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Annual **Report**

emgesa

endesa

EMGESA is a company belonging to the Enel Group.

Enel is one of the largest companies in the world.
The Group generates, distributes, and trades sustainable energy, with respect for persons and the environment.
The Enel energy serves over 60 million residential and commercial clients in 40 countries, generating value for 1.3 million investors.

Annual Report 2012

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BOARD OF DIRECTORS

Principal members	Alternate members
Joaquín Galindo	Omar Serrano Rueda
Ramiro Alfonsín Balza	Fernando Gutiérrez Medina
José Antonio Vargas Lleras	Gustavo Gómez Cerón
Luis Fernanda Lafaurie	Andrés López Valderrama
Mónica De Greiff	Henry Navarro Sánchez
Ricardo Bonilla González	José Alejandro Herrera Lozano
Catalina Velasco Campuzano	Ernesto Moreno Restrepo

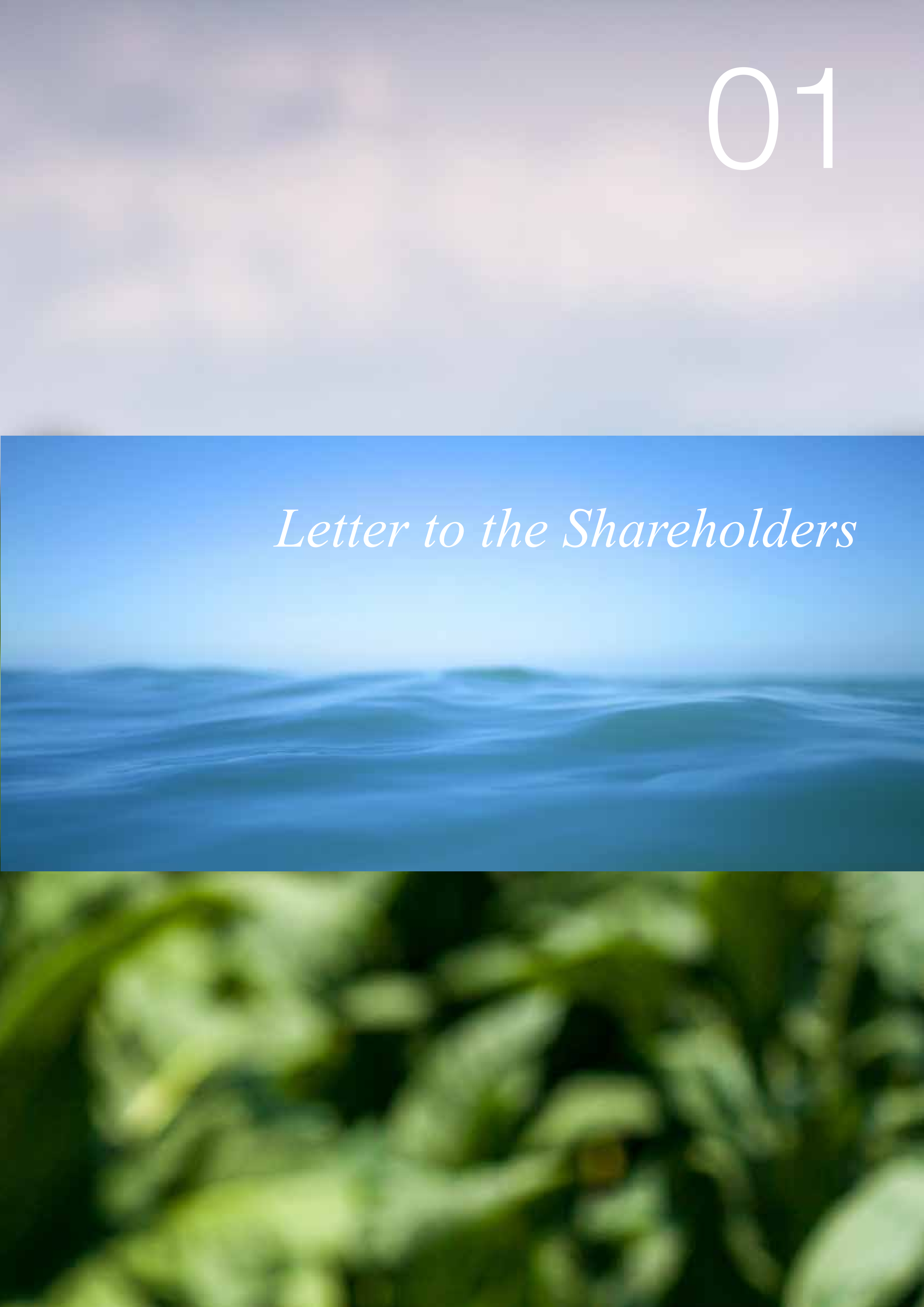
General Manager	Lucio Rubio Díaz
First alternate to the General Manager	Fernando Gutiérrez Medina
Second alternate to the General Manager	Gustavo Gómez Cerón

SHAREHOLDING COMPOSITION

Accionista	Número de Acciones	Participación
Empresa de Energía de Bogotá S.A. ESP.	76,710,851	51.513%
Endesa Latinoamérica S.A.	32,176,823	21.608%
Empresa Nacional de Electricidad S.A.	40,019,173	26.874%
Otros	7,315	0.005%
TOTAL	148,914,162	100.000%

DIRECTORS

GERENTE GENERAL	Lucio Rubio Díaz
GERENTE JURÍDICO	Andrés Caldas Rico
GERENTE COMERCIAL	Fernando Gutiérrez Medina
GERENTE FINANCIERO	Juan Manuel Pardo Gómez
GERENTE DE COMUNICACIÓN Y RELACIONES INSTITUCIONALES	María Celina Restrepo S.M.
GERENTE DE PLANIFICACIÓN Y CONTROL DE GESTIÓN	Leonardo López Vergara
GERENTE DE PRODUCCIÓN	Gustavo Gómez Cerón
GERENTE DE ORGANIZACIÓN Y RECURSOS HUMANOS	Rafael Carbonell Blanco
GERENTE DE REGULACIÓN	Omar Serrano Rueda
GERENTE DE APROVISIONAMIENTOS	Pablo Aguayo González
GERENTE DE DESARROLLO Y PLANEACIÓN ENERGÉTICA	Javier Blanco Fernández
GERENTE DE INFORMÁTICA Y TELECOMUNICACIONES	Patricia Delgado Meza
GERENTE DE AUDITORÍA	Mauricio Carvajal García
SERVICIOS GENERALES	Ana Lucía Moreno Moreno



01

Letter to the Shareholders

Messrs. Shareholders:

I am glad to present the company results and the most relevant facts for 2012.

Despite the fact that the international economic situation during 2012 continued to be difficult and was branded by high uncertainties as a result of the increased sovereign debt crisis in the euro zone, the slow development of the American economy, and the Chinese economy deceleration, the Colombian economy continued to show macroeconomic stability signs. Its attractiveness increased for foreign investment and allowed GNP growth rates during the first half of the year not seen since 2000.

Preliminary figures indicate that, between January and September 2012, US $11,825 million entered the country as direct foreign investment, an unprecedented value representing an 11% increase with respect to 2011. The GNP growth during the first and second quarters of 2012 (4.7% and 4.9%, respectively) despite lower than the 2011 growth (5.9%), is close to the economy's estimated potential growth (4.8%) and is higher than the average for the decade of 2000 (4.3%). However, the strong deceleration seen during the 3rd quarter of the year (2.1% GNP growth), explained by restrictions in investments in civil works and in construction, as well as by a greater weakening of external demand - mainly affecting crude exports and exports from the industrial sector - bring the Colombian GNP growth forecasts for the entire 2012 closer to 4% than to 5%, as originally forecasted by economic analysts.

In line with the national economy's good performance, electrical power demand in Colombia during 2012 showed a 3.8% increase compared to 2011, the highest growth in the last 5 years, mainly explained by the increase in electrical power demand for mine and quarry exploitation (20.6%) resulting from the mining sector boom.

Regarding the electrical power offer, we should point out that 2012 was affected by exceptional hydrological circumstances caused by the "La Niña" weather phenomenon, which started in 2011 and continued during the first half of 2012 and resulted in accumulated water flows entering the National Accumulated System during the first half of 2012, 128% with respect to the historical average for the period. In the second half of the year, as opposed to the first, hydrologic conditions changed significantly, as reflected in water flows of 84% of the historical average.

The combination of high water flows during the first half of the year and low flows during the second half brought significant fluctuations in electrical power prices, which went from an average of COP $74/kWh during the first half to COP $158/kWh during the second half. In this fluctuating electrical power market environment, commercial activities carried out in the spot market should be mentioned, which maximized the variable margin and rationalized the use of water resources, allowing the company to continuously provide the necessary power required by the National Interconnected System. As a result of this, 2012 saw a 9.2% growth in variable margin with respect to the previous year.

The EMGESA electrical power sales at the end of 2012 reached 16.304 GWh, a 7.9% growth with respect to 2011. From these sales, 8.682 GWh corresponded to sales under wholesale contracts, 4.585 GWh to sales in the sport market, and 3.037 GWh to sales to nonregulated market clients, in which by late 2012 786 large-frontier clients were being served. Although this figurne represents 5 less frontiers than in 2011, the market was reconfigured considering that the number of frontiers increased as compared to 2011 in voltage levels III and IV - which have greater demand - and the number of frontiers decreased in voltage levels I and II.

The total net EMGESA generation during 2012 was de 13.294 GWh, a 9.94% growth with respect to the previous year. Similar to 2011, during 2012 hydraulic generation participation in total net generation remained high (96,18% in 2011 and 95,47% in 2012) as a result of heavy rains during both years resulting from the "La Niña" phenomenon. Average water contributions to the Guavio reservoir were 106% of the historical average (111% in 2011), the Bogotá river basin being 136% of the historical average (298% in 2011) and Betania 101% (123% in 2011).

The net generation growth is the result of continuous improvements to the company electrical generation infrastructure availability. The generation stations' weighted average availability was 90.44% (92.59% for central hydraulic stations and 81.75% for steam driven stations), 1.72% higher than in 2011, confirming the effectiveness of steps taken during the last years to achieve reliability and optimize the stations' operation. In 2012, preventive maintenance and special projects in production centers were executed according to plan, including coil changes in the Paraíso and Guaca stations, work on the escape tunnel inspection, bushing changes in the Guavio Unit 2, major maintenance to the Cartagena Units 1 and 2, and conclusion of repairs to the Central Térmica Termozipa Unit 2 boiler standing out.

During 2012, EMGESA generated a COP $1.38 mm EBITDA, 9.93% higher than in 2011, equivalent to a 64.4% margin on operational revenues, mainly the result of commercial activities, an effective operation of generation stations, and continuous improvement of processes carried out by the infrastructure and support areas. The company net profits during 2012 were COP $783,529 m, a 17.34% increase with respect to the previous year as a result of the EBITDA improvement and the reduction of net financial expenses brought by lower current debt balances during the first 11 months of the year, thanks to the COP $310.000 m amortization of November 2011 and better cash surplus placement rates.

In April 2012, EMGESA refinanced, with local banks, maturities scheduled for April and August of 2012, for COP $305.000 m through 3 new facilities with BBVA Colombia, Bancolombia, and AV Villas. These new facilities have 10-year terms with equal semi-annual principal payments from April 2015 and a DTF TA + interest rate of 3.75%.

On December 13 of 2012, EMGESA successfully placed bonds from the 4th tranche of its Bonds Issuance and Placement Program, in the local capital market, through a Dutch Auction in the Colombian stock exchange. The amount initially offered was COP$350.000 m, with the possibility to increasing it to COP $500.000 m should the investors require higher values at interest rates attractive to the company. As a result of the significant demand (over COP $1.3 mm), equivalent to 3.8 times the amount offered, EMGESA placed the entire tranche for COP $500,000 m in 2 series (one for $300,000 m with a 10- year maturity and an IPC + coupon rate of 3.52%, the other for COP $200,000 m with a 15-year maturity and an IPC + coupon rate of of 3.64%. Resources from this bond placement will be mainly used for investments in the El Quimbo hydroelectric station during 2013. The

above success evidences the investors' interest in the company and their confidence in its expansion plans, product of continuous positive financial results during the last few years and the company good practices and management regarding its relations with the investors.

In February 2012, Standard & Poor's ratified the EMGESA corporate debt international rating and its international bonds peso issuance of "BBB-" (Triple B-), investment-grade, with a stable perspective.

In May 2012, Fitch Ratings ratified the EMGESA local and foreign currency issuer international rating in "BBB-" (Triple B-) and upgraded the rating perspective, going from stable to positive. In that same month, the Fitch Ratings Colombia S.A. S.C.V. Technical Rating Committee ratified the "AAA" rating (the highest credit rating in the local market) regarding the EMGESA corporate debt and all its current bond issuances, in which risk factors are practically nil.

The above ratings took into account the company investment plans regarding construction and commissioning of the El Quimbo hydroelectric station in the next few years, and its respective financing.

It should be noted that EMGESA has the support of ENEL-ENDESA, one of the most important energy groups at a global level, which operates in 40 countries and has over 96,800 MW of installed capacity and close to 61,000,000 clients in the electric and gas markets. In Latin America, our parent company has a large number of projects to respond to the needs of the markets it operates in, this way ensuring a reliable supply of electric power, friendly with the environment and with the various communities, at competitive prices.

The main contracts related to the Quimbo hydroelectric project continued during 2012, including conclusion in February of the diversion tunnel, conclusion in March of the diversion tunnel outlet portal (the river diversion having been concluded in October), and conclusion in November of the cofferdam work. Regarding the dam work, the first phases of the fill work were concluded, the contract for the design, manufacture, supply, erection, and commissioning of electromechanical equipment continuing. The main equipment manufacture was started; the pre-distributor manufacture of Unit 1 was concluded in August, transportation starting in late November from Pasacaballos, Port of Cartagena, to the work site, through the Magdalena river.

According to the EMGESA firm commitment to meet obligations arising from the El Quimbo project environmental license, preparation of the social-environmental management plan continued, including activities such as preparation of collective resettlements, execution of 4 individual resettlements in 2012 - which in addition to those of 2011 cover 8 families - with which the Agricultural Production Plan was agreed in order to restitute their economic activity, payment of 118 monetary amounts to owners-holders of land plots smaller than 5 ha, psychosocial support to residents in the direct area of influence of the project, and 5 workshops supported by national, departmental, and local authorities and by representatives from the communities, during which project-relevant issues were discussed and community concerns resolved.

As part of the El Quimbo project Employment Restitution Program addressed to nonresidents, over 900 persons from the “School for Sustainable Development” graduated, who received a seed capital and who participated in a 6-month training program.

In 2012, HR activities continued being a company development pillar. The continued application of the evaluation methodology called “Performance Management System” should be noted, which appraises achievement of the workers’ individual goals and their leadership actions. As in previous years, efforts were made to provide training and development to company personnel through training activities addressed to strengthening their technical skills, increasing business knowledge and improving organizational culture and innovation.

Special mention should be made to training provided to company personnel and to collaborating companies regarding occupational health and industrial safety, underlined by the zero accident commitment.

Another significant HR achievement in 2012 was the company certification as a Familiarly Responsible Company, received in October. This is the result of a process involving diagnosis, definition of objectives, design and formalization of a familiarly responsible company policy, construction of metrics, and an internal audit process that demonstrates the EMGESA commitment with integral development, well-being, and balance between the labor and family life of its workers.

For the company, social activities carried out for some years now with communities in the municipalities living in our area of influence are very important. In 2012, the two strategic lines that cover our social activities continued being education and social development, which provide the communities with effective sustainable socioeconomic development tools.

In development of our commitment with the environment, as in previous years activities under the environmental management plans in the company’s various areas of influence continued.

In 2012, the company published the 8th version of its Sustainability Report - which includes economic, social, and environmental performance metrics - in response to our commitment to inform the various groups of interest of actions and progress regarding commitments contained in our Sustainable Development Policy.

According to the EMGESA bylaws, we present the following reports to the shareholders:

- Management Report from the General Manager corresponding to 2012, approved by the Board of Directors.
- Ernst & Young Ltda. report in its capacity of statutory auditor, regarding internal control.
- Report on article 446 of the Trade Code.

- Special report from the Corporate Group according to article 29 of Law 222 of 1995.

According to item 12 of article 62 of the company bylaws, we are informing the shareholders that the company has an internal control office watching over compliance with control and management programs, and that, as of March 2012, the management and results' external audit is being carried out by Deloitte Asesores y Consultores Ltda., whose results will be included in the information system of the Public Household Utilities Superintendence according to deadlines set forth in current norms.

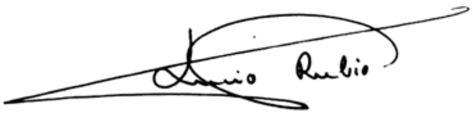
Cordially,

LUCIO RUBIO DIAZ	JOSÉ ANTONIO VARGAS LLERAS
General Manager	Board of Directors Chairman

CERTIFICATION FROM THE EMGESA S.A. E.S.P. LEGAL REPRESENTATIVE

According to article 46 of Law 964 of 2005, in my capacity of Legal Representative of EMGESA S.A. E.S.P. I am confirming that the financial statements and other reports relevant to the general public contain no errors, inaccuracies, or mistakes preventing knowing the company true equity situation or its operations. Also, according to article 47 of the above Law, there are no significant deficiencies regarding the design and operation of internal controls that could have prevented the company from recording, processing, summarizing, and properly submitting financial information, and that there are no cases of fraud subject to affecting the quality of the company's financial information, nor changes to its evaluation methodology.

Issued in Bogotá D.C. on March 20 of 2013.



Legal Representative


RUIDOS

02

Macroeconomic Environment

Despite the international economic situation in 2012 continuing to be adverse and being branded by high uncertainties due to the increased sovereign debt crisis in the euro zone, the slow recovery of the American economy, and the Chinese economy deceleration, the Colombian economy continued to show signs of macroeconomic stability, its attractiveness for foreign investors growing and allowing for GNP growth rates during the first half of the year greater than those in the average recorded since 2000.

The GNP growth rates during the first and second quarters of 2012 - 4.7% and 4.9%, respectively - despite being lower than those of 2011 (5.9%) are close to the economy's estimated potential growth (4.8%) and are higher than those of the decade of 2000 (4.3%). These growth rates are mainly the result of household consumption dynamics, also explained by the positive evolution of the unemployment rate, the sustained growth of consumer credit, and the fact that the consumers' confidence index has remained above its historical average calculated since 2001.

In 2012, unemployment in Colombia continued to drop, as evidenced by a monthly average unemployment rate of 10.4%, lower than the 2011 monthly average (10.8%). In August, the unemployment went single-digit, 9.7%, and continued to drop to 8.9% in October, the lowest of the 2 previous years.

The sustained consumer credit growth is reflected in the portfolio growth rates of 2012, which despite being lower than those of 2011 continued being relatively high. The consumer portfolio average annual percentage growth in national currency by late 2011 was 25.1%, while in March and June of 2012 it was 24.8% and 22.7%, respectively. The deceleration seen in the growth of this portfolio between late 2011 and the end of the first semester of 2012 is coherent with the Central Bank's monetary policies adopted during the last months of 2011 and the first months of 2012. In order to offset the worsening economic situation, the Central Bank increased its intervention rate between October and November 2011, going from 4.5% to 4.75%, in January 2012 to 5% and in February again to 5.25%.

Regarding direct foreign investment, preliminary figures indicate that, between January and September of 2012 US $11,825,000,000 entered the country, an unprecedented amount that represents an 11% increase with respect to 2011, according to economic analysts, and demonstrates the good business environment

4,7% y 4,9%

crecimiento del Pro ducto Interno Bruto (PIB) en el primer y segundo trimestre del año superiores a las de su promedio desde el año 2000.

11.825 millones de dólares

Inversión Extranjera Directa, una cifra sin precedentes y que representa un incremento de 11% frente al mismo periodo de 2011, reflejo según los analistas económicos del buen ambiente de negocios (uno de los mejores en la región).

(one of the best of the region). Investments in the oil and mining sectors have pulled direct foreign investment, with participation levels of approximately 40% and 20%, respectively, although the external investors' interest in activities such as trade, hotels, and restaurants cannot be overlooked.

However, despite the economic growth's positive evolution during the first and second quarters of 2012, as well as the direct foreign investment, in Q3 2012 the Colombian economy experienced a marked deceleration upon reaching a 2.1% GNP annual growth, lower than that expected (the expected range estimated by the Central Bank's Technical Team was between 3.3% and 4.8%).

The slower GNP growth during the Q3 is mainly explained by the unfavorable evolution of fixed capital gross creation, given the unexpected contracting activity of investments in civil work (- 14.9%) and in construction and buildings (- 10.7%), and the lower growth of exports (while by late 2011 exports had grown in excess of 11%, during the 3rd quarter they had grown 2.5%), which shows the global deceleration affecting the Colombian foreign trade.

The lower investments in civil works seen in Q3 2012 are explained by the significant reduction in civil works brought by delays in some mining projects, as well as in road constructions. There were contractions in investments made in buildings, both regarding housing and nonresidential constructions. As indicated in the Central Bank's Board of Directors' minutes of December 2012, the strong deceleration seen in Q3 regarding civil works and construction and buildings is mainly explained by circumstances of an administrative and regulatory nature typical of such economic activities (licenses, permits, delays in tender processes, etc.), which in the short term will only be partially overcome.

Partially offsetting the above unfavorable circumstances, public and private consumption during Q3 2012 continued showing favorable tendencies, similar to those in Q2 and better than those expected, as reflected by a 4% growth of private consumption and 4.8% of public consumption.

The 2012 GNP growth perspectives were close to 4%, mainly due to the fact that consumer confidence level in Q3 remained above its historical average, even exceeding the Q3 average. Also aiding the GNP growth was the Central Bank's participation during the second half of the year, which from July to August went from 5.25% to 4.75%, reduction that was reflected in the interest rates of credits granted by the financial system. Coherently with the above interest rate evolution, consumer credits improved between October and November 2012, growing from 18.6% to 18.9% and helping reducing the deceleration seen since late 2011.

As indicated by the Central Bank Board of Directors, the existing uncertainty regarding GNP growth at the end of 2012 is again the result of investments made in civil works and buildings, since as already mentioned such economic activities - which explained its contraction at the end of Q3 - will only be partially offset in the short term.

The 2012 2.44% cumulative CPI change, 1.29% lower than that of 2011 and lower than the 3% goal, is mainly explained by the evolution of regulated prices and food prices. Regulated prices were affected during 2012 by the reduction in the international oil quotation, which allowed the national government to ease on adjustments to gasoline and other fuel prices. The above also resulted in a reduction to adjustments made to public transportation rates. Regarding food, weather conditions during 2012 allowed for abundant agricultural offers, which resulted in only moderate food price increases.

The 2012 cumulative Producer Price Index was 2.95%, 8.46% less than in 2011, mainly explained by the reduction in international prices of oil and other raw materials, as well as by the exchange rate appreciation.

The Market Representative Rate (TRM) closed the year at COP $1,768.23 per American dollar, an 8.98% peso revaluation with respect to that seen at the end of 2011. Among the reasons for the Colombian peso revaluation during 2012 are the expansion of mining-energy exports, the multilateral dollar devaluation - mainly resulting from the markedly expansive American monetary authority policy, and the fact that Colombia is a country that every day is becoming more attractive for foreign investment, with a better risk rating and clear signs of having a healthy macroeconomic environment.

Regarding its fiscal situation, the country has a solid position, as attested by a gradual reduction of its public debt with respect to the GNP. While at the end of 2011 public debt - as a proportion of the GNP - was 35.8%, at the end of the 1st, 2nd, and 3rd quarters it was 33.9%, 33.2%, and 32.9%, respectively. This positive situation will provide the national government with sufficient elbow room to develop the necessary policies should the international economy decline further, this way guaranteeing the Colombian economy growth stability.

During the final days of 2012, Congress approved the tax reform promoted by the Juan Manuel Santos administration. As the Government has said, the spirit of this reform is correcting unbalances existing in the tax structure, looking to promote employment and formal jobs, this way guaranteeing social equality without the need to increase taxes. Despite some economic analysts having suggested that this tax reform was not presented opportunely considering the significant advances in

8,98%
TRM

La Tasa de cambio Representativa del Mercado (TRM) cerró en el 2012 a $1.768,23 pesos colombianos por dólar, lo que representa una revaluación del peso de 8,98% con respecto al cierre de 2011 ($1.942,70 pesos/dólar) tax matters seen in the last 2 years, the government has alleged that this was based precisely on the fact that - under the current context of the Colombian economy, which has translated into healthy GNP growth rates - this is the right time to offset the existing high levels of inequality and informality, significant barriers for integral economic development.

While during 2013 the uncertainty under the international context - mainly associated to the euro zone stability (although there have been advances in bank integration issues and despite the rescue fund having been strengthened) and performance of the American economy (mainly from the uncertainty generated by its fiscal management) - the Colombian economy will continue to offer interesting growth possibilities. As expressed by Mauricio Cárdenas, Minister of Finances and Public Credit, the macroeconomic and fiscal balance signs the Colombian economy is now seeing will allow it to continue on a dynamic path regarding economic activities seen during the last few years and for the GNP growth to position itself close to its estimated 4.8% growth.

03

Commercial Activities

COMMERCIAL ACTIVITIES - ENERGY POOL

In its generation activity, EMGESA trades energy in the wholesale market, selling electrical power to large clients, making lump sales to generating and trading companies, and making sales in the spot market - energy pool. The EMGESA trading activity is mainly supported by its generation assets.

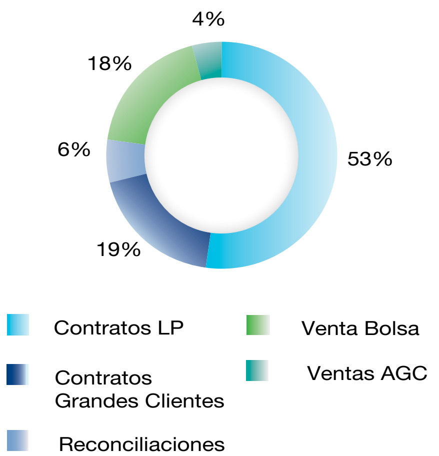
Short-term activities (SPOT)

Variable margin

During 2012, EMGESA achieved a COP $1,502,578 million commercial margin, equivalent to 97.85% of its Annual Operational Plan, result of activities carried out in the spot market to maximize the variable margin and proper optimization of water resources during the year, considering that the first half of the year experienced rain levels of 129% of the historical average, the second half only 84%, which resulted in a significant price increases by the end of the year.

During 2012, EMGESA made sales for 16,304 GWh, of which 8,682 GWh corresponded to sales under wholesale contracts, 3,037 GWh to large clients, and 4,585 GWh to sales to the spot market.

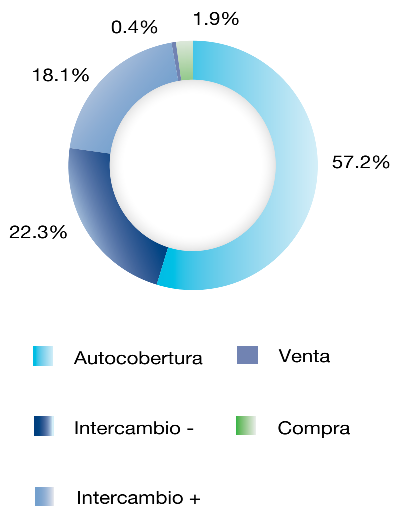
VENTAS DE ENERGÍA EMGESA 2012



Secondary market activities regarding the reliability charge

Between December 2011 and November 2012, transactions were made on Firm Energy Surpluses for the Reliability Charge (ENFICC) with other generating agents, as well as Support Statements for own needs, according to the ENFICC Secondary Market Rules, for 621.5 GWh, according to the type of transaction, as follows:

ENFICC SECONDARY MARKET TRANSACTIONS

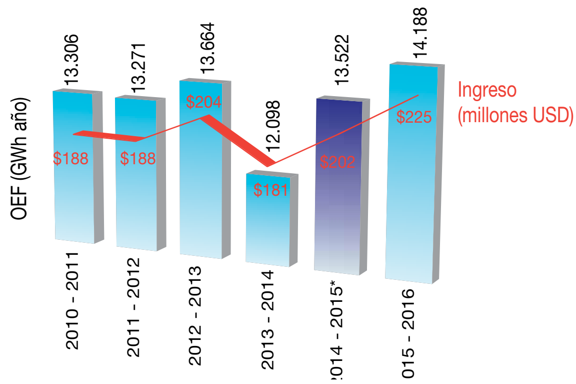


The Actual Reliability Charge revenue reached 96.32% of the total assigned to EMGESA during this period, considering the impact of activities in the secondary market. This actual revenue reached USD $180.9 million.

Future Assignments of Firm Energy Obligations (OEF) for EMGESA

Firm Energy Obligations assigned to EMGESA, together with their equivalent revenues on account of the Reliability Charge, are presented below.

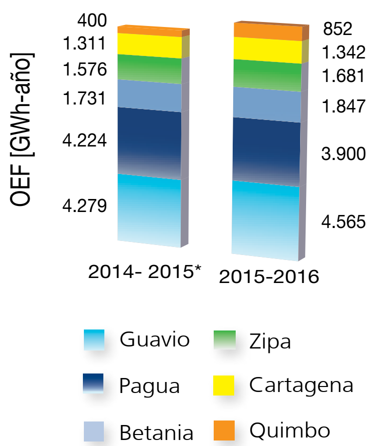
FUTURE ASSIGNMENTS OF FIRM ENERGY OBLIGATIONS (OEF)



FUTURE ASSIGNMENTS OF FIRM ENERGY OBLIGATIONS (OEF)

No OEF assignments were made during 2012 for future periods. OEF assignments to EMGESA made by each plant are shown in the following graph. Those corresponding to 2014-2015 are estimates, since the official OEFs will be published during H1 2013 using the demand prorate method.

(OEF) DE EMGESA POR PLANTA

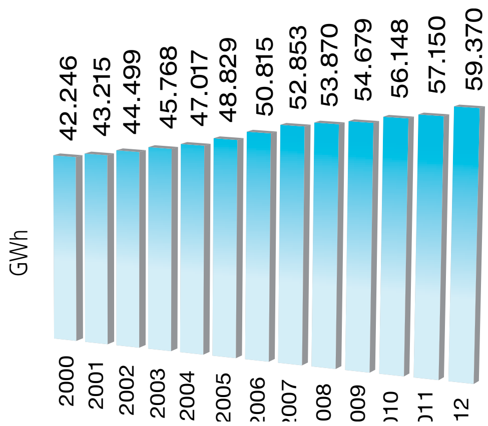


NATIONAL INTERCONNECTED SYSTEM (S.I.N.)

Demand

Energy demand during 2012 was 59,370 GWh, a 3.8% growth with respect to the previous year.

DEMANDA DOMÉSTICA SIN



Pool price

The 2012 average pool price was 116.02 $/kWh. By late 2012, the market showed a bullish tendency as a result of lower water flows into the system reservoirs and the expectations of the El Niño phenomenon occurrence.

ANNUAL POOL AVERAGE PRICE

Año	Precio Promedio de Bolsa ($ corrientes/KWh)
2004	65,02
2005	75,90
2006	75,84
2007	83,84
2008	86,90
2009	138,99
2010	128,05
2011	75,08
2012	116,02

ENERGY RESOURCE ACTIVITIES

Hydrology and reservoir evolution

As a result of the La Niña phenomenon during 2011-2012, water flows above historical levels were recorded during the first 5 months of 2012. Water flows during the rest of the year were slightly under historical levels. The average of water flows in the National Aggregate System during 2012 was 103.3% of the historical average. During January, reservoirs had a useful capacity equivalent to 9,920 GWh, corresponding to 84% of the accumulated total, while for December this dropped to 8,059 GWh, 73.4% of the accumulated useful volume. In total, 2,434 GWh were discharged into the National Aggregate System.

Guavio reservoir

Average water flows into the Guavio reservoir during 2012 were 106% of the historical average, similar to those of 2011. The reservoir started the year with 91% of its useful capacity, ending at 68.5%. 804 GWh were discharged during May, June, July, and August.

Bogotá River and Muña and Tomine reservoirs

During 2012, average nonregulated water flows into the Bogotá river basin were 136% of the historical average. The Tomine and Muña reservoirs started the year with 64.6% and 100% of their useful capacity, ending with 70.3% and 72.8%, respectively.

Betania reservoir

During 2012 there were water flows equivalent to 101% of the historical average; 93 GWh were discharged, mainly during March when water flows reached 159.9% of the historical average. At the end of the year the reservoir was at 79% of its useful capacity.

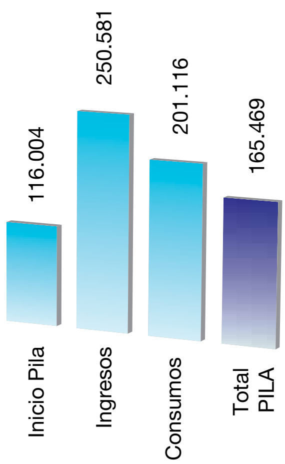
ACTIVITIES RELATED TO FUEL

2012 saw a high possibility of the El Niño phenomenon on October, which finally did not happen. However, an increase of steam generation was estimated for that month due to specific conditions in the national electrical system involving high fuel consumption levels, which also did not happen due to circumstances related to the generation plants operation.

Coal

The Termozipa station used 201,116 tons of coal during the year, 48% more than in 2011. Purchases were made through current long-term agreements for 250,581 tons, resulting in 165,469 tons of coal inventories in December 31 of 2012, a 43% increase with respect to the previous year's.

EVOLUCIÓN CARBÓN 2012

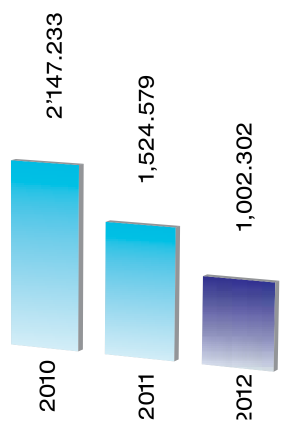


2012 closed with 22 suppliers with long-term contracts and terms up to December 31 of 2016, supporting the Firm Energy Obligations of the Reliability Charge.

Natural gas

During 2012, the Cartagena station used 1,002,302 MBTU, 34% less than in 2011, provided as support to the operation under interruptible supply agreements with GECELCA, SURTIGAS and firm transportation with PROMIGAS.

EVOLUCIÓN CONSUMOS GAS (MBTU)



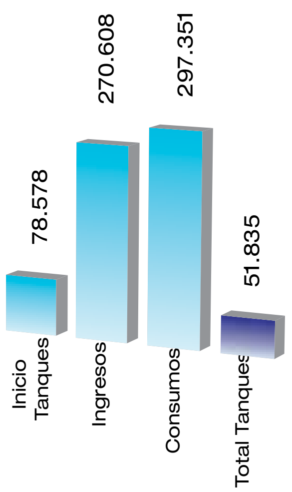
Firm transportation with PROMIGAS was suspended between January 16 and April 4 of 2011 as a result of a problem with the PROMIGAS gas pipeline in the Magdalena River passage.

Liquid fuels (special combustoleo)

270,608 barrels of special combustoleo were purchased to support the Cartagena station operation and to ensure the minimum necessary stock to support Firm Energy Obligations of the Reliability Charge, representing purchases of 10% more than in the previous year.

297,351 barrels of liquid fuel were used during 2012, a 34% increase with respect to the previous year. Inventory levels as of December 31 of 2012 were 51.835, 34% less than in 2011.

EVOLUCIÓN COMBUSTÓLEO 2012 (BARRILES)



Sociedad Portuaria Central Cartagena S.A. (SPCC S.A.)

21 liquid fuel unloading port operations were carried out during 2012, from CI PETROMIL S.A.S. barges to the Cartagena station, representing 88,354 barrels (12,587 metric tons).

The berth design adjustment was made in December 2012, according to obligations under the concession agreement existing between SPCC and INCO, in order to build it in 2013.

WHOLESALE TRANSACTIONS

During 2012, EMGESA sold energy in the wholesale market for a total of 11,719 GWh, through agreements with distributors and traders of the National Interconnected System, under public or private tenders. The following table itemizes sales among the various agents, including the own EMGESA market.

WHOLESALE MARKET SALES, 2012

Ventas	GWh	Participación %
CODENSA	4.975	42,4%
EMGESA	3.037	25,9%
EEPPM	880	7,5%
CENS	627	5,4%
HUILA	496	4,2%
ESSA	410	3,5%
CARIBE	341	2,9%
EEC	233	2,0%
CHEC	210	1,8%
CEDELCA	173	1,5%
EPSA	141	1,2%
EMCARTAGO	116	1,0%
EMSA	51	0,4%
CEO	13	0,1%
CEDENAR	8	0,1%
TOTAL	11.719	100,0%

Considering the volume of energy traded under contracts during the year, EMGESA is the second Colombian electrical power supplier, with 17% of all contracts between agents.

COLOMBIAN WHOLESALE MARKET PARTICIPATION

Agentes	Participación %
EEPPM	23%
Emgesa	17%
Isagen	13%
Comercializadores	12%
Gecelca	9%
Chivor	5%
Epsa	3%
Urra	3%
Otros Agentes	14%

11.719 GWh

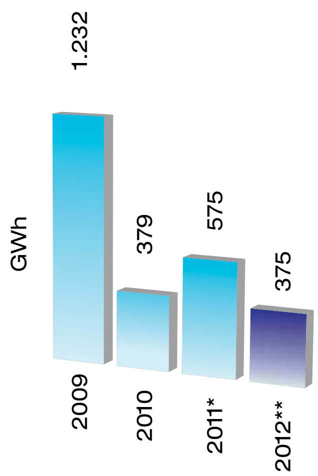
Durante 2012 EMGESA vendió energía en el Mercado Mayorista por un total de 11.719 GWh a través de contratos con distribuidores y comercializadores del Sistema Interconectado Nacional.

The company participated in 56 tenders and was awarded 25 contracts for the sale of electrical power between 2012 and 2018.

Energy purchases

In order to support part of its energy sales under contracts, EMGESA purchases electrical power from other agents in the wholesale market (both generators and traders). The following graph shows electrical power sales at the end of 2012.

COMPRAS ENERGÍA (GWH)



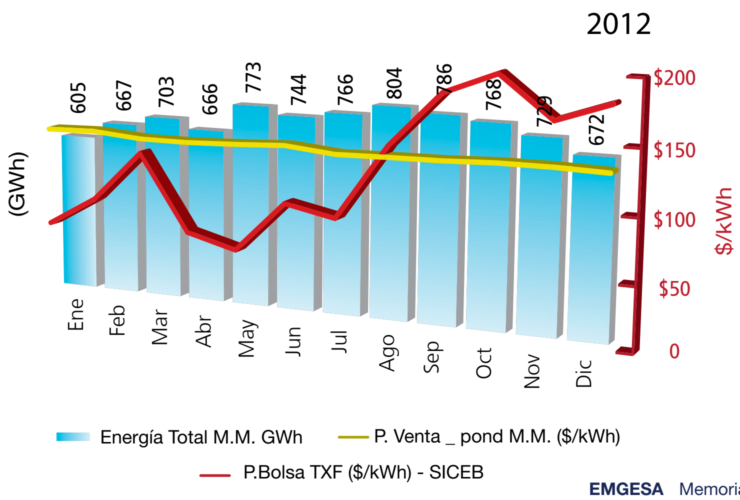
(*) Adjusted information at the end of the accounting year.

(**) Includes pool purchases under hedge agreements.

Rate evolution and wholesale market energy

EMGESA sold electrical power to 14 agents of the wholesale market; excluding its own demand in the nonregulated market, this reached 8,683 GWh.

EVOLUCIÓN TARIFA Y ENERGÍA MERCADO MAYORISTA

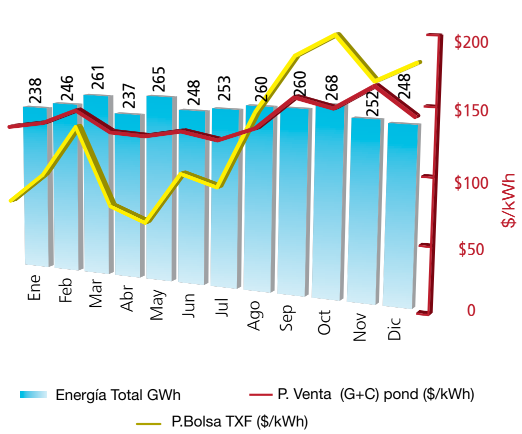


All prices in December 2012 Colombian pesos

NONREGULATED MARKET ACTIVITIES

EMGESA served a monthly average of 778 frontiers in the nonregulated market, representing 14.5% of the market total. Energy demand during the year reached 3,037 GWh, 15.3% of the total national demand in this market.

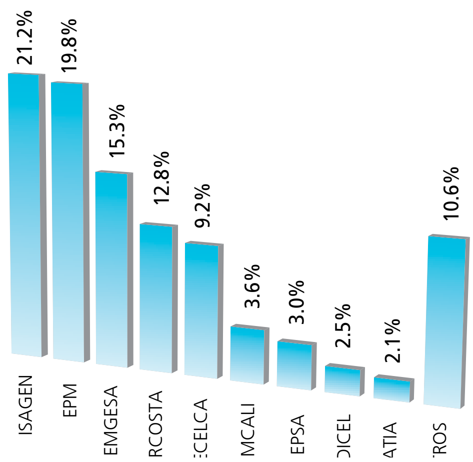
EVOLUCIÓN TARIFA G+C Y ENERGÍA MNR 2012



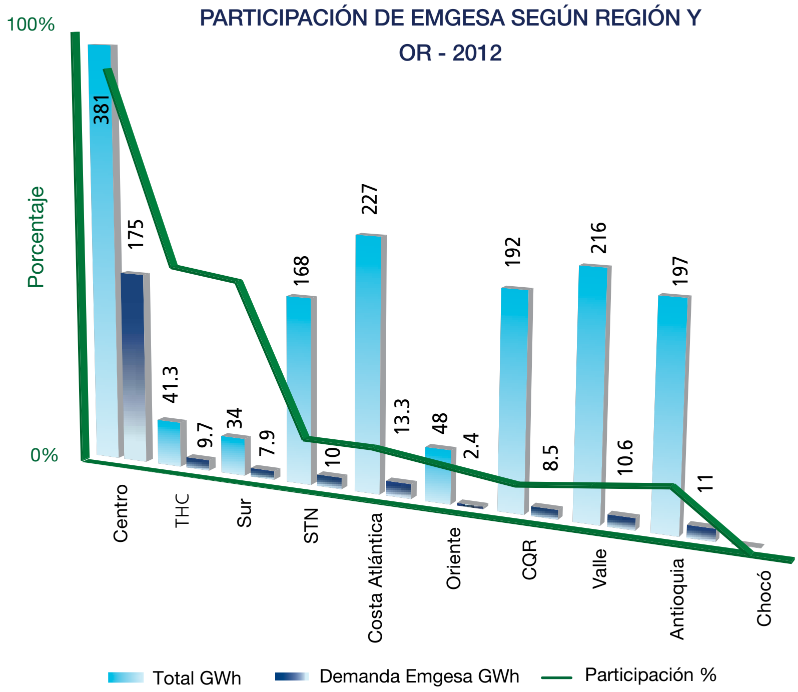
All prices in December 2012 pesos

EMGESA PARTICIPATION IN THE NONREGULATED MARKET

PORCENTAJE DE PARTICIPACIÓN DE EMGESA EN EL MNR



Emgesa Participation In The Nonregulated Market By Geographical Zone



Regions:

Central: CODENSA, Cundinamarca, Meta.

THC: Tolima, Huila, Caquetá.

South: Nariño, Cauca, Putumayo, Bajo Putumayo, Sibundoy, Municipal.

East: Santander, Norte de Santander, Boyacá, Arauca, Casanare, Ruitoque.

CQR: Caldas, Quindío, Risaralda.

Valle: EPSA, Cali, Tuluá, Cartago.

The most representative EMGESA participations are in the central zone (46%), THC (24%), and South (23%).

RELATIONS WITH NONREGULATED CLIENTS

Energy Explorers

The EMGESA Energy Explorers program seeks to strengthen the relation existing between EMGESA and its clients, giving them the possibility of knowing production centers, generation processes, and social and environmental programs developed in the areas of influence. In 2012, 13 clients from the nonregulated market had the chance to firsthand see work progress and development of social and environmental programs of the EL Quimbo project, in the Department of Huila. Companies were given the chance to see the progress of the auxiliary dyke, the cofferdam, the load tunnel and the spillway work.

AZ Comercial and Emlace Bulletin

In order to strengthen communication channels with clients, the AZ Comercial and the physical bulletins are distributed, of which 4 editions were published in 2012, including contents related to commercial activities, the energy sector, regulatory issues, and progress of company projects.

New EMGESA clients website

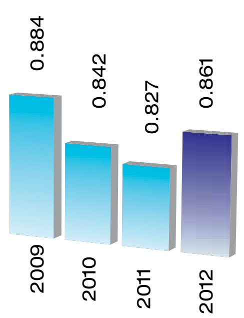
In 2012, EMGESA launched its new website for nonregulated clients, http://clientes.EMGESA.com.co. This platform optimizes issues such as graphical design and user friendliness, including new contents that will allow clients to be informed of changes related to the energy business subject to affecting their invoices or condition before the market.

Satisfaction of nonregulated clients

The ISCAL Quality Satisfaction Index obtained by EMGESA in 2012 was 86.1% (82.7% in 2011). This means that 86% of its clients rated their satisfaction with service provided in the two highest positions of the scale: satisfied and very satisfied.

It was possible to resume the growing tendency in the 2012 satisfaction result thanks to the Energy and Trading Management Manager efforts in strengthening relations with its clients.

ÍNDICE SATISFACCIÓN - ISCAL



Call Center

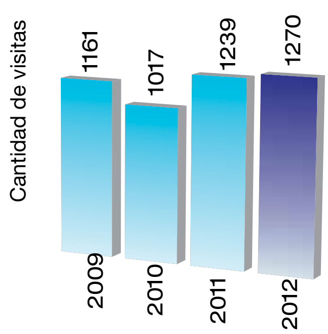
During 2012, the EMGESA Call Center, Emlinea, answered 5,229 calls, mostly related to emergencies, and made 16,203 calls regarding attendance confirmations to events involving clients of the nonregulated market, predictive invoice collections, changes to electricity bill payment dates, and regulatory changes.

The increase in outgoing calls as compared to 2011 is due to mass campaigns executed, such as updating the wholesale and nonregulated market client database, among others.

Customer service

In 2011, 12,040 visits were made by the EMGESA commercial coordinators in order to provide direct support to the nonregulated market clients.

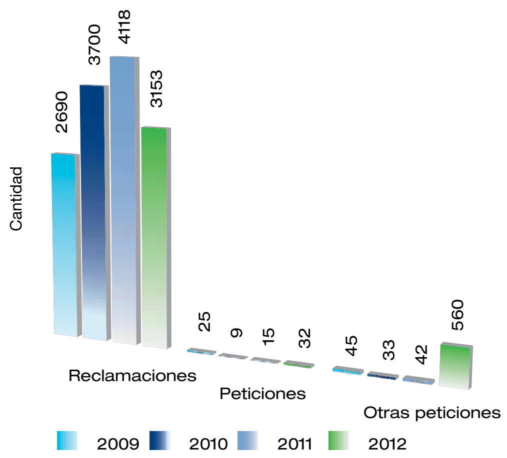
VISITAS A CLIENTES 2009 - 2012



Petitions and claims

EMGESA received 3153 claims, 32 petitions, and 560 other petitions.

NÚMERO DE PQR 2009 -2012



95% of claims related to the quality of electricity services. Petitions related to requests made to obtain all-clear certificates and trader changes. The average response time was 2 days after receiving the claim.

The increase in other claims is the result of applying Decree 2915 of August 12 of 2011, issued by the Ministry of Finances and Public Credit. It includes the excemption of the Solidarity Payment for companies whose economic activity is included in codes 11 through 456, according to DIAN Resolution 432 of 2008.

COMMERCIAL OPERATIONS

Implementation of the new Genesis commercial information system

Génesis

The new commercial information system was implemented in September 29 of 2012 in order to manage the EMGESA commercial cycle; it was installed on the SAP platform, a scalable robust system providing support, as required by our current and future markets.

The system includes activities related to sales, measurement, invoicing, collection, and accounting of the wholesale, nonregulated, firm energy, energy pool, and technical services markets. Currently, the system manages monthly resources in excess of US $100,000,000.

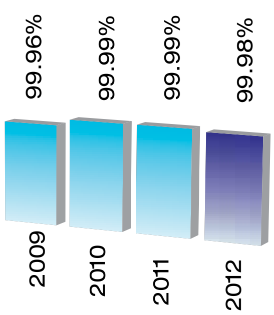
The project was developed in record time: 8 months for planning and 13 months for commissioning.

Collection activities

The preventive management program was implemented in 2012, reaching collection of delinquent invoices of 1%/month, the best indicator achieved to date.

Telemedida (telemeasurement) activities

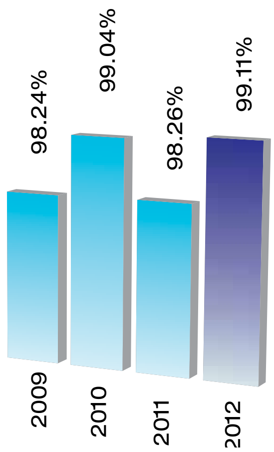
TELEMEDIDA RELIABILITY



1%

En 2012 se implementó el programa de gestión preventiva, logrando alcanzar índices de cartera vencida mensual de 1%, siendo este el mejor indicador histórico del que se tenga registro.

TELEMEDIDA EFFECTIVENESS



2012 was a year of improvements and adjustments to the tele-measurement process that allowed us to improve its effectiveness metric regarding the previous year. One of the changes was a change made to the data analysis methodology.

COLOMBIA-PANAMA ELECTRICAL INTERCONNECTION PROJECT

As part of the Colombia-Panama interconnection project, two events were scheduled for late August, aimed to making the line financing scheme possible and allowing for participation of Colombian agents in the Panamanian energy wholesale market, using the link "The Line Capacity Access Financial Rights' Auction (DFACI) and the effort to purchase power and energy by the Panamanian distributors.

Given the growth opportunity the interconnection offers EMGESA, after making the respective feasibility analysis the company decided to participate in the DFACI auction and in the respective event. For this, the necessary internal authorizations were obtained and the required guaranties secured. On the other hand, EMGESA PANAMÁ S.A. was created in July, EMGESA being its exclusive owner, as authorized by the Board of Directors and the General Shareholders Assembly.

During the DFACI auction, EMGESA met all requirements and was prequalified and finally enabled to participate together with the other two Colombian agents.

However, despite progress made, two days before the auction the company Interconexión Eléctrica Colombia Panamá (ICP), responsible for the project, indefinitely postponed it since some of the project conditions had not been met, related to financial, technical, and social-environmental issues, according to information provided by ICP. Regarding this, the governments of the two countries have held conversations confirming their interest to develop the project, for which additional technical consultations are being carried out involving the review of the project's conceptual design, in order to design an integrated system with maximum interconnection use and direct benefit to the markets. Results are expected for early 2013.

04

Production Activities

The net EMGESA generation during 2012 was 13,294 GWh, 9.94% more than in 2011, with contributions of 95.47% of the hydraulic system and 4.53% of the steam generation system.

The Guavio station participated with 6,236 GWh, a 38% increase with respect to 2011. In August, this station reached its maximum monthly historical generation of 799.6 GWh.

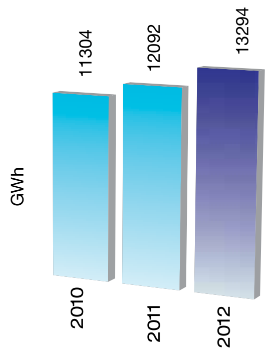
During 2012, Termozipa generated 398 GWh, some 50% more than in 2011.

The Pagua chain generation was 3,674 GWh, generation by the Betania station 2,194 GWh. Betania reached its highest historical monthly generation level between January and April.

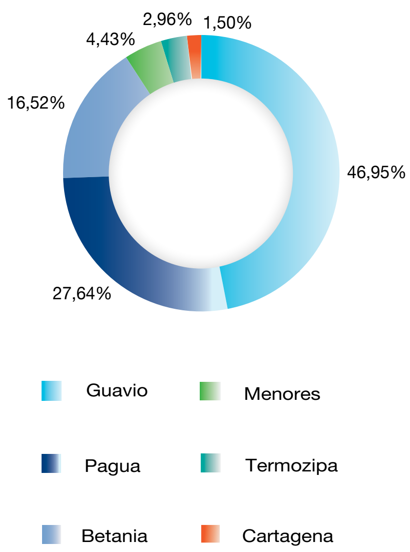
Energy provided by hydraulic stations with centralized dispatch represented 91.11% of the company production.

Minor station generation reached 588 GWh, equivalent to 4.43% of the total EMGESA generation, due to the high water levels of the Bogotá river. The use of the resource was optimized with the units' availability, minimizing flooding in Charquito as required by CAR according to opinion MMECREG-17189 of 1999 and calls related to the National Interconnected System under resolution CREG 033 of 2007.

GENERACIÓN ANUAL EMGESA



GENERACIÓN EMGESA 2012



9,94%

Durante 2012 la generación neta de EMGESA fue de 13.294 GWh, 9,94% más que en el año anterior.

PARTICIPATION IN THE NATIONAL INTERCONNECTED SYSTEM

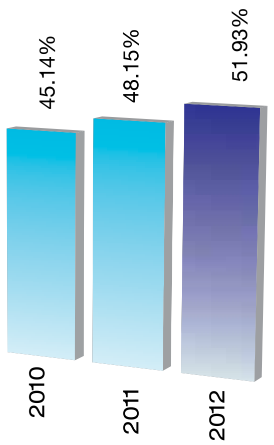
The EMGESA participation in supplying electrical power to the National Interconnected System was 22.16% during 2012, 1.53% more than in 2011.

S.I.N.	%	GWh
Otras SIN	77,84%	46.706
EMGESA	22,16%	13.294
TOTAL	100%	60.000

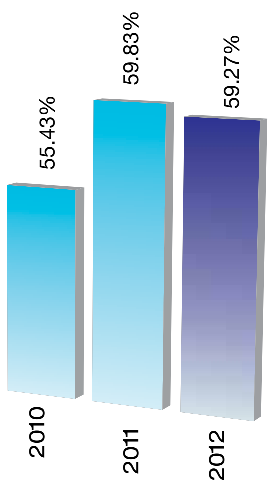
ACTIVITY INDEXES

The EMGESA power stations accumulated a load factor of 51.93% and an operation factor (service hours) of 59.27%.

EVOLUCIÓN FACTOR CARGA (%)

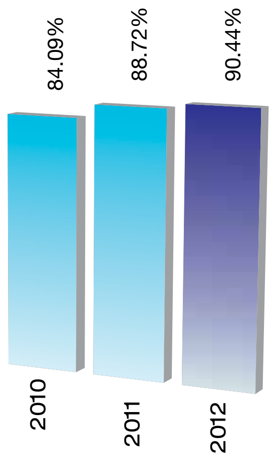


EVOLUCIÓN FACTOR OPERACIÓN (%)



The availability factor reached during the year was 92% for hydraulic stations (including smaller stations) and 81.75% for coal driven stations, with an average weighted availability of 90.44%, 1.72% more than in 2011, mainly due to greater efficiency, optimization, and compliance with maintenance programs.

EVOLUCIÓN DISPONIBILIDAD EMGESA



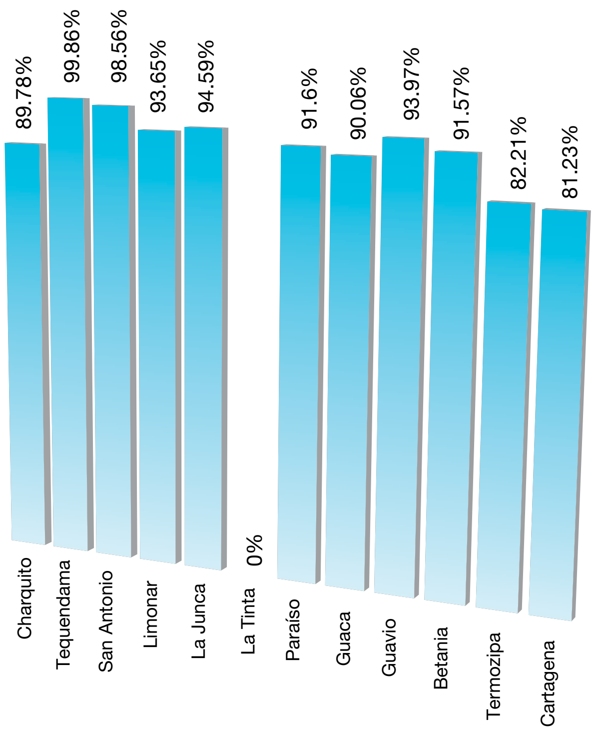
GENERATION BY PRODUCTION CENTER

Generation for each production center during 2012 is shown below.

CADENA	%	GWh
GUAVIO	46,91%	6.236
PAGUA	27,64%	3.674
BETANIA	16,50%	2.194
MENORES	4,43%	588
TERMOZIPA	3,00%	398
CARTAGENA	1,53%	203
TOTAL	100.00%	13.294

Following is the availability reached by each production center during the year.

DISPONIBILIDAD PLANTAS EMGESA 2012

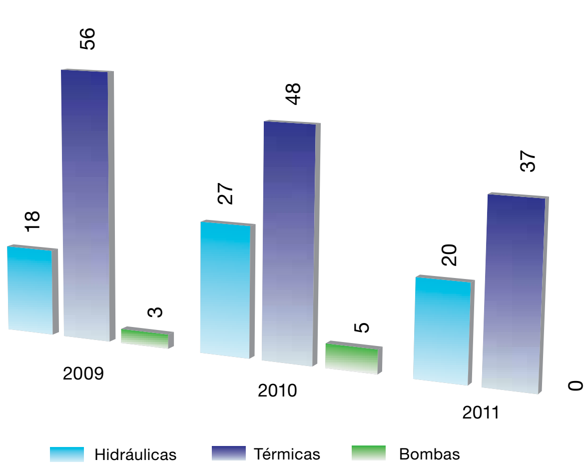


EVENTS

There were 57 events - triggered per unit - in generation stations due to internal circumstances, and 8 due to external circumstances. There were no internal or external events at the pumping station. In total, there were 65 events.

Centrales /Bombas	Acumulado		
	Interno	Externo	Total
Hidráulicas CND	14	1	15
Menores	6	3	9
Térmicas CND	37	4	41
Sub Total Centrales	57	8	65
Bombas	0	0	0
TOTAL EVENTOS	57	8	65

EVOLUCIÓN DISPAROS POR CAUSA INTERNA



MAINTENANCE

Preventive maintenance was done to the stations according to plans and routines in the SIE-SAP system maintenance module.

Following are the most relevant maintenance activities during 2012.

HYDRAULIC PARK MAINTENANCE

Guaca

- Transposition of the outlet bars of the Unit 1 Stator, as a temporary measure to reduce faults.
- Emptying of the Guaca conduction piping; change of the Unit 1 maintenance seal.
- There was a stator fault in Unit 3 due to a short circuit in the stator arms, which affected 142 coils and required a major repair.

Paraíso

- Differential protection and overcurrent protections were installed in the exciter transformer; an interruptor field change was made.
- Phase B pole change in the Unit 1 power switch.
- Poles 1, 2, 8, and 12 of the Unit 2 generator rotor were subject to annual maintenance. 22 inter-polar supports were changed.
- Erection of the new 125 VDC battery bank.

Betania

- Annual maintenance was done to the 3 units. The regulator servos were recovered in Unit 2, as well as the metal lining in the aspiration pipe and the collection gate paint; change of the 230 kV bushing and correction of oil leaks in phase S of the main transformer. The 230 kV bushing was changed in Unit 1, in phase R of the main transformer.
- The problem with the Unit 3 electronic speed regulator was solved.
- The exciting transformer failed; it was replaced with the spare transformer.

Guavio

- Annual maintenance was done to all units. The Unit 2 bushing was changed, as well as poles 2 and 12 in unit 4 and Poles 3, 4, and 15 in unit 5.

- The escape tunnel was inspected. It was found to be in good condition.
- Modeling tests were made to regulators in all units.

Muña pumping station

- Major maintenance to the Unit 1 butterfly valves of Muña 3.
- Demolition of the residual structure flaps in the old Alicachín gate, this way improving the river flow.
- Maintenance to the Alicachín gates, including recovery of the structure and the panels.

MINOR MAINTENANCE

Charquito

- Cleaning of the Bocatoma Charquito inlet channel.
- Major maintenance to refrigeration towers.
- Structural maintenance to the No. 1 grill cleaning machine in Bocatoma Charquito.

Tequendama

- Change of electrical protections of all units and general maintenance of the turbine wells.

Limonar

- Unit repair due to a heat exchanger fault involving disassembling the rotor, changing the bushing and stator maintenance.

THERMAL PARK MAINTENANCE

Cartagena station

- Major maintenance to Units 1 and 2. In Unit 1, the front boiler wall was erected - 110 pipes, - from lower collectors to the air box; construction of a firewall for the main transformer. The Unit 2 net effective capacity of 60 MW

was recovered by changing the boiler baskets, limited to 52 MW upon such baskets being obstructed.

- The high vibration problem in the Unit 1 exciter bushing was corrected in September.
- Unit 3 was maintained in April, replacing the boiler's front piping.

Termozipa station

- Unit 2. The boiler repair was concluded in September, which included changing the wall piping, the convection piping, and the coal burners.
- Technicians from Turbocare did maintenance to the admission valve and to the turbine regulation valves, changing the Unit 2 generator hydrogen seals.
- Unit 2 was commissioned with an effective net capacity of 34 MW, in October. Emission tests were done in December for submittal to the environmental authority.
- In Unit 3, the roof was maintained and repaired, changing the electrostatic precipitator insulators which were leaking water.
- In Unit 5 generation tests were done with coal mixes (with mine waste), meeting the maximum load and the emissions norm. This test was done in coordination with a study financed by Colciencias and EMGESA.

Special maintenance projects

In order to optimize the stations' availability, comply with norms, and reach corporate goals, the following special projects were developed during 2012.

Guaca

- The spherical valve control and protection system was modernized in the 3 units.
- Online status evaluations were made and tendencies monitored regarding vibration in the 3 generators.
- The Electrical Division concluded the coil investment project in the Pagua units. The neutral connection point was this way inverted. This inversion was done in order to reduce the units' forced outlet on account of problems resulting from losses in the service life of the stator insulation, this way increasing the units' reliability and availability.
- Pilot drying test were concluded satisfactorily in the 2B Guaca transformer, applying passive drying techniques not previously used by the company. Improvements were achieved in other oil characteristics, improving its quality.
- Coils were changed in the Paraíso and Guaca Units 2. This was done under a project identifying the need of this change, using the Optimum Replacement Moment tool.

Betania

- Modernization of the 480 V input switches of auxiliary service boards in the 3 generation units and the station's general services board, also improving the generation units' and the general services' equipment availability and reliability.
- Acquisition of measurement and control instruments under the generation units' instrumentation modernization project.
- Change of the machine shop lighting system, changing the mercury-type lighting fixtures with an induction-type system, much friendlier to the environment. It requires less maintenance and is less hazardous for personnel.
- Installation of an air-conditioning system for the battery room in order to bring the temperature to standard levels.

Guavio

- Construction of the sedimentator in the Chivor river continued, which reaches the reservoir through the Chivor tunnel. Progress was 81% at the end of the year.

Cartagena

- Main gas station (City Gate); a new natural gas station was built and the gas flow totalizer modernized.
- The monitoring system in Unit 3 was modernized. A redundant processor and a new operation station with 2 screens were installed, allowing for better follow-up of the operation critical variables. An industrial inverter was installed in replacement of the previews motor generator. Piping panels were changed in the boiler front wall (110 pipes), from lower collectors to the air box. A 625 kVA diesel generator was installed, plus automatic transfer.
- A new acid tank and two fiberglass tanks of 3 and 10 tons were installed for hydrochloric acid.
- The work to separate the station networks was concluded. The runoff separation networks were separated from the process water network.
- The machine room façade plates were changed; new roofs were installed in the boiler floors.

SALACO Project

- This project was started, consisting in major maintenance and modernization work to the smaller San Antonio, Limonar y La Tinta - La Junca plants so that they will start operating as central dispatch stations as Salto II, Laguneta y Darío Valencia, respectively. For EMGESA, this represents a 144.8 MW additional installed power capacity and an expected average generation increase of 482 GWh. The stations will start operating with their original names of Salto II (going from 19.4 MW to 35 MW), Laguneta (going from 18

MW to 36 MW), and Darío Valencia (going from 38.8 MW to 150 MW). The project will be executed in 24 months (2013 and 2014), with an investment of USD$ 43.7 million.

- The Unit 5 Central La Tinta rotor was manufactured in the Mitsubishi facilities in Japan. This Unit will be one of the 3 Darío Valencia units in the project.

Muña pumping station

- Change of protection relays in the Muña 3 Units 1 and 3 motors.
- Structural maintenance to the Alicachín gates 1 and 2.
- Construction of the Muña 3 transformers firewall.
- Change of refrigeration pumps, Unit 3, Muña 3.

COMPLIANCE WITH REGULATIONS

- The following steam units were required to comply with availability tests according to article 15 of Resolution CREG-085 of 2007 and article 1 of Resolution CREG-138 of 2009 and 148 of 2010, which were successfully met as follows:
  - Cartagena Unit 1 in June 26.
  - Cartagena Unit 2 in June 29.
  - Cartagena Unit 3 in July 6.
  - Termozipa Unit 3 between September 30 and October 1.
  - Termozipa Unit 2 in September 30.

ENVIRONMENTAL ACTIVITIES

Environmental management plans

Environmental activities contained in the environmental management plans were carried out during 2012 for the Guavio, Cartagena, Betania, and Cadena Pagua stations and for stations in the old CASALACO chain, comprised of the Charquito, San Antonio, Tequendama, Limonar, La Junca, and La Tinta stations.

These plans include execution of programs approved by the national environmental licenses authority, looking to prevent, mitigate, and control environmental issues resulting from the generation process, optimizing the use of resources and managing waste and environmental risks. They include follow-up, monitoring, and contingency plans. The environmental authority made follow-up visits to the Guavio, Betania, Cartagena, and Cadena Pagua stations regarding compliance with these plans

Environmental management in the Betania and Guavio reservoirs

According to the annual program, limnology and physical-chemical monitoring was carried out at the station reservoir during high water flow seasons, as well as physical-chemical monitoring in the main tributaries of the Guavio station reservoir during dry and rainy seasons.

The "Sustainable Conservation and

Production Program for the Protection of Water Resources, Biodiversity, and Environmental Services in the Area of Influence of the Guavio Reservoir" continued, executed in 2008 with Autónoma Regional del Guavio (Corpoguavio) and Fundación Patrimonio Natural, whose expected term is 3 years. Follow-up activities were carried out in 2012 to the 33 ha of the sustainable production systems involving mixed forage cattle banks, agricultural systems with coffee, protection of water sources and riverbank corridors implemented in 2010. 15 additional hectares were reconverted during 2012.

Erosion control work was done in the Guavio reservoir round, consisting in channel maintenance and construction of new concrete channels and wavebreakers. The purpose of this work is controlling erosion, soil instability caused by rain, and waves in the reservoir.

In-line measurement of environmental variables

As a strategy for continuous improvement and follow up of critical environmental variables, the following projects were started:

- In-line monitoring of emissions, looking to control and follow-up, continuously and in real time, gas emissions of steam stations. The particle variable was added in the Cartagena station.
- Continuous H2S monitoring in order to constantly follow-up quality conditions of the air associated to the presence of H2S in the Paraíso station area of influence.

Environmental mitigation work in the Muña reservoir

In a joint effort between EMGESA and Empresa de Energía y Empresa de Acueducto y Alcantarillado de Bogotá, environmental mitigation activities continued in the Muña reservoir according to obligations imposed by the authorities. This work included manual and mechanical removal of weeds, tractor clearing in land property of EMGESA near the water body, larvae monitoring, insecticide application, and barrier maintenance.

Additionally, EMGESA continued with its quarterly spraing activities in the periphery of the reservoir, clearing weeds near the Aguas Claras and Muña rivers in order to mitigate the existence of mosquitoes. It continued with its quarterly pest control activities, keeping the community informed. It made routine and preventive maintenance to the pumping station to guarantee proper management of the Muña and Aguas Claras Rivers' buffer zones during rainy seasons.

Morphological and environmental restoration of the Muña quarry

During 2012 and as required by CAR under the environmental restoration, recovery, and management plan, embankment revegetation work continued, additional surface water handling and control work being done, such as ditches, perimeter channels, and sedimentation wells. This will ensure proper management and stability of the quarry landscape, additionally meeting additional CAR requirements.

Environmental mitigation work in the Tominé reservoir

During 2012, work continued under the Tominé reservoir environmental management plan, with the following activities:

- Participation in hydrologic committee meetings convened by Corporación Autónoma Regional de Cundinamarca CAR.
- Confinement and mechanical and manual removal of buchón.

- Acacias felling, disposal, and handling of new growth.
- Reinforcement of environmental training to personnel working in the reservoir, including waste management procedures.
- Inspections and maintenance to residual water treatment systems.
- Inspection visits regarding environmental activities carried out by clubs and leaseholders of land properties near the reservoir. Compliance with environmental requirements was confirmed, delivering the respective reports.
- Water quality monitoring.
- Interinstitutional activities with environmental authorities such as CAR, CORPOGUAVIO, and MAVDT and from the municipalities of Guasca, Guatavita and Sesquilé, regarding the reservoir environmental improvement.
- Participation in the creation and training of environmental interinstitutional education committees of the municipalities of Sesquilé, Guatavita and Guasca.

Request to extend the Bogotá river water concession term.

Corporación Autónoma Regional de Cundinamarca (CAR) was requested to extend to 50 years the term in Resolution 1014 of July 30 of 1998 granting EMGESA the underground and surface water concession for the Bogotá, Tominé, and Muña rivers and the El Rodeo, Obasas, Vitelma, Santa Marta and La Junca streams. In support to this application, changing technical, environmental, economic, and legal conditions were taken into account regarding the water concession situation.

Transfer payments according to Law 99

According to article 45 of Law 99 of 1993, EMGESA transferred to autonomous regional corporations and to municipalities located in the hydrographic basin providing water to the reservoirs, or to those having reservoirs or steam generation plants in their jurisdiction, COP $49,417,899,111 during 2012.

05

Management of Expansion Projects

EL QUIMBO HYDROELECTRIC PROJECT

ENVIRONMENTAL LICENSE

The following relevant facts stand out:

Modifications

Two changes related to construction of replacement roads and that related to obtaining new material sources and expansions to already existing sources are pending approval.

Resolutions

In October 17 of 2012, EMGESA was informed of Document 3106 of October 2 of 2012 initiating the process changing the environmental license on account of the use of additional resources in the area of main work, filed on May 15 of 2012.

The National Environmental Licenses Authority ANLA issued Document 3511 and Document 3512 requiring EMGESA to submit information related to the specific methodology used to supplement the Environmental Management Plan Social Monitoring and Follow-Up Program. It was also requested to deliver a report on the schedule and initiation of the reservoir's perimeter protection area reforesting program activities. 2 months were allowed for this.

On November 21 of 2012, EMGESA received Document 3476 with which ANLA approved the restoration plan, starting the land property purchasing process.

Document 954 of March 30 of 2012 was received, corresponding to the results of the follow-up visit made by the ANLA on August 22 and September 5 of 2011. This document requires EMGESA to deliver information confirming compliance with activities or programming, and their respective initiation.

Through Resolution 3 of January 20 of 2012, the Ministry of Mines declared of public benefit areas required for the resettlement program.

Public benefit

The deed process continued, on December 2012 reaching 88.43% of the area granted under titles, of the total area in purchase options delivered to landowners. On January 20, 2012, the Ministry of Mines and Energy, through Resolution 3 of 2012, declared of public benefit and social interest land plots required to develop the resettlement program and economic reactivation of families affected by the hydroelectric project.

UPME Energy Mining Planning Unit

On January 23 of 2012, through Resolution 41 of 2012 UPME selected the consultant that will execute an audit contract, under Tender UPME 05-2009, project Quimbo substation 230 kV and associated transmission lines. The consortium ACI S.A. – SEDIC S.A. was selected.

On February 28 of 2012, through an official act UPME awarded Empresa de Energía de Bogotá (EEB) the tender for the Alférez 230/115 kV substation, with interrupter double plus intermediate circuit at 230 kV (between 1 and 4 km).

On March 15 of 2012, through an official act UPME informed the selection of EBB as the investor that will develop the Quimbo 230 kV substation and associated transmission lines project, after evaluating the technical and economic proposals and applying the procedure in case of single proponents. The award includes design, supplies purchasing, construction, operation, and maintenance of the Quimbo 230 kV substation, the twin circuit line of more than 170 km to the Alférez substation, and a single line to the Altamira substation. This will guarantee interconnection of the El Quimbo generation project with the National Transmission System.

External XM audit

XM reported the extension of the guaranty as a result of the 62 days of delays regarding the Firm Energy Obligation term starting date. According to information provided by EMGESA, the new commercial commissioning date is February 1 of 2015.

Social-environmental management plan

According to the requirement from the Ministry of the Environment, Housing, and Territorial Development in the environmental license, EMGESA continues to develop the following activities and studies:

Collective resettlements

The Llanos de La Virgen land plot Social Interest and Public Benefit Declaration was obtained in 2012 for resettlement of the communities of La Escalereta of the municipality of Agrado; feasibility studies were prepared regarding irrigation districts, establishing that the water source will be the la Pescada stream. Design related to infrastructure and the community center where the resettled population will be located was concluded; houses were assigned and the model for each family defined.

For resettlement of the community of Balseadero, the Santiago and Palacio land plots were purchased, which were declared of public benefit. In August 2012 the sample house was built, which was visited by the community participating in the resettlement program.

A socioeconomic census was made in land properties purchased for the resettlement program, published in July 2012, in order to validate the community and the municipal administrations. After studying and discarding various land plots for the Veracruz community resettlement, the Montea land plot was purchased. At the end of the year, the land division and the community center designs were started. Considering that by late 2012 it had not yet been possible to find an adequate land plot for resettlement of the San José de Belén community, this work will be given priority during 2013.

Individual resettlements

Four individual resettlements were done, for a total of 8 including those of 2011. An agricultural production plan was agreed with families involved in individual settlements in order to restore their economic activity; technical assistance is being provided for this purpose.

Cash compensations

118 cash compensations were delivered to families being holders-owners of land properties smaller than 5 ha. These compensations were signed and paid after a support process was carried out with the families, during which their rights were explained and orientation was given for decision-making and for proper management of the investment received.

Psychological-social support to families

Through Codesarrollo, psychological-social support was provided to families living in the direct area of influence of the project. This was done through collective meetings, home visits, and personalized support, covering all those entitled to resettlement and the vulnerable population. Instruction was given to the families to assume the change.

Theme workshops

6 workshops were carried out, attended by national, departmental, and local authorities and representatives from the communities. Issues related to environmental, social, agriculture, and infrastructure issues were discussed. Project advances were reviewed and commitments assumed to respond to community concerns. As part of these commitments, meetings were held with the main communities in order to respond to their requests and complaints. Based on such complaints, a review process was started regarding special cases of persons not included in the census, which could be compensated after confirming that they had been directly affected.

Temporary jobs

According to the Environmental License and the Environmental Management Plan, the Employment and Local Services Committee was created for 2012-2014.

Based on complaints from the community regarding this employment policy and considering that the community had a semi-

qualified work capacity which could be used outside the project's area of influence, in July 2012 the decision was made to change the employment policy, suppressing this category and leaving all profiles that require technical or higher education degrees, such as qualified labor; the others were considered nonqualified labor and would have to be hired in the project area.

The employment database was updated in order to implement the new employment policy in The National Employment Service application, within the SENA-EMGESA cooperation agreement.

The occupational health, industrial safety, and the social and environmental responsibility training process was reactivated for nonqualified work, under the agreement with SENA.

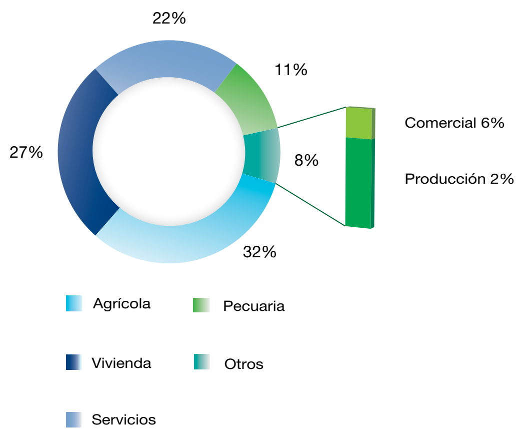
Program for restitution of employment and support program to artisan fishermen living between Puerto Seco and La Jagua

In late 2011 and early 2012 there were several work stoppages by population identified in the census as nonresidents. Meetings with the community and analyses made regarding the impact resulting from employment sources resulted in the Compensation Manual for Nonresidents, including the strategy of the development school, with the following achievements:

- Agreement with 90% of the nonresident population (1,152).
- 94% (1082) of agreements under training processes in the Sustainable Development School (EDS).
- Inclusion of productive units in commercial networks for the sale of their products.
- Investments in housing purchases or improvements in cases of senior citizens or those with social housing risks.
- Investments in land property purchases for development of agricultural projects by the beneficiary community.
- Capital strengthening to existing productive units of non-owner residents.
- EDS graduation of more than 900 beneficiaries, attended by important stakeholders of the region, such as the Huila Governor, the Secretary of Agriculture, and the media.
- Training to fishermen from Puerto Seco in pisciculture in ponds, part of the pisciculture promotion activity.

Regarding seed capital investments, there is a significant trend to invest in agricultural projects and housing purchases or improvements.

LÍNEAS DE PROYECTOS PRODUCTIVOS
POBLACIÓN NO RESIDENTE



Economic Development Project

Included in the Resettlement Program is the Economic Development Project, whose main purpose is revenue restitution to resettled families through agricultural productive projects, ensuring profits in excess of 2 monthly legal current salaries.

The program is 100% developed, taking into account that the Agricultural Production Plan was agreed with the 8 resettled families, plan that will allow revenue restitution, reimbursement of establishment costs, purchase of raw materials, and wages. EMGESA provides technical assistance as part of the resettlement compensation.

Assistance and advisory project

Part of this project is developed with the real estate offer interdisciplinary team, created in July 2012. 45 land properties have been enabled for resettlement as a result of this program.

Four land plots have been purchased, of those requested by the committee for resettlement, in which a similar number of productive projects are being developed.

Environmental compliance reports

The 5th and 6th Environmental Compliance Reports were delivered to ANLA, in March and September, respectively, in which EMGESA reports activities carried out in each management, monitoring, and follow-up plan.

Subtraction of the Amazonía forest reserve area (Pilot Restoration Plan in Tropical Dry Forest)

In November 6 of 2012, the National Environmental Licenses Authority issued Document 3476 approving the technical proposal for implementing the Pilot Restoration Plan. In the area selected to restore the Dry Forest (Matambo area in the jurisdiction of the municipalities of Paicol, Gigante and El Agrado), as of December 31 of 2012 EMGESA had purchased more than 6,000 hectares. The advantages of developing the pilot plan include scientific exchange, participation, the community's sense of belonging, and attraction to academic visitors and tourists, also turning into a classroom for environmental education at all levels.

In this area, and taking into account that it will be used as an area receiving wildlife coming from the reservoir, an ecologic study of wild vegetation and wildlife was started, which includes phases such as reviewing wildlife in relocation areas, relocation sites, population analysis of vegetation species, and activities related to sampling, salvaging, and scaring species away.

Basic archaeology

The archaeological prospecting study was concluded in the area of the future El Quimbo project reservoir area. The program considered 14 integration locations, distributed among the municipalities of Garzón, Gigante, and Escalereta in the municipality of El Agrado, developed in the following phases: a first reconnaissance phase during which the community was interviewed and the landscape observed in order to establish the location of

archaeological sites. This was followed by a reconnaissance phase during which samples were collected in order to document the size, depth, and type of cultural material. After this, rescue activities were carried out, consisting in excavations in sites with the highest archaeological potential, followed by analysis, classification, and interpretation of materials found. The last phase included socializing, during which those living in each site were able to see the various activities carried out under this project, looking to protect and rescue the archaeological heritage existing in the area.

The archaeological heritage protection program was developed in the main project areas, with participation of 8 archaeologists who monitored and followed up all activities involving vegetation clearance and excavations. They supervised all activities and suspended work temporarily upon finding and collecting archaeological materials.

Contingent fish rescue program

Between March and October 2012 fishes stranded in ponds and pools were captured in the Magdalena river diversion area, according to activities included in the contingent fish rescue program. Fish brigades were created with fishermen from the project's area of influence, who were trained on issues related to the procedure as well as on safety and occupational health. Fish were captured with various means and were measured, weighed, and identified for subsequent transportation and release upstream the cofferdam, in case of native species, or downstream for exotic species. In total, 74,890 fish were captured, of which 72,089 of 37 species were released, equivalent to 2,8,72.88 Kg, the survival rate being 96.26%. Included in released species are important native fishing species such as Capaz, Cucha, Peje, and Bocachico. These results allow supplementing the inventory and identification of fish species found in the Magdalena river upper basin.

Program for management and protection of the fish and fishing resource of the Magdalena river upper basin in the el Quimbo area of influence.

Through Universidad del Tolima, EMGESA completed the first year of the fish and fishing program, whose purpose is obtaining information regarding the structure and operation of fish communities and of the fishing sector in the Magdalena river during execution and operation of the el Quimbo project.

Forest inventory in the reservoir

The inventory of trees found in the area corresponding to the reservoir was completed in H1 2012, approximately 3,700 ha.

This inventory responds to the need to know the status of vegetation that will be removed according to activities required to prepare the reservoir, this way guaranteeing water quality conditions once the reservoir is filled. It also allows knowing the number of species and the volume of wood and biomass that will be used and removed during the reservoir construction.

Phases considered in this inventory were identification of forest species, measurement of trees, and data tabulation.

Designs

As a supplement to basic engineering developed the previous year, the following activities and studies were carried out:

The hydraulic model test was made in September, with 1 in 1000 year floods. The spillway operation was found to be good, with high speeds in the bottom of the dam. This condition is being studied in order to evaluate the consequences of design changes. Changes are expected in the dam bottom protection structure configuration.

Project engineering development has considered the designs of the main work of the hydroelectric station and everything corresponding to work done on the station's supplementary infrastructure, this way allowing meeting the EMGESA social and environmental commitments with the project.

To date, the machinery room reinforced concrete work design is complete, corresponding to the generation units' area, as well as the control building and erection area. The design of the units, the generator, and the aspiration design was concluded.

The main dam plinth, the concrete faceplates, and the main fill have already been designed. The bottom discharge tunnel design is complete, as well as that of the gate spillway design, which is finished with respect to gates, discharge channel, and other elements. The revetment and lining design of the loading tunnels is finished, as well as the auxiliary dyke's geotechnical design. Only some details of smaller elements are still pending.

Conclusion of the design of the spillway deflector and the protection of the main dam foot will be concluded in 2013, work that depends on results of the hydraulic model tests currently being done by Universidad Nacional in Manizales. The design of the gate wells of the loading tunnels, the bottom discharge gate chamber, the dam parapet wall, and the rest of electrical designs will be concluded.

The design of substitute roads and of their 9 bridges has been concluded, one of them being the Viaducto del Balseadero, 1,580 m long and the longest in Colombia.

The La Jagua ponds relocation design is concluded. During 2013, designs of the irrigation and resettlement districts will be concluded, as well as those of the berths for the ferry that will operate in the reservoir, and the design of electrical grids that will have to be replaced.

Development of main agreements

Following are the main activities under these agreements::

Construction of camps and water treatment systems

Housing and office camps are fully concluded; the work was awarded to another two contractors.

Diversion tunnel access road construction

Contract fully concluded and work delivered to the civil works contractor.

Construction of main civil works

- The diversion tunnel construction was concluded in February.
- The Magdalena river temporary diversion was done between March 3 and 6.
- The outlet portal construction was concluded in March; the outlet portal bridge plate construction was started in the same month.
- The cofferdam work concluded in October. Protection was provided to the upstream embankment.
- The fusible dyke fill was concluded in October.
- Machinery room: the reinforcement steel, formwork, and the bilge tank walls pouring were concluded.
- Fill work in the first phases of the dam continued, as well as the right margin plinth excavations; the riverbed excavations were concluded. The left plinth excavation continued, the left plinth's was concluded.
- Foundation excavations continued in the high end and the left side of the auxiliary dike. The auxiliary dyke fill work continued in its first phases. The lateral curtain drilling and injections continued.

Design, manufacture, supply, erection, and commissioning of electromechanical equipment

- The first shipment of imported elements for the traveling crane arrived in Cartagena in March; the flange and

the first aspiration pipe ferrule for Unit 1 were inspected and received, for subsequent delivery to COMECA, Cartagena, for the diffuser test assembly.

- Manufacture of the following equipment was started in April: traveling crane, turbines, diffusers, pit liners, pre-distributors, cylindrical valve, turbine lids, mobile blades, generators, casings, stators, rotor spiders, stator silica steel plates, bottom discharge gates and discharge tunnel lining.
- The Unit 1 pre-distributor manufacture was concluded in August.
- The Unit 1 pre-distributor was transported from Pasacaballos, Port of Cartagena, to the worksite, through the Magdalena river.

Detail engineering and assistance to execution of main civil work

Fill and excavation of the auxiliary dyke and dam; machinery room excavation and civil works; excavation and concrete in the main dam plinth; excavation and lining of bottom load and discharge tunnels; design of substitute roads and bridges; relocation design of the La Jagua pond; feasibility design for irrigation districts and infrastructure for the Balseadero and Escalereta resettlements; restudy of the spillway deflector and of the dam and the machinery room protection system; restudy of embankment protections for the machinery room and supplementary design for the camps.

SUMAPAZ HYDRO-ELECTRIC PROJECT

This project is located in the departments of Cundinamarca and Tolima, some 20 km outside of Bogotá, and will benefit from the Sumapaz river waters between markers 2,450 and 580 meters above sea level, building machinery rooms distributed in 3 generation chains. It includes a transmission line approximately 40 km long at 115 kV. Each station will have a capacity of less than 20 MW, for a total of 156 MW. The estimated average for the project is 995 GWh/year, meaning a plant factor of approximately 73%. The feasibility and environmental studies were concluded during 2012. The nature of the station and the fact that the majority of lines will be buried mean that the project will have low environmental and social impact.

GUAICARAMO HYDROLOGIC PROJECT

This project is located in the limit between the departments of Cundinamarca, Meta, Casanare and Boyacá. It is developed in the Colombian pains' foothills, between markers 260 and 370 meters above sea level, using the water of the Guavio, Batá, Lengupá and Upía rivers. It is a 467 MW station, next to the dam, with an underground machinery room, gravel dyke, and rocks with concrete lining. The reservoir surface, in an area of low population density and low productive levels, will involve 1,450 ha and will have a volume of 4,701 hm3. The estimated mean power is 2,761 GWh/year, a 67% plant factor with a firm energy of 2.292 GWh/year. The environmental impact study was concluded in 2012 and will be processed in 2013.

CAMPOHERMOSO HYDROLOGIC PROJECT

This project is located in the Department of Boyacá and uses the Lengupá river water. At a pre-feasibility level, development between markers 570 and 830 meters above sea level is estimated, with 168 MW power, underground machinery room, roller-compacted concrete dam 160 m high, 900 ha reservoir surface, reservoir volume of 313 hm3, average power of 844 GWh/year, plant factor of 0.57%, and firm energy of 449 GWh/year. The prefeasibility studies were concluded in 2012; some definitions regarding decisions by the environmental authorities on the need to make the environmental alternatives diagnosis are forthcoming.

OPORAPA HYDRO-ELECTRIC PROJECT

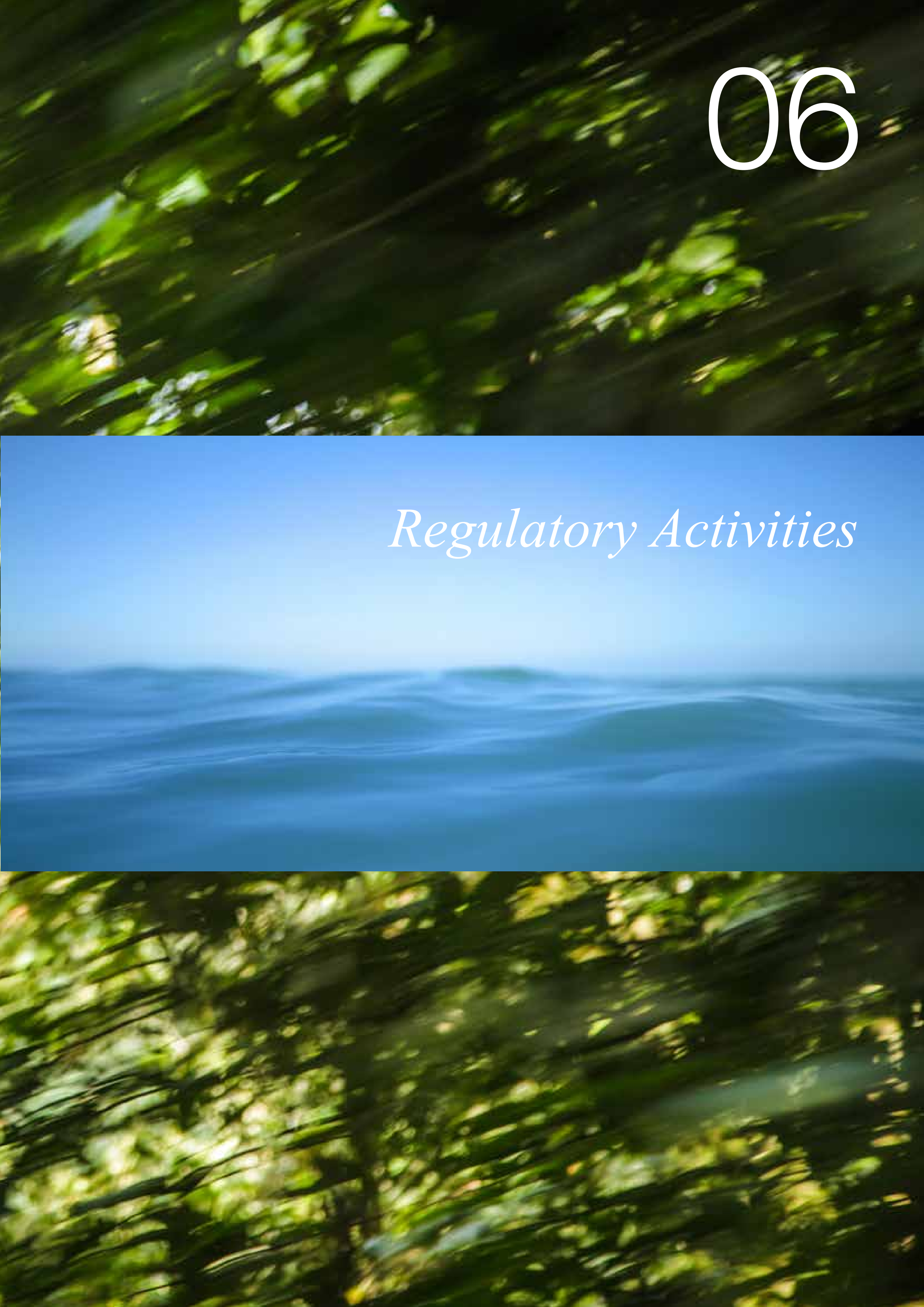
It is located in the Department of Huila, upstream the El Quimbo project. It uses the Magdalena river water. At a prefeasibility level, development has been estimated between markers 895 and 1,070 meters above sea level, with 280 MW of installed capacity, station next to the dam with surface machinery room, rock dam with waterproof core 180 m high, 1,900 ha reservoir surface, reservoir volume of 1,235 hm3, average power of 1,687 GWh/year, plant factor of 69%, and firm energy of 1,336 GWh/year. The prefeasibility studies were concluded in 2012; some definitions regarding decisions by the environmental authorities on the need to make the environmental alternatives diagnosis are forthcoming.

EOLIC STATIONS

This resource is currently being measured. In 2011 there were 9 measurement towers throughout the national territory, one of which was relocated in 2012, another disassembled, and 3 additional ones erected in Guajira. 2 additional towers will be built in 2013 in Alta Guajira.

06

Regulatory Activities



These activities were focused on following up the electricity market and the natural gas sector norms, environmental regulations, and issues related to weather changes.

Regarding the electricity market, during 2012 this activity focused on i) the regulatory proposition of the Statute for the Short Supply Risk, looking to ensure proper response to demand in case of critical situations, and ii) supplementary regulatory developments that will allow achieving electrical power exchanges between Colombia and Panama. Other milestones associated to the electricity market include i) regulations and performance of the reconfiguration auction within the Reliability Charge Security Rings and follow-up of the OEF assignments for 2015-2016 and 2016-2017, ii) activities related to the electrical sector restrictions' analysis, iii) the update of the electrical power measurement code, and iv) follow up to the Andean Integration development, among others.

Regarding issues related to natural gas regulations, activities carried out regarding the following stand out: i) reliability criteria for the gas sector, which included evaluation and remuneration of investment projects in natural gas public and imported natural gas utility reliability, ii) commercial aspects of the natural gas wholesale market and the trading mechanism after 2012, which include the secondary market, and iii) price release for natural gas placed at the national transportation system point of entry.

Regarding environmental regulations, the following stand out: the Compensations Manual, which sets forth the procedure to establish and quantify compensation measures on account of biodiversity losses, development of norms allowing participating in compliance with the PROURE (Program for the Rational and Efficient Use of Energy) goals, and of other nonconventional forms of energy.

Follow up to implementation of the Integral Policy for the Water Resource Management continued during 2012, as well as to norms related to minor changes and the review and update of reference terms of projects, works, and activities requiring an environmental license, and the general methodology for submittal of environmental studies.

Within its sustainability strategy, EMGESA actively participated in formulating the Colombian Low Carbon Development Strategy developed by the national government. It also participated in appropriate mitigation actions at a national level (NAMAs) regarding weather changes, together with Universidad de los Andes preparing a NAMA proposal for development of electrical transportation in Colombia, which was submitted to the authorities.

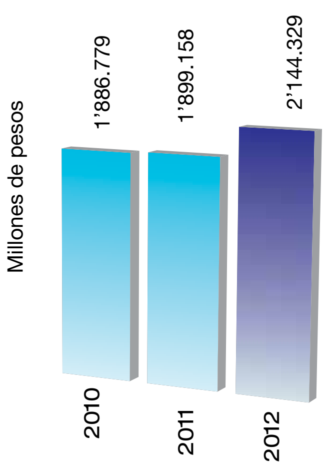
07

Financial Activities

The EMGESA operational revenues during 2012 were COP $2,144,329 million, of which COP $2,139,622 million were provided by the electrical power generation and trading business and COP $4,707 by other associated deals.

Total operational revenues increased by 12.91% with respect to 2011. The main aspects explaining this are greater sales under contracts and in the energy pool, backed by greater own generation given high rains during the first 6 months of the year which resulted in lower energy purchases to respond to contracts, and greater energy pool prices as a result of expectations of a possible El Niño phenomenon during the 2nd half of the year, generating greater delivery capacity of the Pagua, Guavio and Betania stations and the commercial pool strategy.

INGRESOS OPERACIONALES



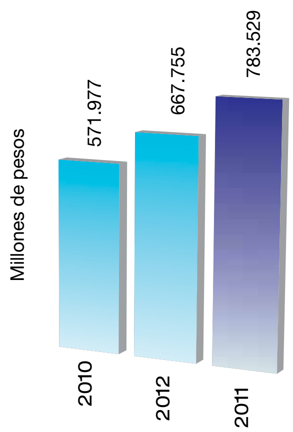
Despite the volatile prices of 2012, the company commercial policy - which seeks optimizing the ratio between sales under contracts and sales in the sport market in order to minimize the variability of the operational margin - provided stability to revenues since close to 70% of its sales were made under contracts.

The cost of sales increased to COP $880,869 million, a 15.8% increase with respect to the previous year, mainly result of greater fuel costs associated to the higher steam generation at the Cartagena station, according to regulations regarding generation security of the country's steam stations and the increase of personnel expenses in production areas. Administrative expenses changed in 0.31% with respect to the previous year, reaching COP $29,300 million.

During 2012, the EMGESA EBITDA was COP $1,380,920 million, 9.93% higher than in 2011, equivalent to a margin over operational revenues of 64.4%, mainly the result of the greater absolute increase of operational revenues with respect to costs, as already indicated.

Company net profits during 2012 were COP $783,529 million, a 17.34% increase with respect to 2011 as a result of the better EBITDA and the reduction of net financial expenses resulting from the lower balance of outstanding debts during the first 11 months of the year, (thanks to COP $310,000 million amortizations made in November 2011) and better placement rates of cash surpluses. This result represents an 8.58% ROI over total assets and 13.69% over total equity.

EVOLUCIÓN DE LA UTILIDAD NETA



12,91%

El total de ingresos operacionales mostró un incremento de 12,91% respecto al año 2011.

17,34%

La utilidad neta de la Compañía durante 2012 fue de $783.529 millones, lo cual representa un crecimiento del 17,34% respecto al 2011

As of December 31 of 2012, total company assets were COP $9,140,080 million, available cash and short-term investments COP $785,375 million. This represents a 10.58% and 53.50% increase with respect to the previous year, mainly explained by the Quimbo station investments during the year and greater cash balances resulting from pre-financing resources for the project obtained in December 2012 by placing bonds of the 4th tranche of the EMGESA Issuance and Placement Program.

Regarding indebtedness, as of December 31 of 2012 EMGESA had financial debts - including interests payable - of COP $2,732,586 million, 21.58% higher than the previous year, resulting from placement of local bonds for a total of COP $500,000 million in December 2012.

Financial debts on December 31 of 2012 were COP $1,585,000 million in bonds issued in the local capital market, COP $736,760 million in bonds indexed to Colombian pesos issued in the international market, and a Club Deal credit with local banks for COP $305,000, which was converted to long-term in April 2012.

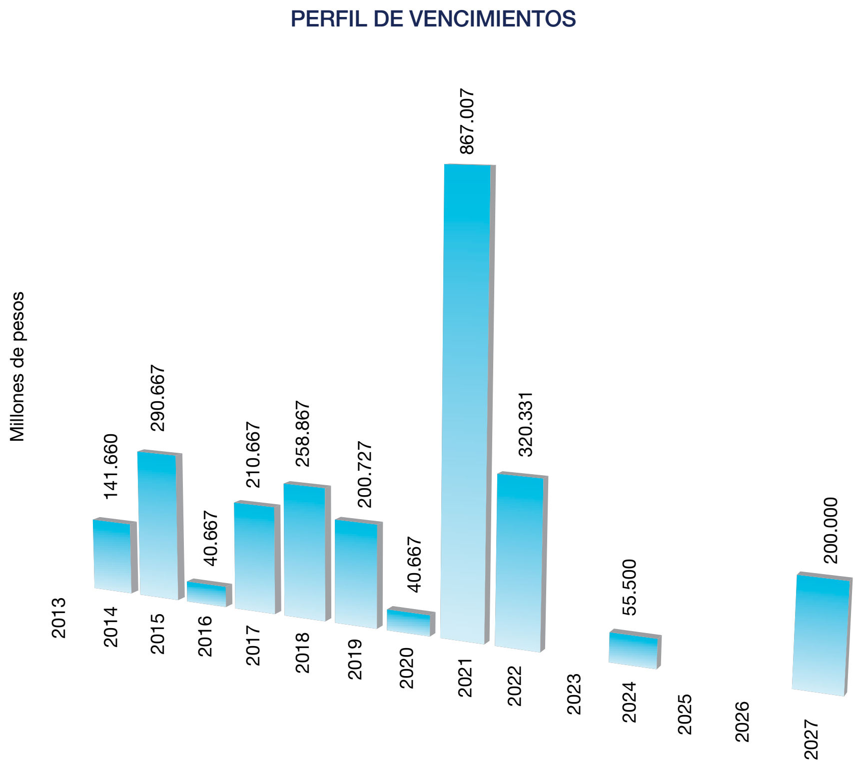
The company net financial debt went from COP $1,615,117 in late 2011 to COP $1,841,385 at the end of 2012, a 14.01% increase. This behavior is mainly the result of investments made in the El Quimbo project construction.

During 2011, the company continued with its policy to minimize the exposure of its income statement to exchange rate changes, with which at the end of the year 100% of the company debt was denominated in Colombian pesos. 100% of its financial debt was long-term; regarding the reference interest rate, 55.95% of its debt had interests indexed to the CPI, 13.49% to the DTF, and 31.56 to the fixed rate.

The average cost of the debt during the year was 9.03% annual effective, above the average level of 2011 of 8.75% annual effective, mainly due to a greater DTF rate during 2012 and 12 full months of interests associated to the issuance of the international peso bond at the end of January 2011. The debt average life went from 6.05 years on December 31 of 2011 to 7.11 years at the end of 2012.

EMGESA has no important maturities for 2013 and 2014, years during which the el Quimbo project will be significantly executed during its initial phase, 80% of the project investment being concluded during this time. During 2013 there will be no financial debt payments, 2014 only having one local bond payment for COP $142,000 million.

Following is the EMGESA payment schedule as of December 31 of 2012:



The company pension liabilities at the and of 2012 are COP $74,425 million, 100% reserved.

DIVIDENDS

In January of 2012, EMGESA paid dividends for COP $77,116 million, corresponding to the last payment of dividends on account of 2010 profits and release of the legal reserve declared by the Shareholders Assembly in 2011.

On March 21 of 2012, during its ordinary meeting the General Shareholders Assembly declared distribution of 2011 profits for COP $667,755 million, of which COP $501,843 million were paid to the shareholders in April, June, and November 2012; the balance of COP $165,912 million will be paid during H1 2013. Upon exercising the dividends' pay out, 100% of distributable profits will be kept.

FINANCIAL DEBT REFINANCING AND TITLE ISSUANCE

In April 2012, EMGESA refinanced payments scheduled for April and August 2012 with local banks, for COP $305,000 million, through 3 new peso credits with BBVA Colombia, Bancolombia and AV Villas. These new credits have 10-year maturities, with principal payments in equal semiannual installments from April 2015 and a DTF interest rate of TA + 3.75%.

In December 2012, EMGESA successfully placed in the local capital market the 4th tranche bonds under its Issuance and Placement Program, through a Dutch Auction in the Colombian Stock Exchange. The amount initially offered was COP $350,000 million, with the option to increase it to COP $500,000 million should the investors' demand be higher, at attractive

$77.116 millones

En enero de 2012 EMGESA efectuó un pago de dividendos por $77.116 millones interest rates for EMGESA. As a result of the significant demand (over COP $1.3 MM), equivalent to 3.8 times the amount offered, EMGESA placed the entire tranche for COP $500,000 million in 2 series: series B 10 for COP $300,000 million at 10 years with a CPI+ 3.52% coupon, and series B 15 for COP $200,000 million at 15 years with a CPI+ 3.64% coupon. The 4th tranche placement resources were used to pay the entire intercompany credit with Codensa, which had been disbursed to refinance the el Quimbo project needs since October 2012, the balance being used to cover its investments during the first half of 2013.

The success of the transaction made evident the interest the investors had in the company and their confidence in its expansion plans, thanks to its sustained positive financial results during the last few years and its good relations with the investors.

EL QUIMBO HYDROELECTRIC PROJECT FINANCING

In order to secure resources required to finance the project construction, a financing strategy was designed in order to guarantee availability of resources, maintain the high EMGESA credit rating, achieve efficiency in financial costs, and minimize exposures to exchange and interest rate risks. This strategy has been executed in two phases, as follows:

Phase I

International bond issuance and support sources (2010-2011): This involves the EMGESA participation, as an issuer, in the international capital market, involving issuance of the first international bond by a Colombian company, issued in pesos and payable in dollars at a fixed interest rate, for COP $736,760 million (close to US $400,000,000), of which COP $646,760 were used to finance the project.

Additionally, together with local banks we developed instruments allowing having additional resources available to support the project, guaranteeing their availability during its construction. As a result of this, in January of 2011 facilities were secured with local banks for COP $360,000 million, which include the participating banks' obligation to grant credits to EMGESA, as required and despite any market uncertainty existing at the time of the payment. An intercompany facility was obtained with Codensa, for up to US $300,000,000.

Phase II

Optimize financing costs (2012-2014): Considering the already secured backing mechanisms required to guarantee liquidity at all times according to the project needs, the 2nd financing phase efforts have focused on having the necessary flexibility, both with respect to times and sources, in order to minimize the cost of the debt. Consequently, once resources from the international bond issued in 2011 had been depleted, the el Quimbo project needs were financed with short-term intercompany credits, permanently monitoring the local and international market conditions in order to identify the best time to issue a new bond allowing for long-term refinancing of short-term resources and guarantee the necessary resources to finance the following months' investments, at proper financial costs.
After this follow-up made to the market conditions, in December 2012 a 4th tranche was issued in the local capital market under the Issuance and Placement Program, for COP $500,000 million, such resources having been obtained for an average of 12 years and at an average rate of CPI + 3.57%, representing the lowest financing cost for 2012, with which it has been estimated that project needs will be covered up to July 2013. Between 2013 and 2014, the company will keep sources and terms flexible in order to minimize the project's financing costs.

Considering the project budget and the state of phases 1 and 2 of the financing strategy, by December 2012 EMGESA had executed its financing and had backing for close to 80% of the estimated Quimbo investment, providing financial peace of mind and feasibility in terms of economic resources.

FINANCIAL OPTIMIZATION ACTIVITIES

In order to optimize cash activities between EMGESA and Codensa, during 2012 EMGESA received advance payments from Codensa for energy purchases, under market conditions, for COP $377,899 million,

which were used to cover its working capital needs; the resources had been fully amortized by late 2012. Since October 2012, EMGESA has received intercompany credits from Codensa, under market conditions, in order to temporarily cover the el Quimbo project needs, for COP $63,695 million, which were fully paid with resources generated by the EMGESA bond placement in December 2012.

These activities reflect the two companies' integrated financial efforts, bringing benefits for both parties inasmuch as EMGESA secures more economic financing and Codensa obtains greater yield for its liquidity surpluses.

CURRENT RATINGS

In February 2012, the Standard & Poor's Rating Committee confirmed the EMGESA corporate debt international rating and its international peso bond issuance in "BBB-" (Triple B-), investment grade, with a stable perspective.

In May 2012, Fitch Ratings confirmed the EMGESA international issuer rating in local and foreign currency of "BBB-" (Triple B-) and improved the rating perspective, going from stable to positive. Also during May 2012, the Fitch Ratings Colombia S.A. S.C.V. Technical Committee confirmed the "AAA" rating (the highest in the local market) for the EMGESA corporate debt and all its current bond issuances, it which risk factors are practically nil.

The above ratings took into account the company investment plans in the El Quimbo construction and commissioning during the next few years, and its respective financing.

TAX ACTIVITIES

The functional unit declaration was obtained in 2012, for equipment used in the El Quimbo project, this way facilitating and expediting import procedures. In addition to this, the customs tariff assigned to the functional unit was declared tax exempted for the period between August 2012 and August 2013, resulting in cost savings in equipment imports. The El Quimbo project resources were optimized as a result of taxes related to the project, compensation to the community affected by it, and proper application of the VAT applicable to equipment imports. The external auditor opinion regarding compliance with contractual obligations was positive and had no exceptions.

A favorable decision was obtained in a process opened by the municipality of Yaguará seeking payment of a sanction on account of the industry and trade not having being declared, for COP $98,000 million.

With the support of trade groups Andesco and Acolgen, the industry and trade tax applicable to generators was clarified regarding their trading activity.

Under a decision by the State Council and after issuance of a regulatory decree, the possibility of applying for the stamp tax reimbursement withheld in excess for 2008, 2009, and 2020 was confirmed, so that the necessary steps were taken. The company started receiving these resources in January of 2013.

QUALITY CERTIFICATION FOR PAYMENT PROCESSES AND LIQUIDITY SURPLUSES

The quality management system certification audit was obtained in 2012, according to ISO9001:2008, for the liquidity surplus management and payment. The result of these audits was the processes' certification, with no nonconformances by the auditor Bureau Veritas Colombia.

GENERAL SERVICES AND EQUITY ACTIVITIES

In 2012, the Colombia General Services and Equity Manager handled 47 metrics, of which 30% were focused on handling complaints and 27% on compliance with service level agreements with collaborating companies. The remaining metrics are focused on the area's internal management. The general ANS compliance metric for 2012 was 91%. This provides control in order to guarantee efficient, timely, and quality service.

REAL STATE

Support and assistance was provided during 2012 in the search of a land property for the Chivor river project. At the end of the year, real properties corresponding to land properties not required by the dismissed lines in Colombia were sold, which were generating administrative costs and risks. In response to corporate instructions, the necessary regulations were prepared to deinvest non-productive properties, through public tenders in order to guarantee the processes' transparency.

The project related to normalization and clearance of the Betania project land properties was consolidated. 29 appraisals

were made, identifying 235 illegal occupations. In coordination with the Legal Manager, 25 processes were initiated in order to restitute real properties; the necessary steps were taken before municipal mayors to execute the respective evictions.

MAINTENANCE AND CIVIL WORKS (FACILITY MANAGEMENT)

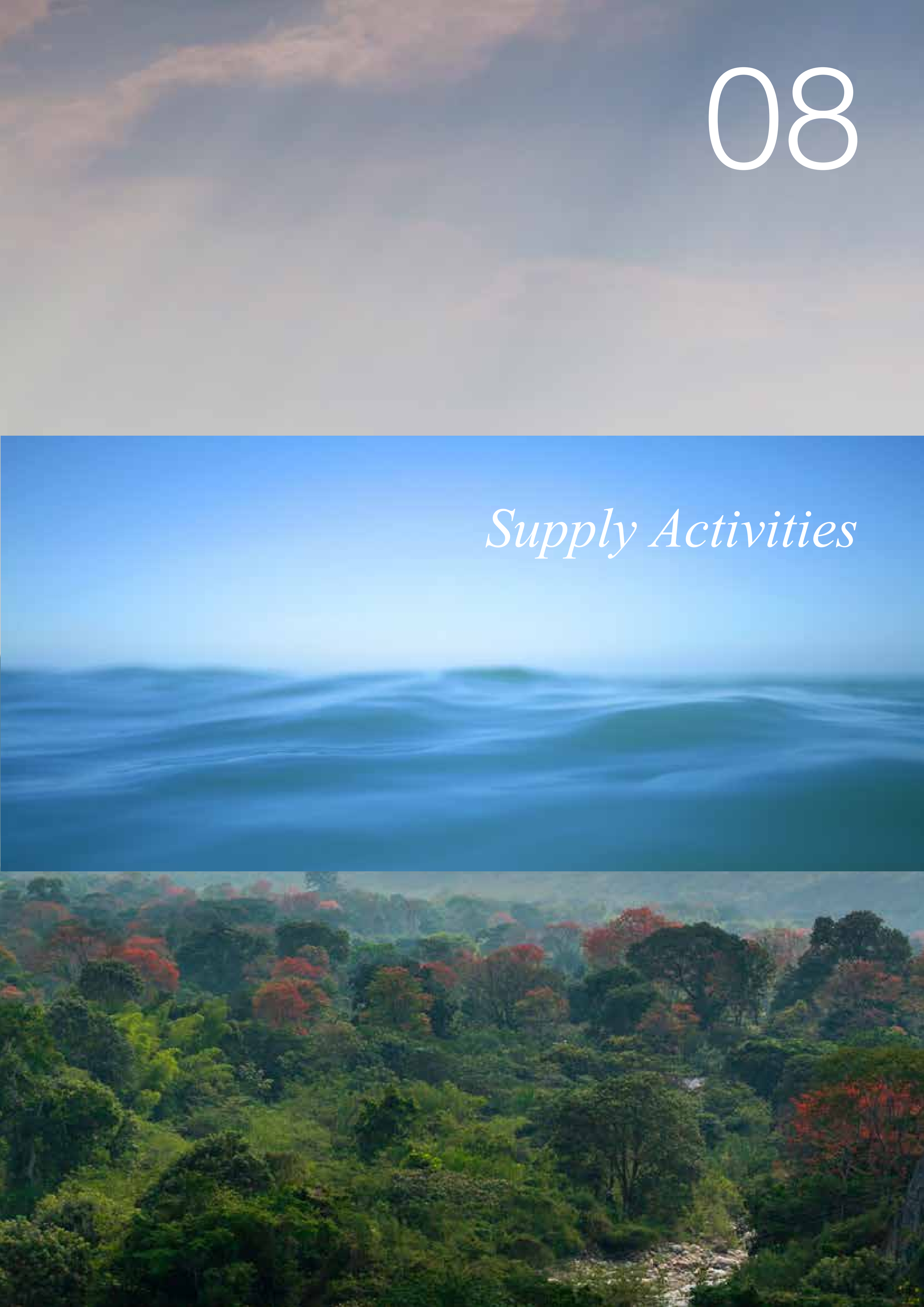
In 2012, work was done in various sections of the stations: renovation of the battalion mess hall in Betania, roof change in the La Tinta warehouse, change of roof and structure of the Mámbita (Guavio) warehouse, renovation of the Termozipa guard booth, work on the secondary road in the Charquito microstation, office customization work in San Antonio for the SALACO project, installation of a fence in the Termozipa station (625 m²), customization of control rooms 1 and 2 in Termocartagena, construction of the resident house in the Peñas Blancas valve chamber, improvements to the Cartagena mess halls (490 m²) and Betania (200 m²), offices in the La Tinta La Junca station (120 m²) for the Salaco project.

GENERAL SERVICES

The SAP Transporte system was implemented with new collaborating companies, in order to pay taxis and personnel transportation, confirming distances traveled during the month. The filing services provider was changed with no problems. A new travel agency was contracted, resulting in better control according to the EMGESA trips norm, focusing on instructions provided for service purchases with the required authorization levels. This included centralized hotel management.

08

Supply Activities



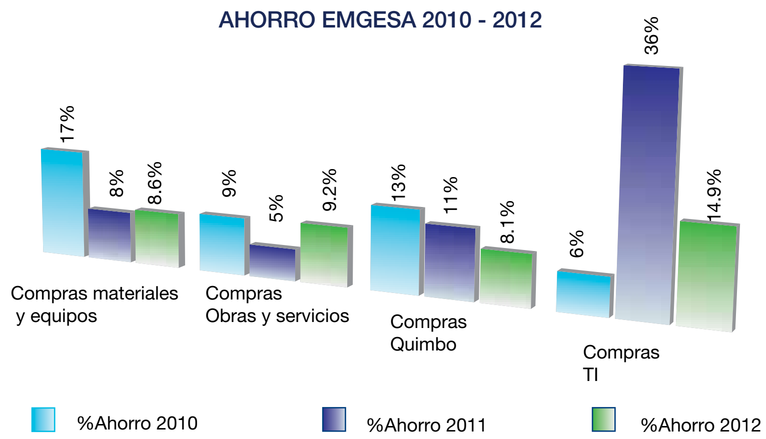
MAIN 2012 METRICS

Awards

Awards for COP $344,925 million were made in 2012.

Savings

An 8.75% savings was achieved in 2012.



Inventories

The EMGESA materials stock at the end of 2012 was valued at COP $22,726 million.

MAIN ACTIVITIES DURING 2012

Launch of the SAGA7 system, a new multi-channel multicultural information system to manage purchases, including the main features of its SAGA4 predecessor but is more agile, secure, and practical and allows following up processes and standardizing, optimizing, and simplifying the purchasing activity.

This system features the following main improvements:

- Unique purchasing document approval system.
- Elimination of lower value baskets and the possibility to directly generate the order for simplified purchases.
- Better synchronization and availability of contracts in purchase catalogues.

PURCHASING ACTIVITIES

Purchases of materials and equipment

- During 2012, contracts were executed to modernize electromechanical and control equipment in order to potentiate the chain of minor stations of the Bogotá river (Salaco chain) for an amount in excess of US $20,000,000.
- Coils were purchased for the generation equipment, electrical equipment, valves, pumps, seals, instrumentation equipment, and protection equipment to improve the availability and reliability of the generation stations.

IT purchases

In December 2012, a contract was awarded for COP $ 1,920 million for operation, maintenance, and installation of telecommunications associated to the corporate network, with cost optimization, improvement of service levels, and increase of security criteria, according to company needs.

ACTIVITIES WITH VENDORS

World-Check

A process was implemented in 2012, which allows making sure that no vendor will be included in lists of organizations or persons involved with terrorist activities or money laundering.

Sustainability plan

Activities were carried out to inform the EMGESA corporate social responsibility and its ethics to vendors and contractors, explaining them how the United Nations' World Pact Guidelines can be adopted and kept.

LOGISTICS, QUALITY, AND COMEX

EMGESA was included in the unified integral waste management contract awarded to Codensa and to Empresa de Energía de Cundinamarca, optimizing administrative processes and facilitating the operation.

09

Legal Activities

The Legal Manager provided support to the various areas regarding the most important contracting processes, such as expansion projects and social and innovation responsibility agreements, and to all those necessary for the business and its continued improvement. It also supported company processes offering products and services that generate value added to its clients, including its participation in the gas trading business.

Support was given to the negotiation process with Empresa de Energía de Bogotá S.A. E.S.P. regarding operation and maintenance of the Tominé reservoir, which will allow improving the quality of the Bogotá river water, which the company uses is in its electrical power generation process.

In order to provide better service to the shareholders, with the adoption of better corporate governance practices and modernization of its operational processes the Legal Manager took the necessary steps so that, from June 15 of 2012, the shareholders book will be electronically managed by Depósito Centralizado de Valores S.A., DECEVAL and ordinary preferential shares with no voting rights issued by the company will circulate digitally instead of physically.

From the regulatory perspective, the Legal Manager actively participated in the various propositions submitted by Comisión de Regulación de Energía y Gas, including Resolution 89 of 2012 "Defining the Operations Support Capacity in the Electrical Power Wholesale Market", Resolution 76 of 2012 "Establishing the Regulation Shortage Situations in the Energy Wholesale Market, As Part of the Operation Regulation", Resolution 113 of 2012 "Regulating Commercial Aspects of the Natural Gas Wholesale Market, Part of the Natural Gas Operation Regulation", Resolution 35 at 2012 "Defining the Rules of the Reconfiguration Auction Part of the Reliability Charge Security Rings".

The Legal Manager participated in the popular action that seeks cleaning the Bogotá river and the Muña reservoir, submitting to the various legal entities their commitments to mitigate the reservoir environmental damage, as agreed in the Compliance Pact ratified by the Cundinamarca Administrative Court.

The environmental problem regarding pollution of the Tominé reservoir was allegedly not caused by the company, which was cleared in the legal proceeding; a €7.000.000 sanction was avoided.

The record of rulings looking to establish the percentage of exonerations under proceedings in which the company was the defendant indicates a total of 23 final rulings in the various legal proceedings, all of them being favorable to EMGESA. The company was not required to pay COP $ 2,581,293,705.

During this year, the Legal Manager provided support to the Quimbo project regarding contracting, environmental rights, and replies to the various requirements from control entities and from the communities, in order to minimize legal risks and protect the company interests.

All legal company procedures were adjusted according to international standards.

The Legal Manager recertified the quality management system, norm ISO 9001, confirming its commitment with quality and excellence in its processes.

10

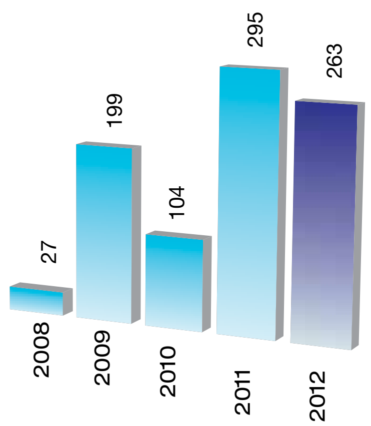
Hr Activities

PERSONNEL DEVELOPMENT AND SELECTION

263 selection processes were carried out in 2012, with an 89% effectiveness average, meaning a indicator reduction with respect to 2011, when it was 94%, mainly thanks to the el Quimbo project turnover level.

99% of candidates accepted in 2011 remained.

COMPARATIVO PROCESO DE SELECCIÓN EMGESA



Internal replacements

8% of the 51 vacancies were covered with company employees, under internal selection processes, representing a growth opportunity for them.

EMGESA	VACANTES CUBIERTAS	
	Nivel Interno	Nivel Externo
2008	5	5
2009	5	36
2010	15	26
2011	9	65
2012	4	51

There were 4 promotions. Personalized feedback was given to 90% of those applying to internal positions, informing them of their strengths and opportunities for improvement, this way guaranteeing the selection process transparency.

Talent attraction and recruiting

A campaign involving persons referred by company employees was carried out in 2012, in order to strengthen the internal database. The company participated in 8 work fairs carried out by different educational institutes, as well as in the COLFUTURO labor fair, having had access to 400 resumes of professionals from various administrative and commercial areas, with undergraduate and master's studies from top level foreign universities.

Two ads were published in El Tiempo: a special on employment in the energy and hydrocarbon sector, and a special on the 100 best companies to work with according to the Merco survey.

Equal opportunities regarding gender and for persons with disabilities

Of all 2012 hires, 35.4% were women, surpassing the 28.55% goal; a disabled person was hired.

Training support was given to Servicio Nacional de Aprendizaje SENA in order to train 20 disabled students in administrative assistance techniques.

Corporate training

The "Energy Explorers" corporate training program was carried out, with visits to the training center, in order to teach the organization's operation to 64 new employees, including direct personnel, apprentices, and temps.

35,4%

Del total de contrataciones de 2012, el 35,4% fueron mujeres, sobrepasando la meta establecida del 28,55%,

276

En EMGESA 276 empleados cuentan con Planes de Desarrollo Individual,

The knowledge evaluation made after the training was 4. 0 in a scale of 5.0; satisfaction regarding the training process was graded 4.1 over 5.0.

ORGANIZATIONAL ENVIRONMENT

Great Place To Work survey

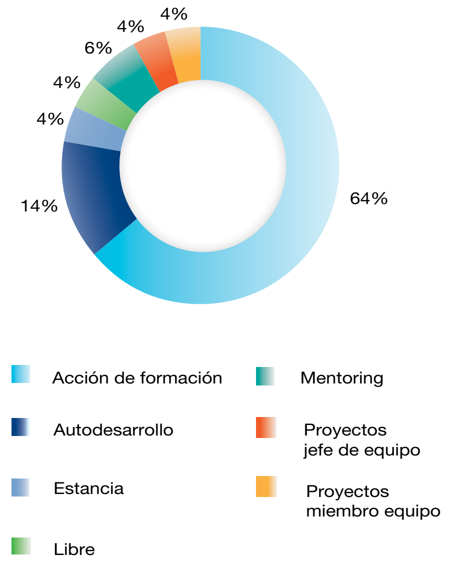
Made in June 2012 in order to compare our results with those of other companies in Colombia. It had an 87.4% participation. Results were informed to employees in November 2012. Work will continue during 2013 in action plans resulting from such results.

PERFORMANCE RELATED ACTIVITIES

Evaluation of individual goals of all workers continued, taking into account results and leadership, in order to define development plans contributing to strengthen the results-oriented culture and leading to developing the company strategy.

276 employees have individual development plans, for a total of 736 actions.

PERCENTAGE OF DEVELOPMENT ACTIONS AMONG WORKERS



In addition to the above actions, various methodologies were applied and development workshops carried out, looking to strengthen the EMGESA employees' behavior.

LEADERS PROGRAM

The program was concluded in 2012, which included participation of 42 company leaders and lasted over 180 hours.

PROGRAMA DE LÍDERES

Líder

16 hrs	Conciencia: EjerSER
16 hrs	Desarrollo de otros
24 hrs	Inteligencia social
3 hrs	Innovación para el crecimiento y la sostenibilidad
3 hrs	El cambio del Ser
3 hrs	La Gente Feliz es más Exitosa
16 hrs	Gestión del cambio - Inteligencia Emocional para las Relaciones
16 hrs	La Conversación: Eslabón de la Confianza
96 hrs	Habilidades Gerenciales Programa U.Andes
12 hrs	Coaching o Mentoring

INTERNAL TUTORS PROGRAM

The purpose of this program is training internal tutors to be mentors for other workers, so that they will support them and potentiate their competences, influence, and communications and develop proper attributes to assume risks and responsibilities.

The program will last 8 months (50 hours) and will be participated by 17 persons, including 10 tutors and 7 students.

Category	Tutors	Students
Communication	4	1
Impact and influence	2	2
Assuming responsibilities and risks	4	4

QUALITY OF LIFE

The company continues to strengthen a management model focused on positively impacting the quality of life of its workers and promoting balance between personal, family, and work life.

INTERNATIONAL CERTIFICATION AS FAMILY RESPONSIBLE COMPANY

In October 2012, Emgesa received the International Certification as Family Responsible Company. This achievement, which is the result of a diagnosis, definition of goals, design and formalization of a policy, creation of indicators and a process of external auditing, is also a proof of Emgesa’s commitment to the integral development and wellness of its employees.

CORPORATE RECOGNITION PROGRAM

"People with the Best Energy", is a program launched in 2012 to highlight the good attitude and commitment of the employees and their contribution.

LOANS

The company contributed with resources for loans for up to COP$ 5.4 billion distributed in the different credit lines, as follows:

Credit Line	Number of Credits	Total amount Billion COP
Housing (Unionized workers)	26	1,81
Housing	11	0,97
Appliances	241	0,87
Training	17	0,135
Vehicles	49	1,21
Education	56	0,33
Dental services	3	0,07
Calamity	6	0,34
Total		5,4

Academic Excellence Scholarship

Emgesa granted the Academic Excellence Scholarship to the best student, among our employees' children, whose ICFES score is among the 20% highest scores at a national level, according to the parameters established by ICFES.

INTERNATIONAL DESIGNATIONS

Tipo de expatriación	Nro. Personas
1. Expatriates in PDI (di)	13
2. Expatriates of short stay (Quimbo)	3
3. Expatriates of long stay (Id)	15
Total personnel international mobility	31

TRAINING DIVISION

The Training and Development Plan included many activities oriented to the strengthening of strategic topics for the Company, such as occupational health prevention and industrial safety, languages, innovation among others.

Investment in training in 2012 amounted to COP$ 0.394 billion, 15% above the level of 2011. Total hours were 22.206, or 39% above the previous year, with 1.765 participants, 40% more than in 2011. These results obey to internal initiatives of training and agreements between institutions to optimize costs and extend scope.

INNOVATION SYSTEM

Four new I+D+i projects were approved in innovation committees, based on the 25 ideas of employees registered in this system. 44 idea committees were also created, which evaluated 18 initiatives considered innovative propositions, continuous improvements, and suggestions.

Emgesa has consolidated a network of 18 universities and research centers as technological allies, to carry out research and new developments in about 70 projects of I+D+i.

INDUSTRIAL SAFETY AND WORK HEALTH

The World Safety and Health at Work Day was celebrated in April, with activities such as controls to the cardiovascular risk program, active pauses, bone-muscle evaluation and diagnosis, physical-therapeutical assistance, influenza vaccines, addiction prevention campaigns, self-care campaign, human papilloma virus vaccines, and a nutrition prevention campaign.

Cardiovascular resuscitation external automatic equipment was delivered to generation stations.

The early work accidents management program was implemented in order to expand and follow-up leaves of absence related to circumstances affecting contractors and own personnel.

EMERGENCY PLANS

Participation in the national drill, during which 930 workers from the various company offices were evacuated. Training was also provided on emergency evacuation systems and on issues such as forest fires, rescue from high spaces, and confined spaces. The firefighting system in the Calle 93 building - consisting of fire detection, alarms, and PA systems - was installed.

METRICS

QUALITY AND PROCESSES

Improvement Model development

Continuous improvement program strengthening culture, integrating current efforts, and allowing aligning improvement initiatives with company needs.

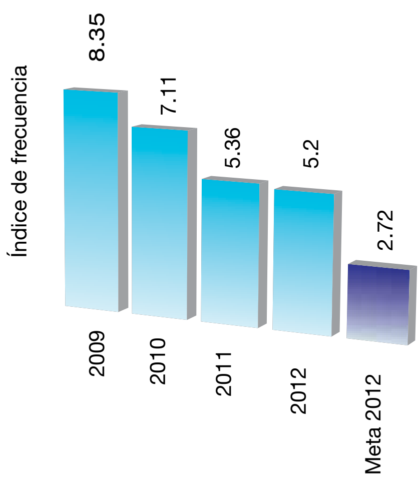
Internal client satisfaction study

The internal processes' satisfaction survey was restated in order to improve the internal client service culture in all company areas and levels.

Development of the new quality plans methodology

The quality plans were redesigned using an office tool that will optimize their preparation, review, approval, and follow-up.

FREQUENCY INDEX IN ACCIDENTS AFFECTING OWN AND CONTRACTOR PERSONNEL



Change values

The methodology to define and build value chains was created in order to potentiate them and articulate the various company processes.

Improvement projects

5 processes from the Financial Manager's office were optimized in order to reduce operation times and improve internal client service.

Indicator management tool

Pilot tests were made and training provided to implement the advanced metrics module of the ISOLUCIÓN application, communicating with the improvement module that allows recording the necessary actions in case of defaults.

ISO 9001:2008 recertification

The recertification audit was carried out for the Quality Management System up to 2015, with no nonconformances reported by the Bureau Veritas Certification team.

CONTRACTORS' WORK MANAGEMENT

IX Encounter with Collaborating Companies

This encounter featured participation of directors from contractors, contract managers, and EMGESA. Issues discussed included development of leadership and responsibilities regarding health and protection of our workers' life, safety culture strengthening, and launch of the innovation system for collaborating companies' pilot project.

III Environmental Encounter

This encounter was held with collaborating companies, attended by 70 persons including environmental managers and coordinators.

X Encounter – RECONOCE Program

Held in November, it focused on recognizing best practices regarding work health and contractor innovation. 270 persons participated.

Managers course

This course was supported by the EAFIT University; 40 contract managers and coordinators participated.

PERFORMANCE EVALUATION

Two evaluations were made regarding the quality of services provided by collaborating companies, as well as regarding contractual, financial, environmental, industrial safety, and image management

PERSONNEL MANAGEMENT

At the end of 2012, 500 direct employees were working for the company, of which 85.33% have indefinite term contracts. They

are distributed into 6 directors, 212 integral salary employees, and 306 workers under collective workers labor agreements.

ELECTIONS AND CREATION OF LABOR COEXISTENCE COMMITTEES

The company's Labor Coexistence Committee was created in 2012, according to legal norms and instructions provided by the Colombian Ministry of Work regarding labor harassment. It is attended by the representatives from the workers and from the employer, promoting prevention and conciliation spaces for labor conflicts.

PAYMENT PROJECT

The payroll liquidation system conciliation process continued in 2012 under the technological platform supported in the SAP - Pago platform. Considering the specific circumstances prevailing in Colombia at a labor level, our system's development organization process continued during this year.

ORGANIZATIONAL STRUCTURE

In order to align our organizational structure with the business strategy and the organizational model, the following changes were made:

Organizational changes

According to the company remuneration policy and looking to improve its salary competitiveness, internal equity, and personnel turnover, during 2012 499 salary adjustments were made, 401 for employees under collective workers labor agreements and 98 for employees under the integral salary system.

Creation of the Fuels Management Division and the Energy and Trading Manager's Office

The Fuels Management Division was created, which reports directly to the Energy and Fuels Activities Assistant Manager. The purpose of this new direction is centralizing fuel management to guarantee energy generation at the company steam plants and explore and capitalize on business opportunities offered by the fuels market in Colombia.

11

Communications and institutional relations activities Institucionales

SOCIAL ACTIVITIES

The company social activities are carried out under two strategic intervention lines, with communities of municipalities in the company's area of influence: education and local development.

EDUCATION

Basic Local Infrastructure Support Program

Agreements were made with the municipality of Ubalá in order to improve the physical infrastructure of 3 schools, and with the municipality of Gachalá to expand the network of libraries to Monte Cristo, which will benefit over 250 children. Elements were provided to the school mess hall in Mámbita, municipality of Ubalá.

Environmental education program

Carried out in the La Fuente school in the municipality of Tocancipá and its rural branches, in order to support formulation and implementation of the PRAES environmental school projects. Joint activities were also carried out with the municipal mayor's office under the Environmental Services Fair developed by the municipality's environmental office.

LOCAL DEVELOPMENT

Basic Local Infrastructure Support Program

In order to improve some rural roads in sectors between Pradilla – Paraíso, Yalconia – San José – Paraíso and vereda Junca, an agreement was executed with the El Colegio Mayor's office.

Support was given to the El Hobo Mayor's office regarding provision of a work bench and equipment for work in rural roads.

Support program to cultural traditions

Contributions were made to commemorate the peasant´s day in the municipalities of Gachalá, Ubalá and Gama in Guavio and for the Guavio Nautical Festival in the municipality of Gachalá.

OTHER PROGRAMS AND ACTIVITIES

3 ENDESA Expeditions: visits through the social territory were carried out in 2012, attended by more than 100 company workers who had the chance to see and directly interact with those participating in social programs carried out in Sibaté and some municipalities of the Tequendama and Guavio regions.

IV Social Management Encounter

The main subject of this encounter was the local development line, based on artistic expressions such as dance, theater, and singing. More than 100 persons, including workers and social actors of communities in the area of influence, attended this event.

ENDESA COLOMBIA FOUNDATION PROGRAMS

This foundation helps strengthening the company social activities in its areas of influence.

Technical training program

The ENDESA Colombia Foundation supported 25 underprivileged youngsters in starting their training process in electrical power distribution and trading techniques, under an alliance with Servicio Nacional de Aprendizaje SENA.

"Connect Yourself with Education" education quality improvement program

The Reading and Text Production Understanding Module was developed during the year in order to update and train 32 teachers from Mámbita and San Pedro de Jagua in the municipality Ubalá in teaching tools and their reinforcement. This project benefited over 500 students; two libraries with over 300 books were given to them.

Guavio Councilmen School

Under an alliance with Escuela Superior de Administración Pública and the Zipaquirá diocese, 36 councilmen from the municipalities of Gama, Gachalá, Ubalá and Gachetá were trained in "Generalities of the Public Budget and Municipal Council Competences", attended by 36 councilmen.

Strengthening of Huila managing groups

Managing groups of the municipalities of El Hobo, Campoalegre, and Yaguará were trained in citizen participation mechanisms, operation of community action boards, and project formulation. They participated in formulating the 2012-2015 development plans of their municipalities.

Agreement with the Central Magdalena Development for Peace Agreement

Through the agreement executed with Corporación Programa Desarrollo para la Paz del Magdalena Centro PDPMC, 18 leaders from the municipalities of Yacopí and Caparrapí of the Río Negro province were trained in productive, family, and organizational issues. They themselves trained over 100 persons from the community.

Productive projects

The project for implementation of the avocado and fruits project was started in 2012, in 30 ha of the municipality of San Antonio del Tequendama, participated by 60 producers thanks to the agreement with the municipal mayor.

Under an alliance with the municipal mayor, the project for improving the quality of milk was implemented in the municipality of Sibaté, participated by 40 producers.

An agreement was executed with the Association of Small Cocoa Producers in the municipality of Campoalegre, in order to recover 60 ha with participation of 42 producers. The mayor's office, Casa Luker and Sena also participated in this alliance.

An agreement was also executed with the Association of Small Fishermen in Campoalegre – Asopecam, in order to establish a fish reproduction farm, in which 12 artisan fishermen participated.

Productive coffee crop renewal projects continued in the municipalities of San Antonio de Tequendama, El Colegio, Viotá, Ubalá, Gachalá and Gama; the program was started in the municipalities of La Mesa, Tena, Cachipay and Anolaima.

These projects help generate revenues to benefit families and encourage good agricultural and environmental practices.

Alliances

Under the alliance with Corporación Colegio del Cuerpo, 12 workshops were carried out in the San Francisco de Asís school; the second phase of the"Cuerpo Hábitat" project continued, benefiting 60 children from neighborhoods in the area of coverage of the Cartagena station, Arroz Barato, Maparapa and Puerta de Hierro.

Through an alliance with Enel Core and Arquitectos por la Humanidad, the participative design was started with the community, with professional assistance by the Architects for building classrooms in the San Francisco de Asís school in Cartagena, in order to guarantee proper and healthy spaces for the students.

An agreement was executed with Organización de Estados Iberoamericanos OEI in order to bring solar energy, computer equipment, and training in IT and TICS communications to 5 schools in la Guajira.

SUSTAINABILITY

Sustainability report

The 8th edition of the 2011 Sustainability Report was published, including economic, social, and environmental performance metrics according to the 7 commitments in the Sustainable Development Policy.

The report was verified by Deloitte, which confirmed that the information submitted by the company follows guidelines in the guide for preparing sustainability notes from Global Reporting Initiative (GRI) versión 3.0 (G3) and that the Electrical Sector Supplement meets norm AA 1000AS versión 2008 and norm AA 1000APS (2008): Inclusiveness, Relevance, and Response Capacity.

United Nations Global Pact

Together with the 2011 Sustainability Report, the progress report regarding compliance with the 10 principles of the United Nations Global Pact was submitted, pact in which which the company participates since September 2004. The report was prepared according to Advanced criteria set forth by the United Nations for COP progress communications. It demonstrates the company's commitment on respect of human rights and environmental protection.

Dialogue with groups of interest

Dialogues are a liaison space to inform the various groups of interest of the main aspects of economic, social, and environmental activities and receive their opinions and expectations, in order to integrate them in the sustainability management approach and strategy.

Dialogues were held with representative from the workers' labor union (commitment with our persons), from strategic suppliers (commitment with the society), from communities, and from residential clients (QoS commitment). Results will be analyzed by the various areas in order to respond to relevant issues.

SERES award

The Seres Foundation, a Spanish entity whose main purpose is fostering the companies' commitment with society improvement, named the company 3rd, among more than 60 projects, in the SERES Awards for the Paper Mill Project, an initiative focused on the environmental rehabilitation of the Bogotá river and social integration of the region communities led by female heads of families.

These Awards are a recognition that seeks inducing and and publicly recognizing strategic and innovative acts generating value for the community and for the company.

Bosque Endesa

EMGESA is the first private company to create and protect a rain forest with conservation purposes, in order to mitigate global warming and promote environmental care. Bosque Endesa is the largest revegetation project carried out with native species.

Work continued in 2012 on implementation of the forest establishment plan, designed for the area. To date, Bosque Endesa, which has been divided into exclusion (highlands), extraction, recovery, and intervention sections, has more than 10,000 trees more than 1 m high, including species such as roble de cera, mortiño, roble, cedro de altura, mano de oso and garrocho. The 10-year goal is having 266,000 new trees in 600 ha.

The BIBO 2012 award was received in November 2011 on account of such initiative, placing the company as one of the 3 companies successfully implementing good environmental practices applied to forest restoration and reforestation.

This award is led by the Espectador newspaper and the WWF, Fondo Mundial para la Naturaleza, the largest independent conservationist organization in the world, whose mission is stopping the planet's natural environmental degradation.

Sustainable mobility

Part of the company sustainability's strategy and under the agreement with Universidad de los Andes and the Chevrolet Foundation, a diagnosis was made on the workers' mobility habits in order to study and make viable strategies that will optimize their travel activities and improve the environment and their quality of life.

Operation of the Sustainable Development and Environment Committee – Comades.

Initiatives and programs under the 2009-2012 Colombian Sustainability Plan continued in 2012. Following are some of the projects developed:

- Electrical mobility.
- Corporate volunteer work, "Hands with Energy".
- Passion for the Client.
- Distribution of company standards regarding environmental, health, and safety issues and the United Nations Global Pact to collaborating companies and suppliers.

COMMUNICATIONS RELATED TO THE EL QUIMBO HYDROELECTRIC PROJECT

The communications plan, focused on demonstrating the responsibility with which the project is being developed and on achieving a perception based on the various groups of interest respect and trust, was carried out in 2012.

INSTITUTIONAL RELATIONS

An intense relations program was developed, with an average of 8 monthly meetings with groups of interest and national and departmental authorities, with whom project progress was shared regarding social, environmental, and technical issues.

Meetings were also held with columnists and business group representatives in order to share project information and establish direct communications with them.

The program involving visits to the project worksite continued, during which the various groups of interest had the chance to first-hand see the project progress. Some 15 visits had been made by the end of 2012.

EXTERNAL COMMUNICATIONS

The company increased publication of own-source news in Huila regarding the Quimbo project progress. 24 press releases were issued in 2012.

COMMUNICATION CHANNELS

Communication channels with communities in the el Quimbo project area of influence were strengthened and expanded, as a permanent and direct information tool regarding the project.

Digital information bulletin:

A monthly bulletin sent by email, whose purpose is providing in-depth information on the most relevant facts regarding environmental, social, and work progress issues during the month. 10 bulletins were emailed in 2012.

Webpage

The webpage is a permanent checking and information space regarding the project. It had approximately 4000 visits per month during 2012.

La Buena Energía de El Quimbo radio program

Broadcasted twice a month, the program is broadcasted by 14 radio stations in Huila. The purpose of this new channel is providing accurate information and clarifying concerns related to the el Quimbo hydroelectric project regarding social, environmental, and work progress issues. 21 programs were broadcasted in 2012.

Social networks

@ProyectoQuimbo is the project's official Twitter account, which since 2012 publishes real-time and timely information on activities carried out in the project. It is updated daily with relevant news and facts, including links to the webpage.

Printed journal

Published every 2 months, with 1000 copies, this journal is distributed to communities in the project's area of influence and to the regional and national public. 3 editions were distributed in 2012.

EXTERNAL COMMUNICATIONS

EMGESA continued working to strengthen confidence relations, through communications with the regional and national media, becoming a reliable and accurate source of information.

Most activities were focused on providing timely information regarding social and sustainability issues and the operation of the reservoirs, with emphasis in the Betania hydroelectric station, as well as on results of company activities and its financial results.

As a result of the external communications area efforts, 932 newscasts were issued in 2012, 70.5% of which were positive.

Electrical traction

Various activities with the media were carried out during 2012 in order to promote company initiatives regarding electrical mobility, resulting in more than 138 positive news in the national media.

Journalist Day

The III STOP Journalist Contest was carried out in February, activity designed by the company to commemorate the Journalist Day. It was attended by some 30 collaborators from national, regional, and specialized media.

Launch of the 2011 Sustainability Report

This report was launched in October before the national and specialized media, attended by 60 journalists.

President of the Communications Committee of the National Operations Center - CNO.

In 2012, EMGESA was appointed President of the Communications Committee of the National Operations Center - CNO. Included in activities carried out is teaching and communications work done with journalists from various areas of the country regarding the operation of reservoirs, with special emphasis in the La Niña phenomenon.

CORPORATE PROTECTION

Participation in events and sponsorships

In 2012, company leaders and workers participated as lecturers in approximately 41 external public acts, during which issues related to company activities were discussed, such as the Colombian electrical sector challenges, development of infrastructure projects, environmental and social licensing for generation projects, operational and financial results, environmental management, and sustainable development.

During 2012 the company sponsored 37 events in order to promote knowledge of the various issues related to the electrical sector and social well-being, during 2012 the company sponsored 37 events. Some of the issues discussed were capital markets, the wholesale energy market, regulation, distribution and trading of energy, energy supply, the environment, weather changes, sustainable development, rational use of natural resources, agricultural industry, electrical mobility, and others.

Events contributing to strengthen relations with various groups of interest were supported, promoting social initiatives and encouraging protection of the Colombian historical and cultural heritage.

Internal events and encounters with workers

During the 15th anniversary of the ENDESA companies in Colombia, in 2012 some 60 corporate events were carried out, attended by representatives of the various groups of interest, who contributed in strengthening relations and knowledge of the company operation and management regarding sustainability and corporate and social responsibility issues.

The company annual meeting was held in October, which focused mainly on the company's 15-year presence in Colombia. This event was attended by 1200 workers. The year results were informed, highlighting special programs that were implemented and contributed to achieving strategic goals.

The above aids the workers and the various groups of interest in strengthening their relations and their sense of belonging towards the company.

Production of information material

More than 250 pieces of information were prepared and distributed among the various company's groups of interest. Included were the annual companies' notes, the sustainability report, information pamphlets for the El Quimbo project, and others.

Some 20 videos were produced in 2012, supporting activities carried out by the various areas and the company processes. These include El Quimbo project progress, the sustainable development school, commercial generation management, electric traction, and others.

e-bulletins were produced for various segments of interest groups, in order to provide them with specific information. These included the Quimbo Bulletin, the Commercial Generation Bulletin, Leaders for Service Network Bulletin, the ENDESA in Colombia Bulletin, and others.

Project to migrate the company web portal

Construction of the company web portal started, whose purpose is making available updated and easily accessible information to the various groups of interest.

The World of Energy; Divercity Park attraction

After 3 years in operation and based on the results of an ethnic study applied in the Bogotá Divercity Park, the decision was made to restudy the design of the "The World of Energy" attraction in order to better inform children, in a dynamic and technological manner, of the entire energy generation process, through interaction with the various elements involved in the company engineers' daily work.

INTERNAL COMMUNICATIONS

The internal media and the various communication campaigns look to strengthen sense of belonging towards the company, improve the organizational environment, promote a culture of information among the workers, and generate awareness in order to promote actions by the workers and collaborating companies.

Entérate e-bulletin

228 bulletins were distributed during 2012 containing 1456 notes on business and corporate areas.

Corporate bulletin boards

Placed in 9 generation stations and in the el Quimbo project. An average of 9 notes are published every week. Some 450 notes were published in 2012.

Conectados magazine

The information space for employees and their families. 4 issues were published in 2012 (quarterly), with main subjects such as leadership, legality culture, the 15-years special, and the Christmas route.

Escúchate

An internal radio program that every 2 weeks discusses 3 central issues. Company employees and representatives from the various groups of interest participate in it. 24 programs were broadcasted during the year.

Visits were made to the Termozipa and Guavio stations, to the Muña pumping station, to La Guaca, and to the el Quimbo project, during which special programs were recorded, highlighting milestones reached by the workers.

En Línea corporate channel

These are electronic bulletin boards, updated in real time with internal news - either national or from the sector. There are 19 sections in which 2,819 notes were published in the year. Its coverage was extended in 2012 to include the Guavio Betania hydroelectric stations.

"Portal" corporate portal (Intranet)

The corporate portal was launched in September 2012, as an important internal communications tool providing accessing global and territorial contents without losing local connection. It provides access to shared services and productivity tools for daily work.

INTERNAL COMMUNICATION CAMPAIGNS

5 internal communication campaigns were promoted in 2012, leveraging from creativity and emotivity.

Te Quiero Ver de Verde (I want to See You Dressed in Green)

In 2012, this campaign focused on strengthening a culture of rational and efficient use of resources. Special activities were carried out in the International Environment Day

The campaign was launched in El Quimbo through various tactics implemented in offices, worksites, and worker camps.

IDEO

The innovation campaign focused on consolidating and promoting various initiatives in order to encourage an innovative culture inside the organization. In order to promote our employees' creativity with spaces inspiring them to dream, innovation corners or small modular meeting rooms were installed in 2012 in 8 generation stations, provided with teaching and creative materials.

Act Safe

The employee's safety and health are strategic elements with respect to company activities, as well as a business priority. Reaching the "0 Accidents" goal is a daily company endeavor. The Safety Gold book was prepared during 2012, which illustrates safe and unsafe behaviors. 1500 books were handed over to own personnel and those of collaborating companies, accompanied by workshops carried out by its author, an expert in safety. In total, 8 generation

stations and the el Quimbo project were visited.

Support was given to the One Safety methodology, implemented in 2012. Its purpose is informing what the methodology consisted of and publishing goals reached during its implementation.

Messages were published in the various generation stations' mess halls in order to promote healthy life habits.

Be Social

In 2012, the Be Social campaign evolved by including 3 online subjects related to corporate social responsibility: work with communities, familiarly responsible company, and voluntary corporate work.

An interactive and informative stand was developed in 9 locations in order to report social responsibility actions carried out with communities in the area of influence and invite the workers to receive information on the manner in which collective construction processes are being developed with the various actors from the territories.

The campaign used the certification process as a familiarly responsible company, informing the differential value it represents and the 5 central aspects of the policy.

Regarding corporate voluntary work, employees were encouraged to participate in 3 activities: donation of plastic caps to the Sanar Foundation, voluntary work related to activities with cancer patients - with the Simmon Foundation -, and gifts during the Christmas season to children and the elderly, through the "Adopt an Angel" effort.

Blue ecosystem

The "The Challenge" game was created in order to include all workers in the organization strategy, which includes questions and answers. It was delivered to all organization leaders so that, together with their work teams, they will be informed about the company's strategic planning in a fun way.

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It And Telecommunications Activities

In 2012, these activities were carried out with special emphasis in the following:

- Adaptation of capacities and resources towards a global structure.
- Relationship with the business and development of project supporting its needs.
- IT infrastructure evolution.
- Quality and opportunity of service provided to the internal client.

METROLAN PROJECT

The EMGESA telecommunications network was modernized with last-generation open technology products in order to provide it with greater capacity and higher data, voice, and video transportation speeds. The project progress is 94%.

MODERNIZATION OF THE GÉNESIS SAP IS-U LARGE CLIENTS SYSTEM

This commercial information system was implemented to support the commercial clients cycle in the EMGESA nonregulated and wholesale markets.

It is supported by a platform that allows the business to adjust to market dynamics, considering that:

- It integrates and standardizes processes supported by a single IT platform.
- Has a system that allows it to handle deregulation processes and the economy globalization challenges.
- In guaranties commercial invoicing to clients, which amounts to US $115,000,000/month.
- Provides standardized solutions to large clients.
- With the Genesis implementation, the company has a world-class solution, with global support.

SAGA 7

The update of the SAGA model in October 2012 was based on technical migration, due to the current version's obsolescence, and on improvements to the SAP SMR 4.0 model, using the new SRM 7.0 version.

This system allows standardizing and simplifying purchasing activities and provides users with a system that guarantees access to the processes' accountability.

SAGA 7 provided value to the business in the following manners:

- Standardized the purchasing processes.
- Increased functionalities of tender processes, offers, and contracts.
- Generated greater purchase management efficiency for both users and suppliers.
- Offered a unique approval environment for purchasing documents.

COLABORA PROJECT

The collaborating companies' management was integrated through a common platform in order to facilitate monitoring and follow-up of contractual and legal commitments and of those related to human resources, under corporate liaison guidelines before collaborating companies.

Project functions and benefits:

- Managing information documents and contract or order documents.
- Management of information and documents of collaborating companies, subcontractors, and employees.
- Implementation of a support tool for operational managers and coordinators.

The project progress is 99%.

MODERNIZATION OF THE MICRO-IT PLATFORM

The EGlobal7 platform seeks increasing work efficiency and information security and meeting the energy-savings commitment (Green IT).

84% of the 2023 micro-IT equipment units have been updated.

SIVI PROJECT

The purpose of this project is implementing an advanced operational surveillance system for energy generating plants. The inspection routes were reviewed in order to identify problems in the Guaca, Guavio, and Paraíso stations. These reviews are recorded in the corporate Oracle databases, which allow for proper surveillance of these stations. The project progress is 95%.

TERMOZIPA CONTROL AND MONITORING

The PI (Plan Information) tool allows real-time signal integration into a monitoring system, for the Termozipa station. The project progress is 97%.

IT SECURITY PROJECTS

Projects were executed during 2012 in support to vulnerability management, IPS equipment and perimeter security updates, and follow-up to security incidents.

The above tools allowed for better follow-up and to establish more efficient action plans.

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Financial Statements

Statutory Auditor Report

To the Emgesa S.A. E.S.P. shareholders:

I have audited the attached Emgesa S.A. E.S.P. nonconsolidated financial statements, which include the General Balance Sheets as of December 31 of 2012 and 2011 and the respective nonconsolidated income statements, equity change statements, statements on the Company's financial situation, and the cash flows for such dates, including a summary of important accounting policies and other explanatory notes.

The Administration is responsible for preparation and proper presentation of the consolidated financial statements according to accounting principles generally accepted in Colombia, as well as for designing, implementing, and keeping relevant internal controls for preparation and proper presentation of financial statements that will be free of material errors on account of fraud or error, and for selecting and applying adequate accounting policies and establishing reasonable accounting estimates according to the circumstances.

My responsibility is providing an opinion regarding financial statements, based on my audits. I obtained the necessary information for this and examined the documents according to auditing norms generally accepted in Colombia, which require that audits be planned and carried out so as to reasonably guarantee that the financial statements are free of significant errors.

An audit includes developing procedures in order to obtain information supporting figures and disclosures contained in consolidated financial statements. The selected procedures depend on the auditor, including the evaluation of the risk of material errors existing in financial statements. Upon evaluating them, the auditor takes into account relevant internal controls for preparation and submittal of such consolidated financial statements that will enable him to design audit procedures according to the circumstances. It also includes an evaluation of the accounting principles used and of significant estimates made by the Administration, including their presentation as a whole. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the attached nonconsolidated financial statements reasonably present - in all their material aspects - the Emgesa S.A. E.S.P. financial statements as of December 31 of 2012 and 2011, the results of its operations, the changes in its financial situation, and cash flows for the above years, according to accounting principles generally accepted in Colombia issued by the National Government and applied uniformly.

In addition, based on my audits I am not aware of any situation suggesting a default in compliance with the following Company obligations: 1) keeping minutes, the shareholders book, and accounting books according to legal norms and the accounting technique; 2) performing activities according to the bylaws and the decisions of the Shareholders Assembly and the Board of Directors, according to norms related to integral social security; 3) keeping correspondence and account vouchers; and 4) taking internal control and protection and custody measures regarding Company or third-party goods the Company may have in its possession. Additionally, the attached financial statements are in accordance with accounting information included in the management report prepared by the Company Administration.

Ángela Jaimes Delgado.
Statutory Auditor
Professional card 62183–T
appointed by Ernst & Young Audit Ltda. TR–530

Bogotá, D.C., Colombia
February 11, 2013

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Emgesa S.A. E.S.P.
Nonconsolidated General Balance Sheets

		As of December 31 of		
		2012		**2011**
		(thousand COP)		
Assets				
Current assets:				
Cash and cash equivalents *(Note 3)*	**$**	**785,375,306**	$	511,652,031
Debtors, net *(Note 4)*		**255,233,635**		278,095,693
Related companies *(Note 5)*		**56,287,610**		131,318,922
Inventories, net *(Note 7)*		**42,141,010**		39,538,483
Expenses paid in advance		**10,952,098**		6,452,365
Total current assets		**1,149,989,659**		967,057,494
Permanent investments, net *(Note 6)*		**8,500,196**		8,525,639
Debtors, net *(Note 4)*		**13,470,164**		12,119,855
Related companies *(Note 5)*		**1,039,834**		768,272
Inventories, net *(Note 7)*		**21,012,249**		21,704,166
Properties, plant, and equipment, net *(Note 8)*		**5,527,899,542**		5,037,811,100
Deferred charges, net *(Note 9)*		**119,031,617**		83,894,126
Deferred taxes *(Note 18)*		**69,608,238**		71,960,342
Intangible assets, net *(Note 10)*		**56,886,108**		53,364,193
Other assets *(Note 11)*		**5,671,288**		4,194,952
Valuations (*Note 12)*		**2,166,971,014**		2,004,455,426
Total assets	**$**	**9,140,079,909**	$	8,265,855,565
Liabilities and equity				
Current liabilities:				
Financial obligations *(Note 13)*	**$**	**105,826,910**	$	425,724,861
Accounts payable *(Note 14)*		**146,909,873**		119,140,963
Related companies *(Note 5)*		**173,790,423**		93,312,924
Labor obligations *(Note 15)*		**13,814,643**		9,604,204
Retirement pensions *(Note 16)*		**9,966,858**		10,260,434
Estimated liabilities and reserves *(Note 17)*		**51,228,875**		20,775,637
Taxes, charges, and rates *(Note 18)*		**159,493,143**		154,434,546
Other current liabilities (Note 26)		**4,707,609**		–
Premium for placement of bonds pending amortization		**776,881**		776,881
Total current liabilities		**666,515,215**		834,030,450
Financial obligations *(Note 13)*		**2,626,760,000**		1,821,760,000
Retirement pensions *(Note 16)*		**64,458,477**		63,978,806
Premium for placement of bonds pending amortization		**841,624**		1,618,505
Taxes, charges, and rates *(Note 18)*		**49,213,976**		98,427,952
Revenues received in advance		**2,177,834**		1,754,520
Estimated liabilities and reserves *(Note 17)*		**8,761,992**		1,224,185

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Equity *(Note 19):*		
Subscribed and paid capital	**655,222,313**	655,222,313
Premium for placement of shares	**113,255,816**	113,255,816
Legal reserve	**327,611,156**	327,611,156
Occasional reserves	**178,127**	178,127
Equity revaluation	**1,674,583,276**	1,674,583,276
Valuation surplus	**2,166,971,014**	2,004,455,426
Effect on conversion of investments	**(299)**	–
Net year result	**783,529,388**	667,755,033
Total equity	**5,721,350,791**	5,443,061,147
Total liabilities and equity	**$ 9,140,079,909**	$ 8,265,855,565
Memorandum accounts *(Note 20)*	**$ 4,482,204,408**	$ 2,722,077,621

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously checked statements contained in these financial statements and that they have been accurately taken from the Company accounting books.

Lucio Rubio Díaz
Legal representative

Alba Lucia Salcedo Rueda
Public accountant
Professional card 40562–T

Ángela Jaimes Delgado
Statutory Auditor
Professional card 62183–T
Appointed by Ernst & Young Audit Ltda. TR–530
(See my February 11 of 2013 report)

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Emgesa S.A. E.S.P.
Non-Consolidated Income Statement

	Year ending on December 31 of 2012	2011
	(Thousand COP except for net per-share profits)	
Operational revenues *(Note 21)*	**$ 2,144,329,104**	$ 1,899,157,992
Cost of sales *(Note 22)*	**(880,869,013)**	(765,450,443)
Gross profits	**1,263,460,091**	1,133,707,549
Administration expenses *(Note 23)*	**(29,300,056)**	(29,210,429)
Operational profits	**1,234,160,035**	1,104,497,120
Other expenditures (revenues):		
Financial, net (*Note 24)*	**(122,141,785)**	(142,378,638)
Loss (profits), equity participation method	**(45,877)**	103,848
Miscellaneous, net *(Note 25)*	**(9,858,408)**	6,827,814
Profits before taxes	**1,102,113,965**	969,050,144
Income tax *(Note 18)*	**(318,584,577)**	(301,295,111)
Current	**(317,160,376)**	(301,866,788)
Deferred	**(1,424,201)**	571,677
	783,529,388	667,755,033
Net year/period profits	**$ 783,529,388**	$ 667,755,033
Preferential dividend per share	**$ 195.74**	$ 215.06
Net profits per share	**$ 5,234.08**	$ 4,453.90

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously checked statements contained in these financial statements and that they have been accurately taken from the Company accounting books.

Lucio Rubio Díaz
Legal representative

Alba Lucía Salcedo Rueda
Public accountant
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(See my February 11 of 2013 report)

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Emgesa S.A. E.S.P.

Non-Consolidated Statements-Equity Changes

	Subscribed and paid capital	Share placement premium	Reserves	Equity revaluation	Valuation surplus	Effect of conversion of investments	Accrued profits	Total shareholders equity
					(thousand COP)			
Balance as of December 31 of 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, 2011	–	–	–	(196,855,905)	–	–	–	(196,855,905)
Declared dividends	–	–	–	–	–	–	(155,324,183)	(155,324,183)
Net year profits	–	–	–	–	–	–	667,755,033	667,755,033
Adjustment to valuation of permanent investments	–	–	–	–	(132,371)	–	–	(132,371)
Adjustment to valuation of fixed assets	–	–	–	–	(5,060,859)	–	–	(5,060,859)
Balances as of December 31 of 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
Declared dividends	–	–	–	–	–	**–**	**(667,755,033)**	**(667,755,033)**
Net year profits	–	–	–	–	–	**–**	**783,529,388**	**783,529,388**
Adjustment to valuations of permanent investments	–	–	–	–	**126,283**	**(299)**	–	**125,984**
Adjustment to valuations of fixed assets	–	–	–	–	**162,389,305**	**–**	**–**	**162,389,305**
Balances as of December 31 of 2012	**$ 655,222,313**	**$ 113,255,816**	**$ 327,789,283**	**$ 1,674,583,276**	**$ 2,166,971,014**	**$ (299)**	**$ 783,529,388**	**$ 5,721,350,791**

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously checked statements contained in these financial statements and that they have been accurately taken from the Company accounting books.

Lucio Rubio Díaz
Legal representative

Alba Lucía Salcedo Rueda
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(See my February 11 of 2013 report)

Emgesa S.A. E.S.P.

Nonconsolidated Statements, Changes to the Financial Situation

	Year ending on December 31 of 2012	2011
	(thousand COP)	
Financial resources provided		
Net year profits	**$ 783,529,388**	$ 667,755,033
Items not affecting working capital		
Depreciation	**141,743,019**	146,064,429
Amortization of intangible assets	**2,014,907**	4,283,899
Deferred taxes, previous years	**927,903**	2,516,369
Amortization of deferred charges	**1,388,937**	1,385,983
Net loss (profits) in the sale of property, plant, and equipment	**(42,988)**	633,945
Removals on account of previous years' maintenance	**4,589,519**	900,888
Inventory reserve	**(512,544)**	749,909
Current deferred tax	**1,424,201**	(571,677)
Losses (profits) using the participation method	**45,877**	(103,848)
Total provided by operations	**935,108,219**	823,614,930
Debtors increase	**(1,350,309)**	(2,071,768)
Increase (reduction) related companies	**(271,562)**	596,282
Increase other assets	**(1,476,336)**	(1,302,331)
Total working capital provided	**932,010,012**	820,837,113
Financial resources applied		
Increase in financial obligations	**805,000,000**	431,750,947
Changes to equity tax payable	**(49,213,976)**	98,427,952
Investments increase	**(20,434)**	–
Recovery on account of Quimbo yield	**11,288,049**	18,598,973
Losses (profits) on account of forward valuation	**(6,554,662)**	1,847,053
Increase in revenues received in advance	**423,314**	847,137
Increase properties, plant, and equipment	**(636,377,992)**	(275,645,023)
Equity tax entry	**–**	(196,855,905)
Declared dividends	**(667,755,033)**	(155,324,183)
International Quimbo bond interests	**(32,998,014)**	(51,600,226)
Reduction (increase) of inventories	**1,204,461**	(2,012,807)
Increase in deferred charges	**(11,831,282)**	(18,861,204)
Emgesa Panamá conversion effect	**(299)**	–
Increase (reduction) of pension liabilities	**479,671**	(6,622,716)
Purchase of intangible assets	**(5,536,822)**	(4,122,997)
Increase (reduction) of estimated liabilities and reserves	**7,537,807**	(302,017)
Loss from withdrawing from expansion projects	**3,569,481**	776,976
Transfer of current bond placement premium	**(776,881)**	(194,015)
Total working capital used	**(581,562,612)**	(159,292,055)
Increase in working capital	**$ 350,447,400**	$ 661,545,058
Net changes in working capital		
Cash and cash equivalents	**$ 273,723,275**	$ 204,848,554
Debtors	**(22,862,058)**	89,280,604
Accounts receivable , related companies	**(75,031,312)**	(1,955,822)
Inventories	**2,602,527**	19,246,947
Expenses paid in advance	**4,499,733**	819,045
Financial obligations	**319,897,951**	(64,572,404)

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Accounts Payable	**(27,768,910)**	(20,831,791)
Accounts payable, related companies	**(80,477,499)**	465,146,981
Labor and integral social security obligations	**(4,210,439)**	(204,890)
Retirement pensions and supplementary benefits	**293,576**	850,796
Estimated liabilities and reserves	**(30,453,238)**	4,822,873
Taxes, contributions, and rates payable	**(5,058,597)**	(39,403,038)
Other current liabilities	**(4,707,609)**	–
Premium in placement of bonds pending amortization	**–**	3,497,203
Increase in working capital	**$ 350,447,400**	$ 661,545,058

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously checked statements contained in these financial statements and that they have been accurately taken from the Company accounting books.

Lucio Rubio Díaz
Legal representative

Alba Lucía Salcedo Rueda
Public accountant
Professional card 40562–T

Ángela Jaimes Delgado
Statutory Auditor
Professional card 62183–T
Appointed by Ernst & Young Audit Ltda. TR−530
(See my February 11 of 2013 report)

Emgesa S.A. E.S.P.

Nonconsolidated Cash Flow Statements

	Year ending on December 31 of 2012	2011
	(thousand COP)	
Operational activities		
Net year profits	**$ 783,529,388**	$ 667,755,033
Depreciation and amortization	**145,146,863**	151,734,312
Recovery of accounts receivable reserve	**(492,674)**	(538,622)
Accounts receivable reserve	**658,489**	744,105
Inventory recovery	**(679,704)**	(294,406)
Loss (gain) on account of actuarial calculations	**4,425,633**	(2,052,873)
Recreation benefit recovery	**–**	(2,339,610)
Bond amortization premium	**(776,881)**	(3,691,218)
Deferred tax, debit	**1,424,201**	(571,677)
Deferred tax, debit, previous years	**927,903**	2,516,369
Loss from withdrawing from expansion projects	**3,569,481**	776,976
Inventory reserve	**167,160**	749,909
Retirement pension reserve	**5,869,361**	6,951,222
Loss (profits) in the sale of properties, plant, and equipment	**(42,988)**	633,945
Removals on account of previous years' maintenance	**4,589,519**	900,888
Profit (loss), participation method	**45,877**	(103,848)
Net change in operational assets and liabilities		
Debtors	**21,345,934**	(91,133,563)
Expenses paid in advance	**(4,499,733)**	(819,045)
Inventories	**(1,398,066)**	(20,965,348)
Related economic parties	**721,249,769**	(328,115,482)
Other assets	**(1,476,336)**	(1,302,331)

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Accounts Payable	**27,768,910**	326,445,186
Taxes, charges, and rates	**5,058,597**	(9,810,939)
Pension liabilities (payments)	**(10,108,899)**	(10,032,251)
Labor obligations	**4,210,439**	204,890
Other current liabilities	**4,707,609**	–
Estimated liabilities and reserves	**37,991,045**	(5,124,890)
Revenues received in advance	**423,314**	847,137
Net cash from operational activities	**1,753,634,211**	683,363,869
Investment activities		
Increase in properties, plant, and equipment	**(636,377,992)**	(275,645,023)
Increase in investments	**(20,434)**	–
Declared dividends	**(667,755,033)**	(155,324,183)
Quimbo international bond interests	**(32,998,014)**	(51,600,226)
Increase in deferred charges	**(11,831,282)**	(19,638,180)
Increase in intangible assets	**(5,536,822)**	(3,346,021)
Net cash used in investment activities	**(1,354,519,577)**	(505,553,633)
Financial activities		
Payment of financial obligations	**(305,009,052)**	(310,000,000)
Loan payments to related companies	**(64,167,664)**	(134,903,687)
Increase of financial obligations and interest payments, net	**790,111,101**	806,323,351
Equity tax payment	**(49,213,976)**	(49,213,976)
Recovery on account of Quimbo yield	**11,288,049**	18,598,973
Loss from forward valuation	**(6,554,662)**	1,847,053
Emgesa Panamá conversion affect	**(299)**	–
Dividend payment	**(501,844,856)**	(305,613,396)
Net cash provided (used) in financial activities	**(125,391,359)**	27,038,318
Net increase in cash and cash equivalents	**273,723,275**	204,848,554
Cash and cash equivalents at the beginning of the year	**511,652,031**	306,803,477
Cash and cash equivalents at year end	**$ 785,375,306**	$ 511,652,031

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously checked statements contained in these financial statements and that they have been accurately taken from the Company accounting books.

Lucio Rubio Díaz
Legal representative

Alba Lucía Salcedo Rueda
Public accountant
Professional card 40562–T

Ángela Jaimes Delgado
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Appointed by Ernst & Young Audit Ltda. TR−530
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Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

As of December 31 of 2012 and 2011.

(All values expressed in thousand pesos, except for amounts in foreign currency, rates of exchange, number and face value of shares, and the share's face value).

1. Main accounting policies and practices.

Reporting entity.

Emgesa S.A. E.S.P. (hereinafter the "Company ") is a commercial stock company established as a public utilities company regulated by Law 142 of 1994.

Corporate object – The Company corporate object is generation and trading of electrical power according to Laws 142 and 143 of 1994 and norms regulating, adding, amending, or derogating them. Accordingly, the Company may acquire generation plants and project, build, operate, maintain, and commercially exploit electrical power plants, taking the necessary steps to protect the environment and good relations with the community, making designs, work, and providing consultancy services in electrical engineering and trading its products in its clients' benefit. The Company may perform all activities related to exploration, development, investigation, exploitation, trading, storage, marketing, transportation, and distribution of minerals and rocks materials. The Company's term is indefinite.

According to Minutes No. 84 of the Extraordinary General Shareholders Assembly of November 21 of 2012, changing the EMGESA corporate object was authorized, including trading of combustible gas and all related and supplementary activities. This change is being approved by the EMGESA Bond Holders Assembly according to Decree 2555 of 2010, so that the respective registration before the Chamber of Commerce is pending.

"El Quimbo" Project – For the Hidroeléctrico el Quimbo Project approved through Resolution 899 of May 15 of 2009 and 1628 of August 21 of 2009, the environmental licensing process requires an "abandonment and final restoration plan". The Company will estimate the project operation phase in February of 2015.

The tender processes for construction contracts is in progress, contracts whose result will be replacing infrastructure affected by the reservoir, such as alternate roads and the La Jagua pond, as well as construction of irrigation districts and community infrastructure for resettled communities.

During 2012 and 2011, civil work progressed at the various work fronts, the deviation tunnel having been concluded. Significant progress was reported regarding the excavation work for the machinery room - already concluded - and the initial concrete work. The spillway and the loading tunnels' excavation work has been concluded, the first phase of the dam fill having been started. Regarding equipment, all main equipment is being currently manufactured, the Unit 1 pre-distributor being ready, en route to the work site, with significant progress reported in the traveling crane.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont')

Regarding environmental commitments, the following contracts are being tendered: pilot restoration plan - focused on subsequently developing the restoration plan of the 11,079 ha -, rehabilitation of wildlife areas, reservoir use, and creation of the protective fringe.

Land properties declared being of public benefit include a total of 16,276.36 ha, of which 14,394.51 have been registered, corresponding to 88.43% of the area required at the reservoir area, at the worksite, the restoration site, and the resettlement area.

According to environmental license requirements, studies and activities have been carried out pertaining delivery of environmental compliance reports, submittal of the restoration, vulnerability and ethnic plans, economic evaluation of environmental effects, and archaeological prospecting in the area of interest, among others, including socialization of the employment policy and trust support to the municipalities' investment plans.

Through the external audit performed by the System Administrator (XM), the Company reviewed the April of 2012 report, whose result was the increase in the policy in US $7,000,000, valid until July 18 of 2013, which was submitted to the Energy and Gas Regulatory Commission (CREG) on July of 2012; the first unit will be commissioned in December 2014, the second in February of 2015.

Presentation bases

The attached financial statements have been prepared based on accounting records kept under the historical cost norm and according to accounting principles generally accepted in Colombia, as amended by the Public Household Utilities Superintednency, which on January 1 of 2006 eliminated application of the inflation adjustments systems to private legal public service utility providers, for accounting purposes. The accumulated value of such adjustments at the end of 2006 is part of the historical balance of their respective costs.

The Company records its operations according to the accounts plan applicable to public utility companies issued by the Public Household Utilities Superintednency.

Accounting period.

According to its bylaws, the Company settles its account and prepares and discloses its general-purpose financial statements once every year, on December 31.

Monetary unit

According to legal norms, the monetary unit used by the Company is the Colombian peso.

Relative importance criterion

An economic fact has relative importance whenever, due to its importance, amount, and the surrounding circumstances, knowing or not knowing it could significantly affect the users' economic decisions. Financial statements itemize specific items according to legal norms, or those representing 5% or more of total assets, current assets, current and noncurrent liabilities, working capital, equities, revenues, costs,

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont’)

and expenses, as applicable, as well as the use of estimates. Additionally, lower amounts are described whenever they could provide better understanding of such financial information.

Transactions in foreign currency.

Operations in foreign currency are accounted for using applicable current rates. At the end of each year, balances receivable or payable in foreign currency are updated at the respective market exchange rate certified by the Colombian Financial Superintednency ($1,768.23 and $1,942.70 per American dollar as of December 31 of 2012 and December 31 of 2011, respectively). Exchange differences are charged to the respective asset or liability and to income, expenditures, or expenses, as applicable.

Cash and cash equivalents.

Cash and cash equivalents include cash in accounts, banks, and savings accounts. Cash equivalents correspond to available cash from investments in fixed income instruments, easily redeemable in between one and 122 days, entered at their market value and valued using the yield accrual method. Other investments are recorded at acquisition cost plus interests and adjustments earned, without exceeding their market value.

Upon establishing the fixed term instruments' terms, the Company ensures their use and agrees on the most adequate date, generally in order to comply with fiscal obligations such as taxes or commitments previously assumed before third parties, for example purchase of assets or energy, among others.

These fixed-term certificates have been considered short-term investments, the interest agreed with bank entities being fixed so that their risk is low. Additionally, they are easily converted into cash on maturity date, even earlier by endorsing them to a financial entity or a third-party.

Equity investment using the cost method.

Equity investments recognized using the cost method are entered at cost adjusted for inflation (inflation adjustments recorded up to December 31 of 2005), valuated at intrinsic value and registering as a greater/lower value in the valuations account the difference between the adjusted cost and the intrinsic value of the investment. Investments in non-controlled companies are reserved whenever their intrinsic value is lower than their book value.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont')**Permanent investments in controlled companies.**

Investments in subordinated companies in which the Company or its parent company directly owns more than 50% of their capital stock are accounted using the equity participation method, adjusted at equity value and recognizing differences as a reserve or a valuation. Their cost does not exceed the market value.

The Company recognizes the effect on conversion in an item in equity, on account of restating financial statements of controlled companies with functional currencies other than the Colombian peso.

Financial instruments.

The Company carries out operations with derivative financial instruments in order to reduce its exposure to exchange rate fluctuations.

The purpose of Forwards established by the Company is covering payments of investment projects in foreign currency, mainly for the purchase of the Quimbo hydroelectric project equipment, adjusted each month to market value, the resulting adjustment is capitalized for this project to the deferred account.

Considering the possible volatility subject to affecting payment dates and amounts to be paid in American dollars to equipment vendors, the Company has established that its hedging strategy will be rollover, defined as follows:

- Adjusting hedging amounts and dates as estimated payment dates change. Adjustments can be made through new contracts, early liquidations, or adjustments to existing contracts. This strategy seeks achieving maximum effectiveness in exchange rate hedging.
- For insurance policies, the Company recognizes this adjustment directly in income statements.
- The cash and cash equivalents item recognizes valuation of forward contracts existing at the end of each year. Forward valuation losses are recognized as other current liabilities. The Company does not use these financial instruments for speculation purposes.

Inventories.

Entered at the lower of average cost or net realization value. Upon being inventories acquired while performing the basic Company activity, they are entered as current assets, deterioration or obsolescence conditions being analyzed based on technical aspects.

Debtors reserve.

The delinquent accounts reserve was established according to Company policies, which sets forth that this reserve will be made on 100% of delinquent accounts more than 360 days in arrears.

Properties, plant, and equipment, net.

Entered at cost adjusted for inflation (inflation adjustments registered up to December 31 of 2005), depreciated using to the straight line method according to the following annual depreciation rates:

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont')

Item	Average depreciation rates	Service life , average years
Constructions and buildings	1.54%	65
Plants, ducts, and titles	1.41%	71
Machinery and equipment	5.18%	19
Grids, lines, and cables	6.67%	15
Communications equipment	7.75%	13
Furniture, furnishings, and office equipment	9.97%	10
Computer equipment	20.62%	5
Transportation, traction, and lifting equipment	18.55%	5

Significant improvements to assets are capitalized, maintenance expenses not extending service life or improving productivity and efficiency being charged to expenses as incurred. Profits/losses in the sale or removal of properties, plant, and equipment are recognized in the operations of the year the transaction is carried out.

Deferred charges, net.

The Company enters deferred charges as follows: a) costs incurred in securing financial obligations, amortized using the straight line method during the loan term; b) costs incurred while processing the integration (merger) process of Compañías Central Hidroeléctrica de Betania S.A. E.S.P. (absorbing entity) and Emgesa S.A. E.S.P. (absorbed entity), amortized using the straight line method during 5 years; c) pre-feasibility studies for plant projects, amortized once their productive phase has started; and d) legal stability premium for the Quimbo project, for $9,612,891 and 20-year amortization; and all costs associated to the Quimbo project not subject to being capitalized in fixed assets.

Intangibles, net.

Correspond mainly to: a) the acquisition cost of water rights from the Chingaza and Rio Blanco projects. Amortized using the straight line method during 50 years, and b) expenses incurred in licenses and software, amortized during 3 years using the straight line method.

Valuations.

Properties, plant, and equipment – Correspond to differences existing between the replacement value - established through technical recognized assessments made by experts from the market - and the net book value of such properties, plant, and equipment.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont')

Entered to separate asset accounts, as a surplus on account of valuations in equity not subject to distribution. Value reductions of properties, plant, and equipment are entered directly in the income statement as a year's expense.

Equity investments using the cost method – Correspond to differences existing between the cost of investments and their intrinsic value. Investment valuations are entered to separate accounts in assets, as a surplus on account of valuations in equity not subject to being distributed. Investment value reductions are entered as a lower valuation value, surplus decreases to equity, without prejudice to the net balance being of a different nature.

Labor obligations.

Labor laws consider making a deferred payment to certain employees upon their leaving the Company. The amount received by each employee depends on his work contract date, the type of contract, and salary. Additionally, in certain cases annual interests (12%) are paid on amounts accrued to each employee. Should dismissal be unjustified, the employee will be entitled to receiving additional payments, which vary according to type of service and salary.

The Company makes periodical payments to severance and social security regarding health, professional risks, and pensions, to the respective funds or to the Social Security Institute.

The above laws consider the obligation for the companies to pay retirement pensions to employees meeting certain age and service time requirements. The pension liability is established by means of studies made by the actuary according to parameters set forth by the National Government. The retirement pension obligation includes the effects of applying new mortality rates authorized by the Financial Superintednency in Decree 1555 of July 30 of 2010, representing the present value of all future monthly payments the Company has to make to employees meeting or that will meet certain legal requirements regarding age, service time, and others.

Taxes, charges, and rates

The income tax reserve is calculated at the official 33% rate, using the accrual method and based on commercial benefits, in order to properly correspond profits to their respective expenses and costs, entered using the estimated liability amount method.

The effect of temporary differences involving greater or lower tax payments is entered as a deferred debit or credit tax, respectively, provided being reasonably expected that such differences will revert in the future, for the asset additionally that at that time sufficient taxable income will be generated. The income tax is net, after deducting advance payments and tax withholdings made.

The active deferred tax from temporary differences resulting from eliminating inflation adjustments from January 1 of 2006 is amortized according to the service life of fixed assets. The deferred tax is additionally recognized on account of other temporary differences existing between accounting and fiscal balances.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont')

Law 1607 of 2012 reduced the income tax rate from the 2013 tax year, from 33% to 25%. It created tl 8% equity income tax (CREE), applicable to taxable profits generated each year. However, this law temporarily established that the CREE rate will be 9% for 2013, 2014, and 2015, from 2016 on being

Equity tax.

Law 1370 of December of 2009 created a new equity tax for the 2011 tax year, with a 2.4% rate for taxpayers with fiscal equity in excess of $3000 million and less than $5000 million, 4.8% for taxpaye with equities equal to or greater than $5000 million.

Subsequently, Decree 4825 of December of 2010 established a 25% surtax for taxpayers with equities equal to or greater than $3000 million.

This tax applies to equity existing as of January 1 of 2011, payment being made in 8 equal installmen between 2011 and 2014.

According to Law 1111 of 2006, the Company enters the equity tax against equity revaluation.

Recognition of revenues, costs, and expenses.

Sales in wholesale and not regulated markets are recognized in the period when services are provided according to Resolution CREG 131 of 1998.

In order to be considered a non-regulated user, power required is higher than 0.1 MW or usage in e: of 55 MWh-month is required. Clients must be represented by a trader, the latter being responsible fo registering the user before ASIC, the Colombian market Commercial Interchange System Administra made by the Company XM.

The energy stock market is used to realize energy not committed under contracts. In this market, recognition exists whenever generators - daily and under in an hourly basis - offer the price based on energy available to the system.

Revenue estimates are made according to available information showing the most accurate consumpti situation, valued at sale price according to current rates.

Costs and expenses are entered on accrual basis. The cost of such energy is included in the sale costs item.

Bond placement premium.

Corresponds to the greater value received from placement of ordinary bonds issued by the Company ; result of the positive difference of rates existing between the bonds' face value and the value offered c placement day during February of 2006. Amortized from March of 26, for a time equivalent to the bo term.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

1. Main accounting policies and practices. (cont')

Use of estimates.

Preparing financial statements according to generally accepted accounting principles requires that the Administration makes estimates and assumptions subject to affecting values of assets, liabilities, and results. Current or market values could differ from such estimates. The Administration believes estimates and assumptions made were adequate.

Net profits per share.

Established based on the year net profits divided by the number of outstanding shares. This calculation includes clearing preferential dividends corresponding to 20,952,601 shares as of December 31 of 2012 and 2011, from Empresa de Energía de Bogotá S.A. E.S.P. Preferential dividends are valued at US$0.1107 per share.

Memorandum accounts.

Contingent rights and responsibilities are entered to memorandum accounts, mainly differences existing between accounting and fiscal figures.

Cash flow statements.

Prepared according to the indirect method. Cash and cash equivalents in the consolidated cash flow statements corresponded to available and current investments items.

Reclassifications.

Some figures in the income statement and in the cash flow statements of December 31 of 2011 were reclassified for comparison purposes with the 2012 figures, resulting in changes in the miscellaneous net items for $103,847, net cash in operational activities for $(776,976), and net cash in investment activities for $776,976.

New accounting statements.

Compliance with international financial information norms.

According to Law 1314 of 2009 and Regulatory Decrees 2706 and 2784 of December of 2012, the Company is required to initiate the process required for accounting principles generally accepted in Colombia to comply with financial information international norms (NIIF o IFRS), as issued by the IASB (International Accounting Standards Board). Since this is a complex process that will significantly affect the companies, the Public Accountants Technical Council classified the companies in 3 groups for this transition's purpose.

The Company belongs to group 1, whose transition starts on January 1 of 2014 (January 1 of 2015 for group 2), the first comparative financial statements having to be issued on December 31 of 2015 (December 31 of 2016 for group 2). For companies in group 3, this process will be carried out concurrently with group 1 companies.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

2. Assets and liabilities in foreign currency.

Basic norms existing in Colombia allow for free negotiation of foreign currency through banks and other financial institutions, at free exchange rates. However, most foreign currency transactions require compliance with certain legal requirements.

Following is a summary of assets and liabilities in foreign currency:

	2012		2011	
	(In US dollars)	*(In thousand pesos)*	*(In US dollars)*	*(In thousand pesos)*
Cash and cash equivalents	**$ 11,297**	**$ 19,976**	$ 10,843	$ 21,065
Accounts Payable *(Note 14)*	**(2,677,569)**	**(4,734,558)**	(1,860,816)	(3,615,008)
Net liability position	**$ (2,666,272)**	**$ (4,714,582)**	$ (1,849,973)	$ (3,593,943)

3. Cash and Cash Equivalents.

	2012	2011
National banks-savings *(1)*	**$ 565,883,370**	$ 460,217,123
National banks - checking accounts *(1)*	**65,432,753**	40,974,843
Investments in fixed income liquidity administration *(2)*	**154,051,861**	10,449,242
Cash	**7,322**	10,823
	$ 785,375,306	$ 511,652,031

(1) The 4th tranche of the local EMGESA bonds was issued during December of 2012, 4 $500,000,000.

Factoring operations on Codensa invoices were carried out in December of 2012 for $43,964,171, at a nominal discount rate of 6.25% and 6.55%, according to invoice maturity dates. The total cost of the operation was $128,202, the net amount received in the Banco de Bogotá account being $43,835,968.

Confirming operations were carried out on the invoice issued to Codensa, for $13,816,993. The total cost of the operation was de $86,432, the net amount received in Banco Corpbanca being $13,730,561.

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

Early payment discounts were made with Energía de Cundinamarca for $1,255,912, Centrales Eléctricas del Norte for $6,805,252, Electrificadora del Huila for $4,994,318, Electrificadora de Santander for $4,300,926, and EPM for $11,511,859, for a total of $28,868,267 including a $140,244 discount.

(2) The balance of fixed income liquidity administration investments is comprised as follows:

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

	2012			2011		
	Average interest rate		Value	Average interest rate		Value
CDT	**5.70%**	**$**	**146,548,000**	4.05%	$	7,000
Trusts	**4.99%**		**7,503,861**	4.15%		8,222,956
Forwards *(Note 26)*			**–**			2,219,286
		$	**154,051,861**		$	10,449,242

4. Debtors, net

		2012		2011
Energy service clients (1)	**$**	**131,322,040**	$	166,403,361
Advanced payments and advance payments delivered (2)		**111,579,420**		89,726,560
Other debtors (3)		**6,491,519**		16,946,365
Loans to employees (4)		**16,823,920**		15,614,201
Advance tax payments and balances		**5,749,830**		5,746,106
Deposits delivered		**165,425**		46,863
		272,132,154		294,483,456
Minus debtors reserve (5)		**(3,428,355)**		(4,267,908)
		268,703,799		290,215,548
Minus noncurrent portion		**(13,470,164)**		(12,119,855)
	$	**255,233,635**	$	278,095,693

(1) The change of energy service clients is mainly the result of the $26,850,227 stock portfolio resulting from changes in invoice maturity dates. Write-offs were made for $850,124.

(2) As of December 31 of 2012, equipment delivered corresponds to:

a. Advance payment for the Quimbo project, as follows:

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

Item		As of December 31 of 2012		As of December 31 of 2011
Work:				
Consorcio Impregilo – OHL	**$**	**80,920,965**	$	45,838,889
Proyecont Ltda.		**2,001,259**		1,226,511
Other		**365,084**		678,726
		83,287,308		47,744,126
Land properties:		**7,629,058**		8,994,970
Equipment:				
Alstom Brasil Energía y				11,447,281
Transporte		**3,600,401**		
Alstom Colombia S.A.		**6,081,942**		6,733,635
Schader Camargo Ingenieros		**5,750,881**		6,008,602
Other		**1,492,044**		306,916
Advanced travel expenses		**10,991**		116,360
Total Quimbo project	**$**	**107,852,625**	$	81,351,890

b. Advance paymentss for acquisition of goods and services:

Surpetroil S.A.S.	**$**	**2,014,863**	$	6,044,588
Vansolix S.A en restructuración		**970,000**		1,299,884
Other		**741,932**		1,030,198
		3,726,795		8,374,670
Total advance payments	**$**	**111,579,420**	$	89,726,560

(3) As of December 31 of 2012 corresponds to:

a. The accounts receivable from the Ministry of Finances on account of payments made by the Company as a result of rulings against Betania under processes existing under the stock purchase-sale agreement, for $2,717,146.

b. Includes accounts receivable from laid-off employees, for $660,956, and other debtors for 3,113,417. Write-offs on account of dismissed employees were entered in December for $155,244.

(4) Housing loans to workers are agreed under the collective workers labor agreement or in the Company policies, with 4.75% and 0% annual effective interest rates.

(5) Following are the debtors' reserve activities:

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		2012		2011
Initial balance	$	**(4,267,908)**	$	(5,374,368)
Reserve recovery		**492,674**		538,622
Write offs		**1,005,368**		1,311,943
Reserve adjustments-year results		**(658,489)**		(744,105)
Final balance	$	**(3,428,355)**	$	(4,267,908)

The debtors reserve balance is comprised of: a) the accounts receivable reserve for clients more than 360 days old as of December 31 of 2012, for $1,323,366 and (b) the reserve for other accounts receivable as of December 31 of 2012, for $2,104,989

5. Related companies.

Transactions with related companies - defined as such upon having a shareholder and/or common shareholders and/or administration - at general market prices and conditions.

Following is the list of accounts receivable/payable from/to related companies:

		2012		2011
Accounts receivable				
Codensa S.A. E.S.P. (1)	$	**55,228,642**	$	130,093,832
Empresa de Energía de Cundinamarca S.A. E.S.P.		**900,007**		1,150,162
Sociedad Portuaria Central Cartagena S.A.		**1,169,754**		843,200
Empresa de Energia de Bogotá S.A. E.S.P.		**29,041**		–
		57,327,444		132,087,194
Noncurrent portion, Sociedad Portuaria Central Cartagena		**(1,039,834)**		(768,272)
	$	**56,287,610**	$	131,318,922
Accounts Payable				
Empresa de Energia de Bogotá S.A. E.S.P. (3)	$	**85,512,891**	$	39,727,231
Endesa Chile (3)		**44,637,886**		20,725,242
Endesa Latinoamérica (3)		**35,890,431**		16,663,824
Codensa S.A. E.S.P. (2)		**7,161,558**		15,537,115
Empresa de Energía de Cundinamarca S.A. E.S.P.		**350,573**		466,510
Endesa Servicios		**–**		146,432
Emgesa Panamá		**17,980**		–
Sociedad Portuaria Central Cartagena S.A.		**4,033**		15,785
ICT Servicios Informáticos		**87,812**		30,785
Enel Energy Europe		**127,259**		–
	$	**173,790,423**	$	93,312,924

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(1) Corresponds mainly to accounts receivable on account of energy sales.

(2) Corresponds mainly to the December energy estimate for $6,944,201 and others for por $217,357.

(3) As of December of 2012, corresponds mainly to non-paid declared dividends for the year ending on December 31 of 2011.

Following is the effect of transactions with related companies, shareholders, and the Board of Directors:

Company	Item		2012		2011
Revenues					
Codensa S.A. E.S.P.	Energy sales	**$**	**656,249,442**	$	677,030,071
Codensa S.A. E.S.P.	Use contract		**2,803,339**		2,803,339
Codensa S.A. E.S.P.	Technical and other services		**491,056**		369,339
EEC S.A. E.S.P.	Energy sales		**30,213,587**		32,622,417
CAM Ltda.	Electricity meters and telemeasurement		–		9,555
Sociedad Portuaria Central Cartagena S.A	Operation and interests		**171,148**		125,181
		$	**689,928,572**	$	712,959,902
Expenses					
Codensa S.A. E.S.P.	Energy transportation	**$**	**(88,336,035)**	$	(84,726,686)
Codensa S.A. E.S.P.	Financial expenses		**(2,435,174)**		(2,173,805)
Codensa S.A. E.S.P.	Use contract		**(3,337,531)**		(3,337,533)
Codensa S.A. E.S.P	Electricity and lighting		**(456,532)**		(503,395)
Codensa S.A. E.S.P	Other		**(534,769)**		(587,037)
EEC S.A. E.S.P.	Tolls		**(1,867,306)**		(1,565,276)
Synapsis Colombia Ltda.	Technical services		–		(42,808)
CAM Ltda.	Synapsis Colombia Ltda.	Technical services			– 3)
Sociedad Portuaria Central Cartagena S.A.	Management and operation		**(528,000)**		(528,000)
ICT Servicios Informáticos Ltda.	IT services		–		(92,373)
Endesa Servicios	ICT Servicios Informáticos Ltda.	IT services			4)
Enel Energy Europe	ICT Servicios Informáticos Ltda.	IT services			**(124,908)** –
Board of Directors	Fees		**(187,710)**		(191,159)
		$	**(97,807,965)**	$	(94,061,849)
Net effect on income		**$**	**592,120,607**	$	618,898,053

6. Permanent investments, net.

The balance of equity investments entered using the cost method is the following:

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	Participation		2012		2011
Majority participation					
Sociedad Central Cartagena S.A. (a)	94.95%	**$**	**166,160**	$	201,175
Emgesa Panamá S.A.	100.00%		**9,572**		–
			175,732		201,175
Minority participation					
Electrificadora del Caribe S.A. ESP.	0.22%		**8,324,408**		8,324,408
Termocartagena S.A. ESP. (now Vista Capital S.A. en Liquidación)	0.00%		**56**		56
			8,324,464		8,324,464
		$	**8,500,196**	$	8,525,639

(a) The value of the investment in Sociedad Portuaria Central Cartagena S.A. was reduced using the equity participation method, resulting in a $35,014 loss in 2012 and profits of $103,848 in 2011.

(b) The value of the investment in Emgesa Panamá was $17,981, reduced using the equity participation method and generating a $8,110 loss for 2012 and an exchange loss for $299.

Valuations and devaluations entered on account on investments are:

Company	Number of shares	Class	Acquisition cost	Intrinsic per share value as of December 31 of 2012	As of December 31 of 2012	As of December 31 of 2011
Electrificadora del Caribe S.A. E.S.P.	109,353,394	Ordinary	$ 8,324,408	**$ 41,82**	**$(3,762,185)**	**$(3,891,222)**
Sociedad Portuaria Central Cartagena S.A.	55,071	Ordinary	5,507	**3,017,196**	**–**	**2,754**
Termocartagena S.A. E.S.P. (ahoraVista Capital S.A. En Liquidación)	22	Ordinary	56		**(56)**	**(56)**
					$ (3,762,241)	**$(3,888,524)**

7. Inventories, net.

		2012		2011
Inventories of other fuels	**$**	**18,176,404**	$	23,942,824
Warehouse - spare parts (1)		**21,249,614**		22,454,075
Coal inventory		**23,964,606**		15,595,659
		63,390,624		61,992,558
Minus reserve for inventories		**(237,365)**		(749,909)
		63,153,259		61,242,649
Minus current portion		**(42,141,010)**		(39,538,483)
	$	**21,012,249**	$	21,704,166

(1) Corresponds mainly to spare parts that will be used in repairs and/or maintenance of plants

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according to maintenance plans defined by the Administration.

Following are the inventory reserves account activities:

	2012	2011
Initial balance	$ **(749,909)**	$ –
Use	**679,704**	–
Elements	**(167,160)**	(749,909)
Final balance	$ **(237,365)**	$ (749,909)

8. Properties, plant, and equipment, net.

As of December 31 of 2012 and 2011, following are the property, plant, and equipment values:

	2012			2011		
	Cost	Accrued depreciation	Net value	Cost	Accrued depreciation	Net value
Plants, ducts, and tunnels	**$ 7,064,546,707**	**$ (2,541,099,025)**	**$ 4,523,447,682**	$7,022,334,318	$(2,419,366,124)	$4,602,968,194
Land (1)	**194,226,288**	**–**	**194,226,288**	141,587,685	–	141,587,685
Constructions in progress (2)	**731,567,102**	**–**	**731,567,102**	218,306,487	–	218,306,487
Constructions and buildings	**72,929,721**	**(25,240,254)**	**47,689,467**	71,632,744	(23,160,376)	48,472,368
Machinery and equipment	**35,750,667**	**(23,172,957)**	**12,577,710**	34,050,205	(21,568,926)	12,481,279
Communications and computer equipment	**27,022,019**	**(21,723,015)**	**5,299,004**	24,913,580	(20,026,400)	4,887,180
Furniture, furnishings, and office equipment	**10,332,656**	**(5,072,410)**	**5,260,246**	9,116,688	(4,417,065)	4,699,623
Transportation, traction, and lifting equipment	**7,908,200**	**(4,978,020)**	**2,930,180**	6,273,293	(4,436,624)	1,836,669
Machinery, plant, and erection equipment	**4,901,863**	**–**	**4,901,863**	2,571,615	–	2,571,615
Grids, lines, and cables	**544,970**	**(544,970)**	**–**	544,970	(544,970)	–
	$ 8,149,730,193	**$ (2,621,830,651)**	**$ 5,527,899,542**	**$7,531,331,585**	**$(2,493,520,485)**	**$5,037,811,100**

(1) Includes land purchases during 2011 for the Quimbo project, for $42,180,749; Quimbo project financial expenses for $9,275,680 and legalization of Guavio station for $1,182,173.

(2) Includes equipment additions for construction of the Quimbo project during 2012 for $499,773,083, Central Termozipa for $23,232,578, Pagua for $15,071,172, Central Cartagena for $11,337,525, Central Guavio for $7,642,962, and other stations for $17,738,920.

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9. Deferred charges, net.

		2012		2011
Other deferred charges (1)	**$**	**74,455,880**	$	45,642,517
Studies and projects (2)		**44,177,353**		37,706,692
Financial expenses and commissions		**329,783**		443,760
Accrued inflation adjustments		**68,601**		101,157
	$	**119,031,617**	$	83,894,126

(1) Correspond mainly to:

a) As of December 31 of 2012, includes net financial expenses associated to the Quimbo project, for $54,855,620, and project forward valuation for $4,707,609.

b) Legal stability premium, Quimbo project, for $9,612,891, resulting from the execution of the agreement between the Ministry of Mines and Energy and the Company, formalized on December 20, 2012. The Company will start amortizing the project once it is commissioned.

c) The Conversión Central Cartagena project for $866,680, to be amortized once the projects are started.

(2) Corresponds to deferred assets on account of studies and projects for the Cartagena plants for $6,063,365, alternative energy for $2,349,353, Guaicaramo for $7,339,110, Sumapáz for $5,032,190, Guatiquia for $1,467,746, Oporapa for $1,110,238, and other projects in minor plants for $1,718,758, which will be amortized once their productive phase starts.

Studies and projects include insurance policies for the Quimbo project for $11,045,647, costs incurred in obtaining the international bond for that same project for $5,484,709, land legalizations for $357,649, other Quimbo expenses for $918,926, and other projects for $1,289,662.

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10. Intangibles, net.

		2012		2011
Chingaza water use rights (1)	$	**65,364,594**	$	65,364,594
Software		**9,663,159**		8,828,172
Licenses (2)		**6,796,896**		2,095,061
Other intangible assets		**663,059**		663,059
		82,487,708		76,950,886
Minus accrued amortization		**(25,601,600)**		(23,586,693)
	$	**56,886,108**	$	53,364,193

(1) Emgesa S.A. E.S.P. recognized as intangible expenditures made to secure the use of greater water flows from the Chingaza and Río Blanco projects. Amortized using the straight line method during a 50-year period.

(2) Mainly for SAP ISU $3,025,725 and for the SIVI operational surveillance system for $1,647,452.

11. Other assets.

		2012		2011
Fiducia Mercantil Huila (1)	$	**2,388,514**	$	–
Garzón administration trust (1)		**1,190,698**		795,353
Paicol administration trust(1)		**588,887**		576
Tominé administration trust(2)		**455,389**		1,901,284
Muña administration trust(2)		**350,228**		259,117
Gigante administration trust(1)		**285,131**		220,875
Tesalia administration trust(1)		**226,261**		589,615
Agrado administration trust(1)		**113,123**		108,196
Alta Mira administration trust (1)		**40,872**		39,068
Proyecol administration trust(1)		**–**		1,000
Work and improvements in third-party properties (3)		**32,185**		279,868
	$	**5,671,288**	$	4,194,952

(1) Trusts created in various Huila municipalities for $4,833,486. Their purpose is managing resources to be provided by trustee (the Company) in order to execute the trust agreement. Resource additions and withdrawals are managed by the Company.

The contractual term is one year, renewable for similar times until the parties agree on its

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liquidation, to happen once the Company has met economic commitments agreed with the municipalities.

Following is a the payment process:

- A Projects Committee has been created, to approve the approved investment initiatives.
- Once the investment initiative has been approved, Quimbo supplies will develop the contracting process.
- The project will manage resource to be transferred to each sub account, according to the payment schedule for the approved projects.
- The project will approve payments to contractors according to corporate guidelines.

(2) Administration and payment trusts created for the Muña y Tominé reservoirs recuperation work with funds from Acueducto de Bogotá, Empresa de Energía de Bogotá, and Emgesa S.A. E.S.P. The Company makes monthly adjustments to their values based on monthly statements received. During March and July of 2012, $516,600 and $344,000 were received for the Tominé reservoir work and in January of 2012 $630,000 for the Muña reservoir; as of December 31 of 2012, the balance is $805,617.

(3) Work and improvements in third-party properties correspond to work done in floors 5 and 6 of the building where the Company support areas are.

12. Valuations

		2012		2011
Properties, plant, and equipment				
Plants, ducts, and tunnels	**$**	**2,146,843,993**	$	1,997,804,913
Land		**10,024,519**		3,516,313
Constructions and buildings		**7,748,359**		3,484,172
Transportation, traction, and lifting equipment		**376,835**		1,280,816
Communications and computer equipment		**134,488**		634,820
Furniture, furnishings, and office equipment		**1,027,435**		335,996
Grids, lines, and cables		**361,705**		361,705
Machinery and equipment		**4,577,626**		925,215
		2,170,733,255		2,008,343,950
Permanent investments in other companies *(Note 6)*		**(3,762,241)**		(3,888,524)
	$	**2,166,971,014**	$	2,004,455,426

According to regulatory decree 2649 of 1993, the Company must make a technical appraisal of its properties, plant, and equipment minimum every 3 years, entering the resulting valuations and/or devaluations. The last technical appraisal of fixed assets at commercial value was done on Q3 2012 by Consultores Unidos, resulting in a $169,613,075 valuation and fixed assets removed for $7,223,770.

Following is the value of valuations, devaluations, or reserves entered for each class of fixed asset as of December 31 of 2012 and 2011:

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Class of asset	Accounting value as of September 30 of 2012	Commercial value as of September 30 of 2012	Valuation as of December 31 of 2012	Valuation as of December 31 of 2011	Valuation adjustment
Plants, ducts, and tunnels	**$ 4,533,297,911**	**$ 6,680,141,904**	**$ 2,146,843,993**	$ 1,997,804,913	$ 149,039,080
Land	**58,887,443**	**68,911,962**	**10,024,519**	3,516,313	6,5808,206
Constructions and buildings	**47,648,252**	**55,396,611**	**7,748,359**	3,484,172	4,264,187
Machinery and equipment	**11,821,132**	**16,398,758**	**4,577,626**	925,215	3,652,411
Communications and computer equipment	**5,046,568**	**5,181,056**	**134,488**	634,820	(500,332)
Furniture, furnishings, and office equipment	**4,001,427**	**5,028,862**	**1,027,435**	335,996	691,439
Transportation equipment	**1,582,057**	**5,028,862**	**376,835**	1,280,816	(903,981)
Grids, lines, and cables	–	–	–	361,705	(361,705)
	$ 4,662,284,790	**$ 6,833,018,045**	**$ 2,170,733,255**	$ 2,008,343,950	$ 162,389,305

Valuation (devaluation) in investments corresponds to the adjustment to the intrinsic value of shares the Company owns in Electrificadora del Caribe S.A. E.S.P. and Termocartagena S.A. E.S.P. (now Vista Capital S.A. En Liquidación) for $3,762,241 (Ver Note 6).

13. Financial obligations.

	2012	2011
Ordinary bonds and outstanding commercial papers (3)	**$ 2,321,760,000**	$ 1,821,760,000
Bank loans in local currency (1)	**305,000,000**	305,009,052
Internal debt and bond interests (2)	**105,826,910**	120,715,809
	2,732,586,910	2,247,484,861
Minus current portion	**(105,826,910)**	(425,724,861)
	$ 2,626,760,000	$ 1,821,760,000

(1) Corresponds to:

Description	Yield	Maturity date	Accounting value
Bancolombia	DTF + 3.75% T.A.	April 10, 2022	$ 22,598,999
Bancolombia	DTF + 3.75% T.A.	April 10, 2022	68,446,001
BBVA Colombia	DTF + 3.75% T.A.	April 10, 2022	185,000,000
AV Villas	DTF .+ 3.75% T.A.	April 10, 2022	28,955,000
			$ 305,000,000

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On April 12 of 2012, the Company made scheduled amortizations of the four peso loans with Bancolombia, Davivienda, BBVA Colombia, and Santander Colombia for $282,410 M, paying in advance the obligation due on August 12 of 2012 for $22,599 M, for a total of $305,009 M, refinancing with through three new peso loans with banks BBVA Colombia, Bancolombia, and AV Villas for $305,000 M. The new loan credits' term is 10 years, with capital amortization in 15 equal semi-annual installments from April of 2015, with a DTF + 3.75% T.A. interest rate.

(2) External debt and bond interests:

Description		2012		2011
Interests on bonds	**$**	**99,516,567**	$	101,225,730
Interests on bank loans		**6,310,343**		19,490,079
		105,826,910		120,715,809
Bank loans in local currency		**–**		305,009,052
Current financial obligations	**$**	**105,826,910**	$	425,724,861

(3) The Company has 5 current bond issuances in the local market as of December 31 of 2012, plus a bond issuance in the international market, as follows:

Third EMGESA local bond issuance

EMGESA bond issuance and placement program in the local market.

The Company has a bond issuance and placement program allowing it to make successive issuance under the global authorized and available limit, during its term. As of December 31 of 2012, EMGESA had offered and placed 4 bond issuances (also called "tranchees" according to the program terminology) against the program, which were current as of that day. All bond issuance made under the program are rated AAA (Triple A) by Fitch Ratings Colombia S.C.V., being dematerialized under the Deceval S.A. administration.

Total value placed	$250,000,000 in a single subseries (A10), in 2 lots: 1st lot, February 23 of 2005 for $210,000,000 2nd lot, February 23 of 2006 for $40,000,000
Balance as of December 31 of 2012	$250,000,000
Nominal value pair bond	$1,000
Issuance term	Subseries A10: 10 years
Amortization	On maturity
Issuance date	February 23, 2005
Maturity date:	February 23, 2005
Bond placement premium, 2nd lot	$6,927,200

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Issuance administrator	Deceval S.A.
Coupon rate:	IPC + 5.04 % E.A.
Rating	AAA (Triple A) Assigned by Duff & Phelps de Colombia S.A. S.C.V. (today Fitch Ratings Colombia S.A. S.C.V.).

The second lot bond placement premium corresponds to the greater value received from placement of ordinary bonds as a result of the difference of existing rates between the bonds' face value and the bonds' placement yield. As a result of the above, the Company received $6,927,200 in 2006, of which on December 31 of 2011 a total of $4,531,813 had been amortized, $1,618,505 pending amortization. This value is being amortized in 107 months, time equivalent to the bonds' term.

Amortization during 2011 amounted to $776,881.

Following are the general financial conditions of the EMGESA bond issuance and placement program:

Security	Ordinary bonds
Initial approval from the Financial Superintendency	Resolution No. 1235 of July 18, 2006
Global limit initially approved	$700,000,000
Approval to the 1st limit expansion and placement term expansion	Resolution No. 0833 of June 16, 2009
1st increase to the authorize global limit	$1,200,000,000
Total authorized global limit as of August 31 of 2010	$1,900,000,000
Approval to the 1st placement term extension	Resolution No. 1004 of June 29, 2012
Balance issued as of December 31 of 2012	$1,335,000,000 (*)
Global available amount as of December of 2012	$1,565,000,000
Program expiration	July of 2015
Administration	Deceval S.A.

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The Company has issued 4 bond tranches under the above program, as follows:

1st tranche:

Total amount placed	$170,000,000
Balance as of December 31 of 2012	Subseries B10: $170,000,000
Nominal value per bond bono	$10,000
Issuance term	10 años
Issuance date:	February 20, 2007
Maturity date	February 20, 2007
Coupon rate	IPC + 5.15% E.A.

2nd tranche:

Total amount placed	$265,000,000 as follows: Subseries A5: 49,440,000 Subseries B10: 160,060,000 Subseries B15: 55,500,000
Balance as of December 31 of 2012	$265,000,000
Nominal value per bond bono	$10,000
Issuance term	Subseries A5: 5 years Subseries B10: 10 years Subseries B15: 15 years
Issuance date:	February 11, 2009, for all subseries
Maturity date	Subseries A 5: February 11 2014 Subseries B10: February 11 2019 Subseries B15: February 11 2024
Coupon rate	Subseries A 5: DTF T.A. + 1.47% Subseries B10: IPC + 5.78% E.A. Subseries B15: IPC + 6.09% E.A.

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3rd tranche:

Total amount placed	$400,000,000, as follows: Subseries E5: $92,220,000 Subseries B9: $218,200,000 Subseries B12: $89,580,000
Balance as of December 31 of 2012	$400.000.000
Nominal value per bond bono	$10,000
Issuance term	Subseries E5: 5 years Subseries B9: 9 years Subseries B12: 12 years
Issuance date:	July 02, 2009, for all Subseries
Maturity date	Subseries E5: July 2 2014 Subseries B9: July 2 2018 Subseries B12: July 2 2021
Coupon rate	Subseries B–9: IPC + 5.90% E.A. Subseries B–12: IPC + 6.10% E.A. Subseries E–5: fixed rate of 9.27% E.A.

4th tranche:

Total amount placed	$500,000,000, así: Subseries B10: $300,000,000 Subseries B15: $200,000,000
Nominal value per bond bono	$10,000
Issuance term	Subseries B10: 10 years Subseries B15: 15 years
Issuance date:	December 13, 2012
Maturity date	Subseries B10: December 13 2022 Subseries B15: December 13 2027
Coupon rate	Subseries B–10: IPC + 3.52% E.A. Subseries B–15: IPC + 3.64% E.A.

The Company has a current bond issuance in the international market, as follows:

International global bond denominated in pesos

On January 20, 2011 the Company placed its first bond issuance in the international capital market for $736,760,000, with a 10-year term. Bonds issued by the Company, denominated in pesos and payable in dollars, have a fixed coupon rate of 8.75%.

According to the *Offering Memorandum,* the Company pays the necessary interests so that, once tax withholdings have been made (today 14% according to article 408 of the Tax Code), the bond holder will receive 8.75%, i.e. the rate before deducting the 14% will be 10.1744%.

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The operation is part of the Quimbo hydroelectric station financial structure and allowed securing the three financing resources for project needs for 2011 and part of 2012 and refining other financial obligations.

Registration form	144 A/ Reg S
Total issuance value in pesos	$736,760,000
Use of funds	Financing of new projects such as el Quimbo and refinancing of other financial obligations, in addition to other Company needs.
Face value	$5,000 each bond
Term	10 years, with amortization upon maturity
Interest payment frequency	Annual
Day count	365/365
Issuance administrator, payment agent, calculation and transfer agent	The Bank of New York Mellon
Yield	8.75% E.A.(1)
International rating	BBB– (stable) by Fitch Ratings and Standard & Poor's

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Cancellations

Emgesa commercial papers during 2011

The Colombian Financial Superintednency, through Resolution No. 1954 of December 17 of 2009, authorized registration before RNVE and public offering of commercial papers issued by EMGESA, for a total of $600,000,000. On November 19 of 2010, the Company issued the first lot of commercial papers for $70,000,000 with the following conditions:

1st lot value	$70,000,000
Face value	Subseries C353: $10,000 each
Term	353 days
Yield	Subseries C353: 4.20% E.A.
Use of funds	100% to pay liabilities before Codensa S.A. E.S.P. (a related Emgesa S.A. E.S.P. company), secured to refinance financial obligations.

On November 7 of 2011, the first lot of commercial papers issued in 2010 was amortized. As of December 31 of 2012, EMGESA had no current commercial paper issuances in the local market.

First issuance of ordinary bonds of Central Hidroeléctrica de Betania S.A. E.S.P. (absorbing entity)

Security class	Ordinary bonds
Financial Superintednency approval	Resolution No. 885 of 2004
Total issuance authorized value	$400,000,000
Use of funds	Substitution of financial liabilities
Face value	Series B: $1,000 each bond
Term	7 years, with 40% amortization in year 6, the remaining 60% upon maturity.
1st lot– Nov/04	$300,000,000
2nd lot– Feb/06	$100,000,000
2nd lot bond placement premium	$19,817,475
Issuance administrator	Deceval S.A.(TripleA)
Yield	Subseries B 07: IPC + 6,29 % T.V.
Rating	AAA Assigned by Duff & Phelps de Colombia S.A. S.C.V. (today Fitch Ratings Colombia S.A. S.C.V.).

On November 10 of 2011, the partial amortization considered for the Betania bond maturity was paid, equivalent to 60% (($240,000,000) remaining from the unpaid outstanding value of the Central Hidroeléctrica de Betania S.A. E.S.P. bond issuance (absorbing entity, now Emgesa S.A. E.S.P.), as

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considered in the issuance information prospect. The issuance registration before the RNVE was canceled through Resolution 350 of March 8 of 2012 from the Colombian Financial Superintednency.

Following is the summary of bonds issued and bank loans as of December 31 of 2012:

Description	Yield	Placement date	Maturity date	Accounting value
3rd issuance 1st lot	Subseries A10: IPC+5.04% E.A.	February 23, 2005	February 23, 2015	**$ 210,000,000**
3rd issuance 2nd lot	Subseries A10: IPC+5.04% E.A.	February 23, 2006	February 23, 2015	**40,000,000**
1st program tranche	Subseries B10: IPC+5.15% E.A.	February 20, 2007	February 20, 2017	**170,000,000**
2nd program tranche	Subseries A5: DTF+1.47% T.A	February 11, 2009	February 11, 2014	**49,440,000**
2nd program tranche	Subseries B10: IPC+5.78% E.A.	February 11, 2009	February 11, 2019	**160,060,000**
2nd program tranche	Subseries B15: IPC+6.09% E.A.	February 11, 2009	February 11, 2024	**55,500,000**
3rd program tranche	Subseries E5: fixed rate 9.27%E.A.	July 02, 2009	July 2, 2014	**92,220,000**
3rd program tranche	Subseries B9: IPC+5.90% E.A.	July 02, 2009	July 2, 2018	**218,200,000**
3rd program tranche	Subseries B12: IPC+6.10% E.A.	July 02, 2009	July 2, 2021	**89,580,000**
4th program tranche	Subseries B10: IPC+3.52% E.A.	December 13, 2012	December 13, 2022	**300,000,000**
4th program tranche	Subseries B15: IPC+3.64% E.A.	December 13, 2012	December 13, 2027	**200,000,000**
Global peso bond in foreign 144–A/ Reg S	8.75% E.A.(1)	January 25, 2011	January 25, 2021	**736,760,000**
Loans with local banks	DTF + 3.75% T.A:	April 10, 2012	April 10, 2022	**305,000,000**
Total bonds and loans, non-current				**$ 2,626,760,000**

Following are the local currency bond and loan payments for the following years:

Year	As of December 31 of 2012	Item
2014	**$ 141,660,000**	Local bonds issued
2015	**250,000,000**	Local bonds issued
2015	**40,667,000**	Local bank loans
2016	**40,667,000**	Local bank loans
2017	**170,000,000**	Local bonds issued
2017	**40,667,000**	Local bank loans
2018	**218,200,000**	Local bonds issued
2018	**40,667,000**	Local bank loans
2019	**160,060,000**	Local bonds issued
2019	**40,667,000**	Local bank loans
2020	**40,667,000**	Local bank loan
2021	**89,580,000**	Local bonds issued
2021	**736,760,000**	International bond issued
2021	**40,667,000**	Local bank loans
2022	**300,000,000**	Local bonds issued
2022	**20,331,000**	Local bank loans
2024	**55,500,000**	Local bonds issued
2027	**200,000,000**	Local bonds issued
	$ 2,626,760,000	

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Following is the summary of bonds issued as of December 31 of 2011:

Description	Yield	Placement date	Maturity date	Accounting value
1st lot 3rd issuance	Subseries A10: IPC+5.04% E.A.	February 23, 2005	February 23, 2015	**$ 210,000,000**
2nd lot 3rd issuance	Subseries A10: IPC+5.04% E.A.	February 23, 2006	February 23, 2015	**40,000,000**
Forth issuance, 1st program tranche	Subseries B10: IPC+5.15% E.A.	February 20, 2007	February 20, 2017	**170,000,000**
5th issuance, 2nd program tranche	Subseries A5: DTF+1.47% T.A	February 11, 2009	February 11, 2014	**49,440,000**
5th issuance, 2nd program tranche	Subseries B10: IPC+5.78% E.A.	February 11, 2009	February 11, 2019	**160,060,000**
5th issuance, 2nd program tranche	Subseries B15: IPC+6.09% E.A.	February 11, 2009	February 11, 2024	**55,500,000**
6th issuance, 3rd program tranche	Subseries E5: fixed rate 9.27%E.A.	July 2, 2009	July 2, 2014	**92,220,000**
6th issuance, 3rd program tranche	Subseries B9: IPC+5.90% E.A.	July 2, 2009	July 2, 2018	**218,200,000**
6th issuance, 3rd program tranche	Subseries B12: IPC+6.10% E.A.	July 2, 2009	July 2, 2021	**89,580,000**
144–a/ reg s bono global in pesos	8.75% E.A.	January 25, 2011	January 25, 2021	**736,760,000**
Total bonds, noncurrent				**$1,821,760,000**

14. Accounts Payable.

	2012	2011
Vendors	**$ 130,225,007**	$ 67,721,148
Contractors, local currency	**1,054,277**	–
Contractors, foreign currency	**4,734,558**	3,615,008
Creditors	**10,896,031**	47,804,807
	$ 146,909,873	$ 119,140,963

15. Labor obligations

Bonuses (1)	**$ 6,984,072**	$ 3,766,151
Other bonuses	**2,238,521**	2,057,084
Vacation	**2,509,268**	2,003,099
Severance	**1,860,554**	1,588,642
Severance interests	**222,228**	189,228
	$ 13,814,643	$ 9,604,204

On December 31 of 2012 and 2011, the number of active Company employees was 517 and 497, respectively.

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On September 21 of 2005, the Company signed the collective workers labor agreement with Energía de Colombia – SINTRAELECOL, benefiting unionized employees from January 1 of 2004 to December 31 of 2007, partially amended with document dated March 3 of 2011 for a 4-year term from January 1 of 2011. On December 31 of 2012 and 2011, 302 employees were unionized.

(1) The change in bonuses corresponds mainly to the increase of the loyalty bond reserve and the retirement bond, which as of December 31 of 2012 amounted to $2,636,252.

16. Retirement pensions.

	2012	2011
Actuarial calculations on retirement pensions and supplementary benefits	**$ 74,425,335**	$ 74,239,240
Minus current portion	**(9,966,858)**	(10,260,434)
Retirement pensions and supplementary benefits to noncurrent	**$ 64,458,477**	$ 63,978,806

Following are activities between January 1 2 December 31 of 2012 and December 31 of 2011:

	2012	2011
Initial balance	**$ 74,239,240**	$ 81,712,752
Financial cost	**5,869,361**	6,951,222
Payments	**(10,108,899)**	(10,032,251)
Recovery or loss from actuarial gains	**4,425,633**	(2,052,873)
Recovery of recreation benefit	**–**	(2,339,610)
	$ 74,425,335	$ 74,239,240
Number of retired employees	**311**	312
Number of active employees entitled to pension	**2**	2
	313	314

On December 31 of 2012, includes the effects of applying decreased rates, i.e. mortality table (before and upon retirement), authorized by the Financial Superintednency through Decree 1555 of July 30 of 2012. (Mortality Table RV 2008); full and permanent disability, EISS.

The pensions' actuarial liability had been fully amortized by December 31 of 2012.

The value of the obligation on account of pensions at the end of each year is established taking into account actuarial hypotheses, Colombian legal norms regarding pensions, and the specificity of conditions set forth for each company regarding retirement pensions and post-retirement benefits.

In December 31 of 2012, financial hypotheses are summarized in an 8% annual discount rate and a 3.5% pensions increase rate (DANE rate according to Decree 2783 of 2001); in 2011, these percentages were 8.5% and 3.5%, respectively.

On December 31 of 2012, AON (external specialist) made actuarial calculations resulting in a greater

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pension liability value of $186,095.

17. Estimated liabilities and reserves

		2012		2011
Reservee for costs and expenses	$	**5,257,793**	$	15,650,596
Reserve for the purchase of fixed assets (1)		**17,073,522**		4,825,942
Quimbo environmental license reserve (2)		**36,169,902**		–
Contingency reserve *(Note 27)*		**1,190,550**		1,224,185
Other reserves		**299,100**		299,099
		59,990,867		21,999,822
Minus noncurrent portion		**(8,761,992)**		(1,224,185)
Current portion	**$**	**51,228,875**	$	20,775,637

(1) Reserves for the purchase of assets correspond mainly to the Quimbo project, for $13,893,327, and studies and projects for $1,099,772.

(2) The Quimbo project environmental license liability reserve was entered, corresponding to non-executed or contracted existing obligations, and 1% of the total project investment value, as contained in paragraph 1 of article 43 of Law 99 of 1993 and Law 1450 of 2011.

18. Taxes, charges, and rates.

Income tax.

On December 31 of 2011 and 2012, the Company was responsible for the income tax, with an applicable 33% rate on net income.

According to Law 63 of 2000, energy generating companies are not subject to the presumptive income system. The 2010 and 2011 tax years are open for review by tax authorities. Taxes, charges, and rates are described as follows:

		2012		2011
Income tax	**$**	**96,178,876**	$	97,847,040
Tax on current equity		**49,213,976**		49,213,976
Other		**14,100,291**		7,373,530
	$	**159,493,143**	$	154,434,546

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The noncurrent equity tax corresponding to December 31 of 2012 and December 31 of 2011 is the following:

	2012	2011
Noncurrent equity tax	**$ 49,213,976**	$ 98,427,952

In 2011, the Company opted for the alternate mechanism of entering as a lower value of the equity revaluation account the equity tax and the surcharge for $196,855,905. The outstanding values on December 31 of 2012 and 2011 were $49,213,976 and $98,427,952.

The liability corresponding to the income tax is net of tax payments, as follows:

	2012	2011
Current income tax	**$ 317,160,376**	$ 301,866,788
Advance payment on withholdings and self-withholdings	**(45,749,272)**	(41,878,131)
Income advance payment	**(175,232,228)**	(162,141,617)
	$ 96,178,876	$ 97,847,040

The income tax expense is itemized as follows:

	2012	2011
Current	**$ 317,160,376**	$ 301,866,788
Active deferred tax	**1,424,201**	(571,677)
	$ 318,584,577	$ 301,295,111

Following is a summary of the main conciliation items:

a) Differences between accounting profits and net taxable income

	2012	2011
Profits before income tax	**$ 1,102,113,965**	$ 969,050,144
Effect of temporary differences on account of reserves	**(480,872)**	7,230,561
Nondeductible expenses	**16,190,395**	14,439,665
Depreciation-adjustment for fiscal inflation	**(4,659,309)**	(5,498,209)
Non-taxed revenues	**(12,007,656)**	(23,565,495)
Deduction of real productive fixed assets and science and technology	**(140,064,474)**	(46,908,825)
Net income	**961,092,049**	914,747,841
	2012	**2011**
Applicable rate	**33%**	33%
Current income tax	**317,160,376**	301,866,788
Deferred tax	**1,424,201**	(571,677)
Income tax	**$ 318,584,577**	$ 301,295,111

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b) Difference between accounting and fiscal equity.

Accounting equity	**$ 5,721,350,791**	$ 5,443,061,147
Fiscal inflation adjustment, 2006	**193,870,973**	199,513,658
Estimated liabilities and reserves	**19,444,461**	27,796,914
Deferred assets and other non-fiscal assets	**(69,608,238)**	(72,156,009)
Valuations	**(2,166,971,014)**	(2,004,455,426)
Fiscal equity	**$ 3,698,086,973**	$ 3,593,760,284

c) Assets on account of deferred taxes as of December 31 are the following:

	2012	2011
Fiscal inflation adjustment, 2006	**$ 64,087,092**	$ 65,840,899
Cost and expense reserves	**1,451,534**	3,319,368
Labor obligations reserve	**2,863,369**	1,682,054
Tocancipá valuation tax	**1,069,399**	1,037,946
Accounts receivable reserve	**117,753**	195,767
Industry and trade reserve	**19,091**	7,145
Forward valuation	**–**	(122,837)
	$ 69,608,238	$ 71,960,342

Law 1607 of 2012 reduced the income tax rate from the 2013 tax year, from 33% to 25%. It created the 8% equity income tax (CREE), applicable to taxable profits generated each year. However, this law temporarily established that the CREE rate will be 9% for years 2013, 2014, and 2015, from 2016 on being 8%. This affected the EMGESA deferred tax value, as follows:

	Income tax	CREE	CREE
Estimated liabilities	$ 16,238,663	$ 16,238,663	$ –
Fiscal inflation adjustments, 2006	193,870,973	10,967,099	182,903,875
	210,109,636	27,205,762	182,903,875
	25%	9%	8%
	52,527,409	2,448,519	14,632,310
Deferred tax as of December 31 of 2012	$ 69,608,238		

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Industry and Trade tax

Calculated according to article 7 of Law 56 of 1981, based on the installed generation capacity, in municipalities where generation plants are located.

Contribution to the environment.

According to Law 99 of 1993, the Company is required to make transfers regarding basic sanitation and environmental improvement projects to municipalities and regional autonomous corporations, equivalent to 6% of gross energy sales - own generation - for hydraulic stations, and 4% for steam stations, according to the rate for lump sales indicated by Comisión Regulatoria de Energía y Gas (CREG). Contributions to the environment as of December 31 of 2012 were $49,467,074.

Equity tax.

Law 1370 of December of 2009 created a new equity tax for the 2011 tax year, with a 2.4% rate for taxpayers with fiscal equity in excess of $3000 million and less than $5000 million, 4.8% for taxpayers with equities equal to or greater than $5000 million.

Subsequently, Decree 4825 of December of 2010 established a 25% surtax for taxpayers with equities equal to or greater than $3000 million.

This tax applies to equity existing as of January 1 of 2011, payment being made in 8 equal installments between 2011 and 2014.

Transfer prices.

Independent advisors are updating the transfer prices study required by tax authorities, in order to demonstrate that operations with foreign economic related parties were carried out at market values during 2012. For this, the Company will submit a statement and will have the study available by mid-2013. A default could result in sanctions and increased income taxes. However, the Administration and its advisors believe the study will be concluded on time and will not result in significant changes to the base used to establish the income tax reserve for 2012, as was the case in 2011.

Legal stability contract.

Following are the main issues of the legal stability contract executed between the Nation (Ministry of Mines and Energy) and EMGESA, formalized on November 20, 2010:

Object: the Company undertakes to build the "El Quimbo" hydroelectric station (see Note 1).

Investment value and terms: Company investments related to the Quimbo project will not be less than $1,922,578 M.

Key norms object of legal stability (favorable):

a. 33% income tax, exclusive of presumptive income tax calculations and special deductions on account of investments in scientific development and other investments in the environment, among others.

b. Allows ensuring the special deductions stability of investments in real productive fixed assets (30%), which was eliminated on January 1 of 2011.

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Arts obligations.

a. Company obligations:

Meet the planned investment for construction and commissioning of the Quimbo project.

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

Pay taxes on time.

Retaining independent auditors to review and certify compliance with contractual commitments, for which the Company hired a third-party specialist which issued his opinion without remarks on March 30 of 2012. Company management considers that the same opinion will result from the audit to be made during the remainder of 2012.

b. Nation obligations:

During 20 years, guarantee stability of norms included in the contract (favorable) for the Quimbo project.

Confidentiality of information.

c. Tax amendment (Law 1607 of 2012):

With this amendment, the income tax rate went from 33% to 25%, which the Company will apply according to the favorability principle.

The 8% equity income tax has been created, 9% for 2013, 2014, and 2015. Upon being a new tax, it was not stabilized.

Taxpayers being natural persons are exempted from quasi-fiscal payments to the National Learning Service and the Colombian Welfare Institute, corresponding to workers earning - individually considered - up to 10 minimum legal current salaries. This applies from the moment the withholding systems is implemented in order to collect the equity income tax, however in any case before July 1 of 2013.

For tax purposes, references contained in tax norms will remain in force during the 4 years following the effective date of financial information international norms (2015).

The permanent establishment concept is defined, meaning a fixed location where a foreign company carries out dealings in the country.

The manner in which to calculate taxed profits and non-taxed profits is changed for companies distributing profits to their partners or shareholders.

New rules are enacted regarding the transfer prices system for operations with economic related parties located in free trade zones, regulating some taxpayer operations with foreign companies related to a permanent company in Colombia or abroad.

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19. Equity.

Capital

The authorized capital is comprised of 286,762,927 shares with a $4400 face value each. The subscribed and paid capital is represented by 127,961,561 ordinary shares and 20,952,601 shares with preferential dividends, for a total of 148,914,162 shares with a nominal value of $4,400, distributed as follows:

Shareholder	Participation (%)	Number of shares
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 shareholders	0.01%	7,315
	100.00%	$ 148,914,162

Of the total number of E.E.B. shares, 20,952,601 correspond to nonvoting shares, with a preferential dividend of US$0,1107 each.

Equity revaluation.

Equity revaluation cannot be distributed as profits, however being subject to capitalization.

Legal reserve.

According to the Colombian legislation, the Company must transfer minimum 10% of the year profits to legal reserve until reaching 50% of the subscribed and paid capital. This reserve is not available for distribution, however subject to being used to absorb losses.

Income tax.

According to the current legislation, foreign investment entitles its holder to issue abroad - in freely convertible currency - both net verified profits periodically generated according to general balance sheets and capital invested and capital gains. Dividends of shareholders not living in Colombia are subject to a 0% income tax for the nontaxable portion and 33% for the taxable portion, as of December 31 of the December 31 of 2012 and 2011.

Share placement premium.

Represents the greater value paid by the shareholder on the share face value.

Dividend payments.

Minutes No. 83 of the March 21 of 2012 General Shareholders Assembly ordered distributing dividends for $667,755,033 against the 2011 net profits. 100% of the preferential dividend was paid in April, of the ordinary dividends paid during the year of $501,844,856; the balance was paid on January 13 of 2013 for

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$165,910,176.

Minutes No. 79 of the General Shareholders Assembly of March 24 of 2011 ordered distributing dividends for $155,324,183 against the 3-month period from October to December of 2010. 100% of the preferential dividend, and 50% of ordinary dividends, were paid on September 7 of 2011; the remaining 50% was paid on January 11 of 2012.

20. Memorandum accounts.

	2012	2011
Debtors		
Contingent rights	**$ 1,446,979,955**	$ 233,933,212
Control	**167,572,591**	83,610,700
	$ 1,614,552,546	$ 317,543,912
Creditors:		
Fiscal	**2,269,641,706**	1,970,515,635
Contingent responsibilities (1)	**598,010,156**	434,018,074
Creditor memorandum accounts	**2,867,651,862**	2,404,533,709
	$ 4,482,204,408	$ 2,722,077,621

(1) Contingent responsibilities as of December 31 of 2012 are comprised mainly of legal, civil, and labor contingencies for $183,181,238, contractual guaranties for $251,546,427, and other contingencies for $163,282,491.

21. Operational revenues.

	2012	2011
Lump sales	**$ 1,151,627,611**	$ 1,023,734,970
Sales to non-regulated clients (trading)	**634,848,979**	583,365,022
Stock sales	**353,788,939**	287,328,865
Other services	**4,063,575**	4,729,135
	$ 2,144,329,104	$ 1,899,157,992

(1) Total revenues received from sales to Codensa S.A. E.S.P. represent 30.60% $(656,249,442) and 35.67% $(677,030,071) as of December 31 of 2012 and 2011, respectively, of operational revenues.

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22. **Sales costs**

		2012		2011
Energy purchases and related costs	**$**	**433,797,484**	$	360,128,377
Depreciation		**139,848,118**		144,486,172
Use of indirect raw materials		**138,483,801**		99,593,453
Contributions		**65,528,756**		58,110,164
Other generation costs		**34,419,786**		39,909,696
Personnel costs (1)		**42,789,308**		39,579,099
Insurance		**14,424,365**		13,313,821
General		**4,978,257**		3,006,095
Deferred amortization		**1,169,737**		1,385,983
Intangible amortization		**1,418,080**		1,614,749
Leases		**2,597,895**		2,618,230
Public utilities		**1,413,426**		1,704,604
	$	**880,869,013**	$	765,450,443

(1) Includes the pension liability financial cost of $5,869,361 and $6,951,222, for 2012 and 2011.

23. Administration expenses.

		2012		2011
Wages, salaries, and bonuses	**$**	**7,407,764**	$	6,939,345
Financial activity tax		**4,695,478**		6,588,664
Other expenses (1)		**4,715,055**		2,352,926
Depreciation and amortization		**2,710,928**		4,247,408
Other general services		**3,183,901**		3,183,540
Commissions, fees, and services		**2,564,226**		1,753,730
Aremari contract		**1,584,442**		1,728,482
Social security payments		**1,288,864**		1,184,530
Other personnel expenses		**1,010,473**		847,203
Leases		**138,925**		384,601
	$	**29,300,056**	$	29,210,429

(1) On December 31 of 2012, other expenses are mainly represented by use contracts with Codensa for $3,337,531 and general administrative expenses for $1,377,523.

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24. Financial revenues /expenditures, net.

	2012	2011
Financial revenues		
Interests on deposits	**$ 7,737,925**	$ 4,745,591
Exchange rate adjustments	**1,507,065**	1,417,792
Other	**686,559**	1,115,414
Financial yield from accounts receivable and investments	**516,864**	84,727
Late interest charges	**119,344**	106,170
	10,567,757	7,469,694
Financial expenses		
Interests	**(126,197,847)**	(143,850,403)
Exchange rate adjustment	**(2,495,072)**	(2,383,407)
Other (1)	**(4,016,623)**	(3,614,522)
	(132,709,542)	(149,848,332)
Financial expenditures, net	**$ (122,141,785)**	$ (142,378,638)

(1) Other financial expenses as of December of 2012 and 2011 correspond mainly to the following:

- Financial discounts for $2,803,629 and $1,937,087, respectively.
- Amortization of expenses associated to bond issuances for $219,200 and $995,767, respectively, and commissions for $695,349 and $677,473, respectively.

25. Miscellaneous revenues/expenditures, net

	2012	2011
Other revenues		
Use contracts	**$ 2,803,339**	$ 2,803,339
Previous years' income tax adjustment	**1,949,220**	–
Previous years' adjustments	**931,762**	1,771,887
Other extraordinary revenues	**724,851**	170,092
Revenue on account of coal pile volume calculation	**679,923**	–
Profit from inventory sale	**679,704**	294,406
Accounts receivable recovery	**492,674**	538,622
Recovery from outstanding invoices	**293,540**	1,789,053
Other recoveries	**278,000**	840,513
Extraordinary revenues from conciliation items	**186,107**	1,052,558
Profit from the sale of property, plant, and equipment	**61,100**	266,943

Emgesa S.A. E.S.P.

Notes to Nonconsolidated Financial Statements

Insurance claim indemnification		–		5,650,561
Recovery of recreation benefit		–		2,339,610
Actuarial gain		–		2,052,873
		9,080,220		19,570,457
		2012		**2011**
Other expenditures:				
Removals on account of previous years' maintenance		**(4,589,519)**		(900,888)
Actuarial loss		**(4,425,633)**		–
Adjustments of previous years for expansion projects		**(3,569,481)**		–
Legal contingencies		**(1,796,746)**		(722,573)
Other adjustments for previous years (1)		**(1,246,749)**		(921,623)
Previous years' adjustments, deferred tax		**(927,903)**		(2,516,369)
Previous years' adjustment, income tax		**(315,284)**		(2,261,572)
Debtors reserve		**(658,489)**		(744,105)
Other expenditures		**(624,552)**		(71,242)
Contribution to the ENDESA Foundation		**(599,000)**		(577,000)
Inventory reserve		**(167,160)**		(749,909)
Laws in properties, plant, and equipment		**(18,112)**		(776,976)
Payment of the recreation benefit purchase		–		(2,500,386)
		(18,938,628)		(12,742,643)
Miscellaneous expenditures/revenues, net	**$**	**(9,858,408)**	$	6,827,814

(1) Other adjustments of previous years are mainly the result of energy costs, $432,858, adjustments to personnel expenses , $168,309, forwardly liquidation of insurance policies, $372,233, and adjustments of costs associated to the Muña and Tomine trusts for $273,349.

26. Forward operations.

In order to hedge the effects of profits or losses on account of exchange rate differences in the foreign currency active net monetary position, EMGESA established the following hedge contract (forward non-delivery), valued at the December 31 of 2012 and 2011 rates of exchange, on which the following financial revenues were recognized:

		2012		**2011**
40% all-risk policy (1)	**$**	–	$	372,233
Quimbo project fixed assets (2)		**(4,707,609)**		1,847,053
	$	**(4,707,609)**	$	2,219,286

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(1) The forward generated revenues against results.

(2) Forwards established for the purchase of fixed assets associated to the Quimbo project generated revenues, recognized in the deferred charge.

Following is the itemization of forwards as of December 31 of 2012:

Entity	Starting date	Ending date	Negotiable rate	(000 USD)	(000 COP)	Value
Banco Santander S.A.	26–Jan–11	20–jun–13	2,001,60	**$ 3,761,117.07**	**$ 7,528,252**	**$ (727,698)**
Banco Santander S.A.	26–Jan–11	19–jul–13	1,992.09	**7,605,550.48**	**15,150,941**	**(1,355,972)**
Banco Santander S.A.	26–Jan–11	20–sep–13	2,021.64	**95,572.16**	**193,213**	**(19,402)**
Banco Santander S.A.	26–Jan–11	20–feb–14	2,055.29	**1,252,865.81**	**2,575,003**	**(256,899)**
Banco Santander S.A.	26–Jan–11	20–mar–14	2,062.81	**49,717.56**	**102,558**	**(10,275)**
Banco Santander S.A.	26–Jan–11	16–apr–14	2,074.89	**1,889,406.08**	**3,920,310**	**(402,298)**
Banco Santander S.A.	26–Jan–11	18–jul–14	2,093.97	**417,621.94**	**874,488**	**(88,714)**
Banco Santander S.A.	26–Jan–11	19–sep–14	2,110.03	**1,781,005.53**	**3,757,975**	**(383,087)**
Banco Santander S.A.	26–Jan–11	20–nov–14	2,126.08	**1,781,005.53**	**3,786,560**	**(388,109)**
Banco Santander S.A.	26–Jan–11	20–feb–15	2,149.37	**112,437.84**	**241,671**	**(24,872)**
Bbva Colombia	25–Jan–11	20–feb–13	1,952.73	**5,814,076.89**	**11,353,322**	**(1,013,227)**
Bbva Colombia	25–Jan–11	18–eJanne–13	1,939.73	**222,828.46**	**432,226**	**(37,056)**
				$ 24,783,205.35	**$ 49,916,519**	**$ (4,707,609)**

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Forwards as of December 31 of 2011 are:

Entity	Starting date	Ending date	Negotiable rate	(000 USD)	(000 COP)	Value
Citibank Colombia	13–Jan–11	20–Jan–12	1,868.50	USD 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 Bogotá	24–aug–11	12–Jan–12	1,792.95	2,877,471.00	5,159,162	372,233
Banco de Bogotá	19–dec–11	20–feb–12	1,860.07	874,129.93	1,625,943	56,304
				US$70,323,631.34	$130,601,701	$2,219,286

27. Contingencies.

On December 31 of 2012 and 2011, following are the main litigations the Company is facing, regarding which the administration, with the support of its external and internal legal advisers, believes that the result of the non-reserved part will be favorable for the Company and will not cause significant effects that should be accounted for and will not significantly affect its financial position.

Environmental contingency

Group action against Emgesa S.A. E.S.P, Empresa de Energía de Bogotá S.A. E.S.P. and CAR for alleged material and moral damages caused to the people of the municipality of Sibaté, both to their health and to the value of their properties, as a result of environmental problems arising from the quality of the Bogotá river water in the Muña reservoir. The initial demand was $3,000,000,000. The action was handled altogether with another on account of the same facts, before the Cundinamarca Administrative Court, involving a large number of plaintiffs.

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Notes to Nonconsolidated Financial Statements

scenario will represent damages for $106,093,800 (TRM 1USD=$1,768.23)

Industry and trade tax

Energy generation companies in Colombia have been required by municipalities being unaware of the application of the special system contained in Law 56 of 1981 to pay the industry and trade tax based on the installed energy generation capacity, attempting to tax their revenues based on Law 14 of 1983.

The municipalities of Yaguará, Caloto, Puerto Tejada, Yumbo, and Guachené have issued liquidations on account of this tax for the fiscal years of 1998 through 2011, for a total of $67,947,248, of which $62,899,944 correspond to suits with the municipality of Yaguará

Nullity and reestablishment of right actions are being processed before the Contentious Administrative Jurisdiction against such liquidations. During 2012, a favorable ruling was obtained regarding the Yaguará municipality demands for $122,786,896. Together with his external and internal advisors and based on reiterated legal decisions, the Company Finances and Administration Manager has concluded that contingent events related to such tax are remote for this case, with a 40% loss probability for other claims.

2003 income tax

The process is the result of the Company administration's unawareness of benefits resulting from applying the Paez Law. Tax authorities believe that the Company cannot benefit from this law regarding its total revenues. The process amount is $89,745,231. Together with his external and internal advisors and based on reiterated legal decisions, the Company Finances and Administration Manager believes that this contingent event is remote regarding the 2003 income.

Other contingencies

As of December 31 of 2012, the value of claims under administrative, civil, labor, and contractor litigations is the following:

Processes	Number of processes	Risk	Contingency value	Reserve value
	53	Probable	$ 1,168,817	$ 1,168,817
	131	Eventual	32,961,885	–
Administrative and civil	29	Remote	125,018,702	–
	213		159,149,404	1,168,817
Labor and the contractors'	1	Probable	21,733	21,733
	5	Eventual	566,101	–
	13	Remote	23,444,000	–
	19		24,031,834	21,733
Total processes	232		$183,181,238	$ 1,190,550

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As of December 31 of 2011, the value of claims under administrative, civil, labor, and contractor litigations is the following:

Processes	Number of processes	Risk	Contingency value	Reserve value
	14	Probable	$ 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	Probable	40,605	40,605
	5	Eventual	696,101	–
	16	Remote	23,584,000	–
	22		24,320,706	40,605
Total processes	211		$191,761,870	$ 1,224,185

28. Subsequent events

a) Legal embargoes.

Through Resolutions 74 and 96 of 2012, the municipality of Guachené officially liquidated the industry and trade tax for the Company for 2007 through 2011. The Company filed a nullity and reestablishment claim against such administrative acts.

However, the municipality started legal collection and requested seizing the Company bank accounts. As a result of the above, between January 17 and 19 of 2013, four bank accounts for $900,000 each were seized, for a total of $3,600,000.

Three accounts were released on January 23, for $2,700,000, $900,000 remaining seized. Activities are underway to release the remaining counts.

b) Corporate object change.

According to Minutes 84, the November 21 of 2012 Extraordinary General Shareholders Assembly authorized changing the EMGESA corporate object to include trading of combustible gas and all related and supplementary activities. This change is being approved by the EMGESA Bond Holders Assembly according to Decree 2555 of 2010, the change registration before the Chamber of Commerce being pending.

c) Change of shareholder.

Under the Spanish Company Endesa Latinoamérica S.A. partial spinoff process - Company that is controlled by the ENDESA Group, controlled by the Enel Group -, on December 26 of 2012 the Company assigned 100% of ordinary shares it held in Emgesa S.A. ESP to the Spanish Company Cono Sur Participaciones S.L., controlled by the same Group. Accordingly, on February 5 of 2013 Cono Sur

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Notes to Nonconsolidated Financial Statements

Participaciones S.L. was registered in DECEVAL S.A. as an Emgesa S.A. ESP shareholder holding 21.6% of the Company outstanding shares.

Following is the shareholding distribution:

Shareholder	Number of shares	% Participation
Empresa de Energía de Bogotá S.A. Esp.	76,710,851	5 1.51346922
Preferential shares	20,952,601	1 4.07025411
Ordinary shares	55,758,250	3 7.44321511
Cono Sur Participaciones S.L.	32,176,823	2 1.60763125
Empresa Nacional de Electricidad S.A.	40,019,173	2 6.87398731
Other	7,315	0.001
Total preferential and ordinary shares	148,914,162	100

29. Commitments

"Canoas" Elevation Station Project

The Interinstitutional Agreement between la Empresa de Acueducto y Alcantarillado de Bogotá E.S.P. and the Company was executed on December 5 of 2011, whose purpose is joining efforts to guarantee construction of the "Canoas" Elevation Station through economic and operational contributions provided by the Company.

This agreement is important for the people living in the Bogotá river basin, inasmuch as it contributes to financing the necessary mega-work required to clean the Bogotá river and use this resource to generate electrical power, this way guaranteeing the electrical generation system's reliability.

The Company contribution is $84,048 M for the station and close to $7,000 M annual for its operation, administration, and maintenance. Such resources will be provided once Corporación Autónoma Regional de Cundinamarca – CAR– makes a statement regarding the water concession term extension requested by the Company on September 21 of 2011, granting the concession for a similar time and under conditions that will be economically profitable and socially beneficial, and once the station is built by Empresa de Acueducto y Alcantarillado de Bogotá–EAAB.

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Notes to Nonconsolidated Financial Statements

30. Financial metrics

The following metrics were calculated based on financial statements described below:

Metric	Expression	2012	2011	Metric explanation
Liquidity				
Current ratio: *(current asses/current liability)*	(times)	1.73	1.16	Indicates the capacity the Company has to handle its current debts by committing its current assets
Indebtedness				
Total indebtedness level: *(Total liabilities/assets)*	%	37.40%	34.15%	Indicates the leverage degree corresponding to a creditors' participation in Company assets
Indebtedness to current: *(Total current liabilities/total assets)*	%	7.29%	10.09%	Represents the debt percentage with 3rd parties, with current maturities
Indebtedness to noncurrent, total: *(total liabilities to noncurrent/total assets)*	%	30.11%	24.06%	Represents the debt percentage with 3rd parties, with mid and noncurrent maturities
Activity				
Commercial portfolio turnover: *(365/(operational revenue/total portfolio))*	Days	53	63	Indicates the number of average commercial portfolio turnover days in the year
Vendor turnover: *(365/(sales cost/accounts payable , vendors))*	Days	61	57	The average number of days the Company takes to pay vendor invoices

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Profitability

Gross profits margin: *(gross profits/operational revenues)*	%	58.92%	59.07%	The capacity the Company has to handle its sales in order to generate gross profits, i.e. before administrative and sales expenses, other revenues, and other expenditures and taxes.
Operational margin: *(operational profits/operational revenues)*	%	57.55%	58.16%	Indicates how much each sales peso provides to operational profits.
Net profits margin: *(net profits/operational revenues)*	%	36.54%	35.16%	The percentage of net sales generating profits after taxes for the Company.
Equity yield *(net profits/total equity)*	%	13.69%	12.27%	The shareholders' investment yield
Operational return on assets (ROA) *(net profits/total assets)*	%	8.58%	8.08%	For each peso invested in total asset, measures net profits.

Bogotá D.C., March 20, 2013

Messrs.
GENERAL SHAREHOLDERS ASSEMBLY
EMGESA S.A. E.S.P.

Ref.: Compliance with industrial property and copyrights norms

Gentlemen:

According to article 47 of Law 222 of 1995, amended by article 1 of Law 603 of 2000, I hereby declare that, as of December 31 of 2012, the company had followed all norms regarding industrial property and copyrights.

Cordially,

LUCIO RUBIO DÍAZ
Legal Representative

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