Operational and Financial Results Report - Emgesa S.A. E.S.P.
As of December 2012[1]

February 25 , 2013

Executive Summary

- ***Emgesa's EBITDA[2] grew 9.9% in 2012 compared to 2011, due to higher sales through contracts and in the spot market as a result of higher generation, lower energy purchases to serve contracts and higher spot prices.***

- ***Emgesa's net income increased by 17.3% in 2012 as a result of greater EBITDA and the reduction in net financial expenditure due to a lower average debt balance during the year and higher interest rates to invest excess cash balances.***

- ***During 2012 Emgesa invested more than COP$646 billion, (USD$366 million) mainly in the construction of El Quimbo Hydroelectrical Plant and generated about 22% of the energy in the country.***

- ***Financial obligations, including accrued interests, reached COP$2,7 trillion (USD$1,5 billion), a 21.6% increase with respect to existing obligations as of December 2011, due to the issuance of the Fourth Tranche of the Local Bond Program for a total of COP$500 billion (USD$283 million) in December 2012.***

Emgesa's net income reached COP$783,5 billion (USD$443 million) in 2012

Emgesa, a company of the Endesa Group in Colombia, recorded a net income of COP$783,5 billion (USD$443 million) during 2012, a 17.3% increase with respect to 2011. The main factors explaining this result include a higher volume of sales through contracts and the spot market, backed by higher generation of Emgesa's plants due to a rainier season present in the first half of 2012 compared to the same period in 2011, resulting in lower energy purchases to serve contracts, and higher spot prices due to the expectation of El Niño (dry season) Phenomena. Likewise, the net financial result improved due to the decrease in the net financial expenditure due to a lower

[1] Financial statements are prepared under Colombian GAAP in Colombian pesos. However, we present figures in USD for your convenience and analysis using the official COP/USD FX rate (TRM) applicable on the last day of the month (FX December 31, 2012 COP$1,1768.23). Percentage changes between periods are calculated based on COP figures to avoid the FX effect.

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

debt balance during the first 11 months of the year and to higher interest rates to invest excess cash balances.

The result for the company is a net margin of 36.5% over total operational revenues in 2012.

Emgesa's EBITDA reached COP$1,38 trillion (USD$781 million) during 2012

Operating revenues totaled COP$2,1 trillion (USD$1,2 million), showing a 12.9% increase compared to the 2011, due to a 7.9%% increase in the physical energy sales through contracts and in the spot market. The increase in the volume of energy sales is the result of a 9.9% rise in Emgesa's total generation due to the rainy season present in the central and eastern regions of the country in 2012 favoring water reserves of Emgesa's largest generation plants (Guavio, Pagua and Betania) increasing their dispatch capacity and thanks to the optimization of the water reserves the company was able to profit from a scenario of higher prices in the second half of the year.

During 2012 Emgesa sold 16,304 GWh, out of which 71.9% corresponded to sales through contracts to clients in the wholesale and unregulated markets and the remaining 28.1% to sales in the spot market and through the AGC[3] mechanism.

The cost of sales during 2012 totaled COP$880,9 billion (USD$498 million) representing an 15.1% increase compared to the result from 2011. The increase in the cost of sales was due to a higher cost of fuel oil as a result of increasing thermo generation in the Cartagena Plant to meet regulatory requirements related to the reliability in the generation of the thermo plants in the Country and to an increase in the administrative expenses in the production areas.

Administrative expenses had a 0.3% growth compared to 2011, reaching a total of COP$29 billion (USD$17 million).

The greater absolute increase in operational revenues compared to the cost of sales resulted in an 11.7% increase in the operational income in 2012 compared to the result from 2011, reaching a total of COP$1,23 trillion (USD$698 million), and a EBITDA result of

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

COP$1,38 trillion (USD$781 million), showing a 9.9% increase with respect to 2011.

Net financial expenditure reached COP$122 billion (USD$69 million)

Net financial expenditure in 2012 had a decrease of COP$$20,2 billion (USD$11,4 million) compared to 2011, a 14.2% variation in the period. Financial expenditure was reduced in 11.4% reaching COP$132,7 billion (USD$75 million), as a result of a lower average debt balance during 2012 compared to 2011, after the company paid at the end of 2011 a total of COP$310 billion (USD$175 million) in bonds and commercial paper maturities in the local market with cash on hand.

Likewise, to serve the financing needs of the investment in El Quimbo by the end of 2012, Emgesa used the liquidity optimization scheme between Emgesa and Codensa S.A. E.S.P., to optimize the financial expenditure of the new debt through the disbursement of short term intercompany loans from Codensa[4] during the fourth quarter of the year, which were then repaid in total in December 2012 with the issuance of local bonds.

Financial revenues increased by COP$3,1 billion (USD$1,7 million) as a result of the upward trend in the rate at which the cash balance is invested (DTF).

Emgesa's generation reached 13,294 GWh in 2012

During 2012 Emgesa generated 13,294 GWh, through its 12 generation plants in the country, with 95.5% of the total generation coming from hydro plants and 4.5% from thermo plants, as a result of high hydrology in the first half of the year, especially in the central and eastern regions of the country where Emgesa's largest generation plants operate. In contrast, Colombia's generation mix for the same period was 74.9% from hydro sources, 19.2% from thermo sources, 5.3% from minor plants and 0.6% from cogeneration from the National Interconnected System ("NIS")[5].

[4] Intercompany loans between Codensa and Emgesa are done under market conditions, at an equivalent rate between the average rate at which the creditor invests its resources and the best borrowing rate for the debtor for transactions at the same tenor, according to the rules approved previously by the Board of Directors of Emgesa and Codensa.

[5] Supply and Demand Monthly Reports 2012. XM Compañía de Expertos en Mercado S.A. E.S..P.- XM. www.xm.com.co . Emgesa's calculations for annual results.

Emgesa's generation represented 22.2% of national generation during 2012 which totaled 59,992 GWh[6]. The availability of Emgesa's generation plants in 2012 was 90.4%, up from an 88.7% availability level in 2011.

Gross installed capacity for Emgesa as of December 2012 was 2,914 MW, which represents 19.8% of the country's installed capacity.

During 2012, the company served a monthly average of 778 frontiers in the unregulated market, which represented 14.5% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 3,037 GWh, equivalent to 15.3% of total national demand of this market.

The accumulated spot price for the market during 2012 has fluctuated around COP$114,23/KWh, 52% above the accumulated spot price in 2011. This is a result of dry conditions in the last months of 2012, especially in December, with the beginning of the dry season, in contrast with the rainy season present during the first half of the year. The cooling of the Pacific Ocean reduced the probabilities of the occurrence of El Niño Phenomena (strong dry season) by the end of 2012 from 55% by mid October to 5% by mid December. The rain levels during the fourth quarter of 2012 were below the general average (75% of the historical average). The rain conditions in the areas close to Betania, Gavio and the Bogota Basin were at 82%, 88% and 55% of the historical average, respectively.

In the following table we present a summary of the main operational results of 2012:

	2012	2011	Change (%)
Emgesa's Generation (GWh)	**13.294**	**12.090**	**+9.9%**
Hydro	12.692	11.620	+9.2%
Thermo	602	470	+28.1%
Emgesa's gross installed capacity (MW)	**2.914**	**2.914**	**0%**
Sales (GWh)	**16.304**	**15.112**	**+7,9%**
Contracts	11.719	10.544	+11.1%
Spot	4.585	4.568	+0.4%
Availability of Plants	**90,3%**	**88,7%**	**+1.6%**
Energy Purchases (GWh)	**3.153**	**3.164**	**-0.3%**

Investments for COP$646,6 billion (USD$366 million) in 2012

[6] Íbid.

Emgesa invested COP$646,6 billion (USD$366 million) as of December 2012 mainly in the construction of El Quimbo Hydroelectrical Plant. Likewise, Emgesa performed preventive maintenance in its hydro and thermo plants to guarantee the their reliability and availability. Total investment as of December 2012 was 123% above the executed level in 2011 as the advance in El Quimbo Project has driven investment up. In 2012 Emgesa invested COP$557,9 billion (USD$316 million) in El Quimbo project and around COP$88,6 billion (USD$50 million) in maintenance.

Assets for COP$9,1 trillion (USD$5,2 billion) and liabilities for COP$3,4 trillion (USD$1,9 billion)

As of December 2012, the Company's assets reached COP$8,1 trillion (USD$5,2 billion), out of which property, plant and equipments represented 60.5% totaling COP$5,5 trillion (USD$3,1 billion) and cash and temporary investments reached COP$785 billion (USD$444 million), about 8.6% of total assets.

Emgesa's total liabilities as of December 2012 were COP$3,4 billion (USD$1,9 billion) and the shareholders' equity reached COP$5,7 billion (USD$3,2 billion). Regarding the financial structure of the Company, total liabilities represented 37.4% of total assets and the shareholders' equity was 62.6% of total assets. Total financial debt was equivalent to 28.7% of total assets.

Financial Debt

As of December 2012, Emgesa's financial debt reached COP$2.7 trillion (USD$1,5 billion) (including accrued interests), showing a 21.6% reduction compared to the debt balance of December 2011, mainly as a result of the refinancing of a Club Deal with local banks in April 2012 and the issuance of the Fourth Tranche of the Local Bond Program for a total of COP$500 billion (USD$283 million) in December 2012.

In March 2012, Emgesa signed three loan agreements with BBVA Colombia, Bancolombia and AV Villas for a total of COP$305 billion (USD$172 million) to refinance the existing 2006 Club Deal with local banks for the equivalent amount with amortizations due in April and August 2012. The new credit has a 10 year maturity from the date of disbursement on April 10, 2012, equal semiannual principal amortizations starting on April 2015 and an interest rate of DTF TA + 3.75%.

By mid October 2012 Emgesa had used all the prefinancing resources for the investment in El Quimbo Project obtained with the issuance of the 144A / Reg S Global peso bond in 2011, and thus the Company financed the project's needs during the last quarter of the year with short-term intercompany loans from Codensa, while Emgesa identified the most appropriate market conditions to raise resources in the long-term. Hence, in December 2012 Emgesa issued bonds in the local capital market for COP$500 billion (USD$283 million) with 10 and 15 year maturities and rates of CPI + 3.52% and CPI + 3.64%, respectively. The transaction received a total demand above COP$1,3 trillion (USD$735 million), with an oversubscription of 3.8 times the amount initially offered (COP$350 billion or USD$198 million) which allowed Emgesa to place the total amount under the Fourth Tranche of the Bond Program. The resources of this issuance were used to repay the intercompany loan in place with Codensa, and to prefinance the estimated investment needs of El Quimbo project for the first half of 2013.

As of December 2012, 100% of Emgesa's financial debt was denominated in pesos including local bonds (60%), international bonds (28%) and long-term loans with local Banks (12%). About 55% of financial debt was indexed to CPI, 32% was in fixed rate and 13% was indexed to DTF. Due to the refinancing of amortizations and the issuance of local bonds in December 2012, the average life of the debt was extended from 6.05 years at the end of December 2011 to 7.11 years at the end of 2012.

As of December 2012, Emgesa had backed up about 80% of the estimated value of El Quimbo investment, considering the completed financing and the liquidity back up facilities structured for the project, demonstrating financial soundness and viability in economic terms to continue developing the project according to schedule.

The following table summarizes the conditions of Emgesa's financial debt as of December 31, 2012:

Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. life (years)	Rating
Local Bonds						
Third Bond Issuance (First Tranche)	A7 Series: IPC + 5.04%	IPC + 5.04% IPC + 2.40%	February 23, 2015	$ 210,000 $ 40,000	2.15	AAA (local)
Fourth Bond Issuance (First Tranche under Program)	B10 Series: IPC + 5.15%	IPC + 5.15%	February 20, 2017	$ 170,000	4.14	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1.47%	DTF TA + 1.47%	February 11, 2014	$ 49,440	1.12	AAA (local)
	B10 Series: IPC + 5.78%	IPC + 5.78%	February 11, 2019	$ 160,060	6.12	AAA (local)
	B15 Series: IPC + 6.09%	IPC + 6.09%	February 11,	$ 55,500	11.12	AAA (local)

Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. life (years)	Rating
			2024			
Sixth Bond Issuance (Third Tranche under Program)	E-5 Series: 9.27%	9.27%	July 2, 2014	$ 92,220	1.50	AAA (local)
	B-9 Series: IPC + 5.90%	IPC + 5.90%	July 2, 2018	$ 218,200	5.50	AAA (local)
	B-12 Series: IPC + 6.10%	IPC + 6.10%	July 2, 2021	$ 89,580	8.51	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-10 Series: IPC + 3.52%	IPC + 3.52%	Dec 13, 2022	$ 300,000	9.96	AAA (local)
	B-15 Series: IPC + 3.64%	IPC + 3.64%	Dec 13, 2027	$ 200,000	14.96	AAA (local)
			Local Bonds Total	**$ 1,585,500**	**6.92**	
International Bond						
144 A /Reg S	8.75%	8.75%	January 25, 2021	$ 736,760	8.07	BBB- (Intl.)
			International Bonds Total	**$ 736,760**		
Local Banks						
Bancolombia	DTF + 3.75%		April 10, 2022	$ 22,599	5.78	N/A
Bancolombia	DTF + 3.75%		April 10, 2022	$ 68,446	5.78	N/A
BBVA Colombia	DTF + 3.75%		April 10, 2022	$ 185,000	5.78	N/A
AV Villas	DTF + 3.75%		April 10, 2022	$ 28,955	5.78	N/A
			Local Banks Total	**$305,000**	**5.78**	
			Emgesa Total	**$ 2,626,760**	7.11	

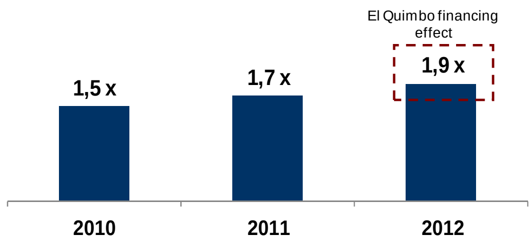
In the first half of 2012 Standard and Poor´s affirmed Emgesa's BBB- international risk rating (outlook stable) and Fitch Ratings affirmed Emgesa's foreign and local currency issuer default rating (IDR) at BBB- revising the outlook to positive from stable.

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

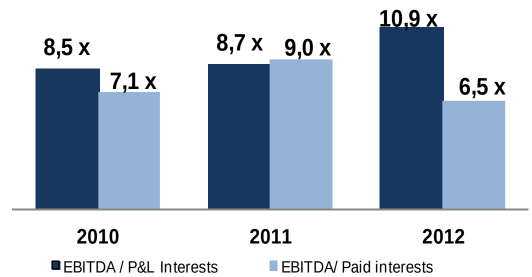
Financial Ratios

The following graphs present Emgesa's key credit metrics as of December 31, 2012:

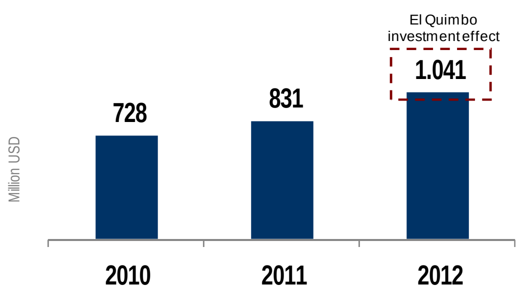
Debt[7] / EBITDA



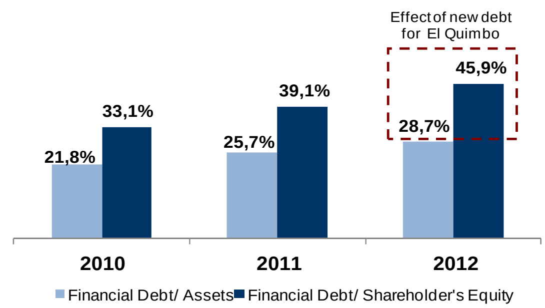
EBITDA / Interest Expense[8]



Net Financial Debt



Leverage



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