
'EQUITY			
Current Liabilities:			
Financial obligations (Note 13)	\$ 425.724.861	\$ 361.152.457	\$ 201.096.827
Accounts payable (Note 14)	119.140.963	98.309.172	88.315.544
Related companies (Note 5)	93.312.924	558.459.905	79.243.598
Labor-related and social security obligations (Note 15)	9.604.204	9.399.314	8.350.857
Pensions and fringe benefits (Note 16)	10.260.434	11.111.230	12.655.393
Accrued expenses and provisions (Note 17)	20.775.637	25.598.510	14.383.062
Taxes, levies and duties payable (Note 18)	154.434.546	115.031.508	50.738.739
Premium unamortized bond issue	776.881	4.274.084	4.274.084
Total current liabilities	834.030.450	1.183.336.180	459.058.104
Long Term Liabilities:			
Financial obligations (Note 13)	1.821.760.000	1.390.009.053	1.630.009.053
Pensions and fringe benefits (Note 16)	63.978.806	70.601.522	70.562.577
Premium unamortized bond issue	1.618.505	1.812.520	2.881.041
Taxes, levies and duties payable (Note 18)	98.427.952	-	-
Income received in advance	1.754.520	907.383	-
Accrued expenses and provisions (Note 17)	1.224.185	1.526.202	1.526.202
Shareholders' Equity (Note 19)			
Paid-in capital	\$ 655.222.313	\$ 655.222.313	\$ 655.222.313
Premium in stock placement	113.255.816	113.255.816	113.255.816
Legal reserve	327.611.156	327.611.156	350.363.087
Occasional reserves	178.127	178.127	178.127
Equity revaluation	1.674.583.276	1.871.439.181	1.871.439.181
Surplus valuations	2.004.455.426	2.009.648.656	2.009.723.398
Net income for the period	667.755.033	155.324.183	416.652.775
Total shareholders' equity	\$ 5.443.061.147	\$ 5.132.679.432	\$ 5.416.834.697
Total liabilities and shareholders' 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

The accompanying notes are an integral part of the financial statements

The undersigned legal representative and accountant hereby certify we have previously verified the statements contained in these financial statements and that they have been taken faithfully from Company books.

LUCIO RUBIO DIAZ
Legal Representative

ALBA LUCIA SALCEDO RUEDA
Public Accountant
T.P.No. 40562-T

ANGELA JAIMES DELGADO
Auditor
T.P. No. 62183-T
Assigned by Ernst & Young Ltda. TR-530
(see attached my report dates February 14, 2012)

EMGESA S.A. E.S.P.**INCOME STATEMENT****FOR THE YEAR ENDING 2011, THREE-MONTH PERIOD ENDING 31 DECEMBER 2010 AND THE NINE-MONTH PERIOD ENDING 30 SEPTEMBER 2010****(in thousands of Colombian pesos except the preferential dividend and earnings per share)**

	Between 1 January and 31 December 2011	Between 1 October and 31 December 2010	Between 1 January and 30 September 2010
OPERATING INCOME (Note 21)	\$ 1.899.157.992	\$ 455.201.120	\$ 1.431.577.643
COST OF SALES (Note 22)	(765.450.443)	(184.971.884)	(709.289.062)
GROSS PROFIT	1.133.707.549	270.229.236	722.288.581
ADMINISTRATIVE EXPENSES (Note 23)	(29.210.429)	(7.677.047)	(14.112.937)
Operating income	1.104.497.120	262.552.189	708.175.644
INCOME (EXPENSES) NON-OPERATING:			
Financial, Net (Note 24)	(142.378.638)	(32.152.102)	(92.590.050)
Miscellaneous, net (Note 25)	6.931.662	(483.390)	1.259.182
INCOME BEFORE INCOME TAX	969.050.144	229.916.697	616.844.776
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	297.400	867.173
NET INCOME FOR THE PERIOD	\$ 667.755.033	\$ 155.324.183	\$ 416.652.775
PREFERENTIAL DIVIDEND PER SHARE	\$ 215,06	\$ 52,97	\$ 149,44
EARNINGS PER SHARE	\$ 4.453,90	\$ 1.035,59	\$ 2.776,91

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EMGESA S.A. E.S.P.

CHANGES TO EQUITY STATEMENT

FOR THE YEAR ENDING 2011, THREE-MONTH PERIOD ENDING 31 DECEMBER 2010 AND THE NINE-MONTH PERIOD ENDING 30 SEPTEMBER 2010

(In thousands of pesos) COP

	Paid-in capital	Premium in stock placement	Reserves	Equity revaluation	Surplus valuations	Accumulated net income	Total shareholders' equity
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)	-
2010 equity tax	-	-	-	(12.468.020)	-	-	(12.468.020)
Dividends declared	-	-	-	-	-	(484.581.817)	(484.581.817)
Capital reduction	(444.777.687)	-	-	-	-	-	(444.777.687)
Net income for the period	-	-	-	-	-	416.652.775	416.652.775
Valuation in permanent investments	-	-	-	-	139.972	-	139.972
Valuation in 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)
Net income for the period	-	-	-	-	-	155.324.183	155.324.183
Valuation in permanent investments	-	-	-	-	24.058	-	24.058
Valuation in 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
2011 equity tax	-	-	-	(196.855.905)	-	-	(196.855.905)
Dividends declared	-	-	-	-	-	(155.324.183)	(155.324.183)
Net income for the period	-	-	-	-	-	667.755.033	667.755.033
Valuation in permanent investments	-	-	-	-	(132.371)	-	(132.371)
Valuation in 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

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EMGESA S.A. E.S.P.

CHANGES IN FINANCIAL POSITION STATEMENT

FOR THE YEAR ENDING 2011, THREE-MONTH PERIOD ENDING 31 DECEMBER 2010 AND THE NINE-MONTH PERIOD ENDING 30 SEPTEMBER 2010

(In thousands of pesos) COP

	Between 1 January and 31 December 2011	Between 1 October and 31 December 2010	Between 1 January and 30 September 2010
FINANCIAL RESOURCES PROVIDED			
Operations:			
Net profit for the period	667.755.033	155.324.183	416.652.775
Charges that do not require working capital:			
Depreciation	146.064.429	22.196.036	115.506.721
Amortization of intangibles	4.283.899	664.045	2.025.982
Deferred tax previous years	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
Inventories provision	749.909	218.842	1.356.191
Current deferred tax	(571.677)	(297.400)	(867.173)
Profit in participation method	(103.848)	(91.821)	1.422
Pensions and fringe provision	-	38.945	968.964
Investment provision recovery	-	-	(89.100)
	822.714.042	178.703.708	539.408.279
Decrease in deferred charges	-	-	481.505
Decrease in long term debtors	(1.475.486)	(54.975)	223.237
Decrease in other assets	(1.302.331)	-	-
Revenue received in advance	-	907.383	-
Decrease in other assets, Net	-	-	2.332.819
Total working capital obtained	819.936.225	179.556.116	542.445.840
FINANCIAL RESOURCES APPLIED:			
(Increase) Decrease in financial liabilities	431.750.947	(240.000.000)	-
Equity tax reclassification in the long term	98.427.952	-	-
Yield recovery - Quimbo	18.598.973	-	-
Loss in forward valuation	1.847.053	-	-
Increase in revenue received in advance	847.137	-	-
Acquisition of property, plant and equipment	(274.744.135)	(85.340.056)	(30.463.908)
Equity tax	(196.855.905)	-	(12.468.020)
Dividends declared	(155.324.183)	(227.904.034)	-
Interest International Bond - Quimbo	(51.600.226)	-	-
Dividends liabilities reclassification	-	-	(21)
Decrease (Increase) in long-term inventories	(2.012.807)	(1.137.683)	(1.328.254)
Increase in deferred charges	(18.861.204)	(10.841.291)	-
(Increase) Decrease pension liabilities	(6.622.716)	-	-
Increase in intangibles	(3.346.021)	(154.352)	(383.582)
Increase (decrease) accrued liabilities and provisions	(302.017)	-	(229.621)
Bond premium placement transfer to short-term	(194.015)	(1.068.520)	(3.205.562)
Decrease (Increase) in other assets	-	(1.454.894)	-
Reclassification of dividend payable in the short term	-	(211.500.670)	(484.581.796)
Capital 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)
NET CHANGES IN COMPONENTS OF WORKING CAPITAL:			
Available	204.848.554	201.008.292	(542.988.755)
Investment			
Debtors	89.280.604	(64.177.830)	26.477.226
Accounts receivable related companies	(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 related companies	465.146.981	(479.216.307)	(69.042.859)
Labor and social security obligations	(204.890)	(1.048.457)	60.866
Pensions and fringe benefits	850.796	1.544.163	(235.089)
Accrued expenses and provisions	4.822.873	(11.215.448)	139.412.923
Taxes, levies and duties payable	(39.403.038)	(64.292.769)	(38.689.537)
Premium unamortized bond issue	3.497.203	-	-
INCREASE (DECREASE) IN WORKING CAPITAL	661.545.058	(599.845.384)	(434.992.611)

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EMGESA S.A. E.S.P.

CASH FLOW STATEMENTS

FOR THE YEAR ENDING 2011, THREE-MONTH PERIOD ENDING 31 DECEMBER 2010 AND THE NINE-MONTH PERIOD ENDING 30 SEPTEMBER 2010

(in thousands of pesos) COP

	Between 1 January and 31 December 2011	Between 1 October and 31 December 2010	Between 1 January and 30 September 2010
CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit for the period	667.755.033	155.324.183	416.652.775
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	151.734.312	23.234.644	119.437.682
Write-off of provision for debtors	1.311.943	2.866.383	-
Recovery of provisions for debtors	(538.622)	(8.333)	(189.396)
Provision for debtors	744.105	138.809	1.329.123
Recovery of recyclable and other materials	(294.406)	-	(217.724)
(Earnings) loss in actuarial calculations	(2.052.873)	1.731.052	-
Recovery in recreation benefit	(2.339.610)	-	-
Bond issue premium	(3.691.218)	(1.068.521)	(3.205.563)
Deferred tax	(571.677)	(297.400)	(867.173)
Deferred tax, previous years	2.516.369	-	-
Recovery of Cost and expenses provision	(5.810.751)	-	-
Inventories provision	749.909	218.842	1.356.191
Retirement pensions provision	13.573.398	-	-
Net profit (loss) on sale of property, plant and equipment	633.945	276.315	1.947.518
Profit (loss) in participation method	(103.848)	(91.821)	1.422
Changes in operating assets and liabilities, net			
Debtors	(92.445.506)	63.454.057	(32.585.137)
Prepaid expenses	(819.045)	2.708.089	(2.074.641)
Inventories	(20.965.348)	6.224.208	(1.716.810)
Economic related companies	(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)
Taxes, levies and duties payable	(9.810.939)	(674.251)	(136.393)
Retirement pension (payments)	(16.654.427)	(3.236.270)	1.204.053
Labor and social security obligations	204.890	1.048.456	(60.866)
Estimated liabilities and provisions	685.861	76.182.469	(100.905.714)
Dividends liabilities	-	(227.904.304)	-
Income received in advance	847.137	907.383	-
Net cash provided by operating activities	681.686.005	273.193.897	397.161.163
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property, plant and equipment	(274.744.135)	(85.340.056)	(30.463.908)
Dividends declared	(155.324.183)	-	-
Interest International Bond - Quimbo	(51.600.226)	-	-
Purchase 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 investing activities	(503.875.769)	(96.335.699)	(30.365.985)
CASH FLOW FROM FINANCING ACTIVITIES:			
Capital reduction	-	-	(444.777.687)
Related companies resources	-	386.000.000	282.112.788
Bonds payment	(310.000.000)	(184.394.492)	(65.097.467)
Payment of loans to related companies	(134.903.687)	(70.404.866)	(220.830.788)
Increase in financial liabilities and interest payments, Net	806.323.351	104.450.122	35.859.037
Equity tax	(49.213.976)	-	(12.468.020)
Yield recovery - Quimbo	18.598.973	-	-
Loss in forward valuation	1.847.053	-	-
Dividends payment	(305.613.396)	(211.500.670)	(484.581.796)
Net cash provided (used) in financing activities	27.038.318	24.150.094	(909.783.933)
NET CHANGE IN AVAILABLE CASH	204.848.554	201.008.292	(542.988.755)
AVAILABLE CASH AND INVESTMENTS AT BEGINNING OF PERIOD	306.803.477	105.795.185	648.783.940
AVAILABLE CASH AND INVESTMENTS AT END OF PERIOD	511.652.031	306.803.477	105.795.185

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