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

November 8th , 2012

Executive Summary

- ***Emgesa's EBITDA[2] grew 12.2% in the first nine months of 2012 compared to the same period of 2011, due to higher sales through contracts and 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 20.2% in the first nine months of 2012 as a result of better operational results and net financial expenditure due to a lower debt balance and higher interest rates to invest excess cash balances.***

- ***During the first nine months of 2012 Emgesa invested more than COP$355 billion, (USD$101 million) mainly in the construction of El Quimbo Hydroelectrical Plant and generated about 23% of the energy in the country.***

- ***Financial obligations, including accrued interests, reached COP$2,2 trillion (USD$1,2 billion), a 1.5% decrease with respect to existing obligations as of December 2011.***

Emgesa's net income reached COP$581,5 billion (USD$323 million) in the first nine months of 2012

Emgesa, a company of the Endesa Group in Colombia, recorded a net income of COP$581,5 billion (USD$323 million) during the first nine months of 2012, a 20.2% increase with respect to the same period of 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 debt balance and to higher interest rates to invest excess cash balances.

[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 September 30, 2012 COP$1,800.52).

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

The result for the company is a net margin of 36.7% over total operational revenues in the first nine months of the year.

Emgesa's EBITDA reached COP$1,04 trillion (USD$578 million) during the first nine months of 2012

Operating revenues totaled COP$1,4 trillion (USD$880 million), showing a 12.7% increase compared to the first nine months of 2011, due to a 11.4%% 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 higher generation of Emgesa's plants given that the rainy season has been stronger in the central and eastern regions of the country favoring the water reserves of Emgesa's largest generation plants (Guavio, Pagua and Betania) increasing their dispatch capacity under a scenario of higher prices. Emgesa's own generation has been enough to serve sales through contracts and has offered an opportunity to focus our commercial strategy in the spot market increasing our margin as spot prices have picked up in the third quarter of 2012.

During the first nine months of 2012 Emgesa sold 12,305 GWh, out of which 71% corresponded to sales through contracts to clients in the wholesale and unregulated markets and the remaining 29% to sales in the spot market and through the AGC[3] mechanism.

The cost of sales during the first nine months of the year totaled COP$630,7 billion (USD$350 million) representing an 11.5% increase compared to the result from last year. The increase in the cost of sales was due to a higher cost of fuel oil as a result of increasing thermo generation 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 3.8% growth compared to the first nine months of 2011, reaching a total of COP$22 billion (USD$12 million).

As a result, Emgesa's EBITDA between January and September 2012 totaled COP$1,04 trillion (USD$578 million), showing a 12.2% increase with respect to the first nine months of 2011. Likewise, operational income increase by 13.7% in the same period, reaching a

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.

total of COP$931 billion (USD$517 million) in the first nine months of 2012.

Net financial expenditure reached COP$95 billion (USD$53 million)

Net financial expenditure in the first nine months of 2012 had a decrease of COP$$12,3 billion (USD$6,8 million) compared to the same period in 2011, a 11.4% variation in the period. Financial expenditure was reduced in 8.6% reaching COP$102,9 billion (USD$57 million), as a result of a lower average debt balance during 2012 compared to the past year, after the company paid at the end of 2011 a total of COP$310 billion (USD$174 million) in bonds and commercial paper maturities in the local market with cash on hand.

Moreover, financial revenues increased by COP$2,5 billion (USD$1,4 million) as a result of the upward trend in the DTF during the second half of 2012 as a reaction to the signals from the Central Bank to maintain the current levels or reduce only an additional 25 pbs in the reference interest rate in the second half of the year.

Emgesa's generation reached 10,248 GWh in the first nine months of 2012

During the first nine months of 2012 Emgesa generated 10,248 GWh, through its 12 generation plants in the country, with 96.2% of the total generation coming from hydro plants and 3.8% from thermo plants, as a result of high hydrology in the first half of the year, specially 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 73% from hydro sources, 21% from thermo sources, 5% from minor plants and 1% from cogeneration from the National Interconnected System ("NIS")[4].

Emgesa's generation represented 23% of national generation during the first nine months of the year which totaled 44,723 GWh[5].

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

During the first nine months of 2012, the company served a monthly average of 777 frontiers in the unregulated market, which

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[4] Supply and Demand Report. September 2012. XM Compañía de Expertos en Mercado S.A. E.S..P.- XM. www.xm.com.co

[5] Íbid.

represented 15% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 2,267 GWh.

The availability of Emgesa's generation plants between January and September 2012 was 90.31%, up from an 88.05% availability level in the same period of 2011.

The accumulated spot price for the market during the nine months of 2012 has fluctuated around COP$92,01/KWh, 16.4% below the accumulated spot price in the same period of 2011. This is a result of a transition between a Niña phenomena (rainy season) with a more neutral hydrological condition in the second quarter of 2012 to drier climate conditions in the third quarter of 2012, specifically in the regions of Antioquia, Caribe and Valle as a result of El Niño (dry season) conditions in the Pacific Ocean causing lower rain levels in September 2012 for 3.341 GWh (69.91% of the historical average) compared to the same month of 2011 (1.298 GWh) [6].

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

	Sept. 2012	Sept. 2011	Change (%)
Emgesa's Generation (GWh)	**10,248**	**8,616**	**18.9%**
Hydro	9,863	8,295	18.9%
Thermo	385	321	19.9%
Emgesa's gross installed capacity (MW)	**2,914**	**2,914**	**0%**
Sales (GWh)	**12,305**	**11,041**	**11,4%**
Contracts	8,784	7,836	12.1%
Spot	3,521	3,205	9.9%
Availability of Plants	**90.31%**	**88.05%**	**2.3%**
Energy Purchases (GWh)	**2,156**	**2,525**	**-14.6%**

Investments for COP$355 billion (USD$197 million) in the first nine months of 2012

Emgesa has invested COP$354,9 billion (USD$197 million) as of September 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

[6] Íbid.

reliability and availability. Total investment as of September 2012 was 97.5% above the executed level between January and September 2011 as the advance in El Quimbo Project has driven investment up. As of September 2012 Emgesa had invested COP$318 billion (USD$177 million) in El Quimbo project and around COP$37 billion (USD$20,5 million) in maintenance.

Financial Debt

As of September 2012, Emgesa's financial debt reached COP$2.2 trillion (USD$1,2 billion) (including accrued interests), showing a 1.5% reduction compared to the debt balance of December 2011, mainly as a result of lower due interest payments, as a result of the annual interest payment of the global peso bond in January 2012.

As of September 2012, 100% of Emgesa`s financial debt was denominated in pesos including local bonds (51%), international bonds (35%) and long-term loans with local Banks (14%). About 44% of financial debt was indexed to CPI, 39% was in fixed rate and 17% was indexed to DTF. Average cost of Emgesa's debt at the closing of September 2012, was 8.86% with an average life of 6.23 years.

The following table summarizes the conditions of Emgesa's financial debt as of September 30, 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%	February 23, 2015	$ 210,000	2.40	AAA (local)
		IPC + 2.40%		$ 40,000		
Fourth Bond Issuance (First Tranche under Program)	B10 Series: IPC + 5,15%	IPC + 5.15%	February 20, 2017	$ 170,000	4.39	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1,47%	DTF TA + 1.47%	February 11, 2014	$ 49,440	1.37	AAA (local)
	B10 Series: IPC + 5,78%	IPC + 5.78%	February 11, 2019	$ 160,060	6.37	AAA (local)
	B15 Series: IPC + 6,09%	IPC + 6.09%	February 11, 2024	$ 55,500	11.37	AAA (local)
Sixth Bond Issuance (Third Tranche under Program)	E-5 Series: 9,27%	9.27%	July 2, 2014	$ 92,220	1.75	AAA (local)
	B-9 Series: IPC + 5,90%	IPC + 5.90%	July 2, 2018	$ 218,200	5.76	AAA (local)
	B-12 Series: IPC + 6,10%	IPC + 6.10%	July 2, 2021	$ 89,580	8.76	AAA (local)
		Local Bonds Total		**$ 1,085,500**	**4.86**	
International Bond						
144 A /Reg S	8.75%	8.75%	January 25, 2021	$ 737,760	8.33	BBB- (Intl.)
		International Bonds Total		**$ 1,821,760**		

Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. life (years)	Rating
Local Banks						
Bancolombia	DTF + 3.75%		April 10, 2022	$ 22,599	6.03	N/A
Bancolombia	DTF + 3.75%		April 10, 2022	$ 68,446	6.03	N/A
BBVA Colombia	DTF + 3.75%		April 10, 2022	$ 185,000	6.03	N/A
AV Villas	DTF + 3.75%		April 10, 2022	$ 28,955	6.03	N/A
		Local Banks Total		**$305,000**	**6.03**	
		Emgesa Total		**$ 2,126,760**	6.23	

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 May 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).

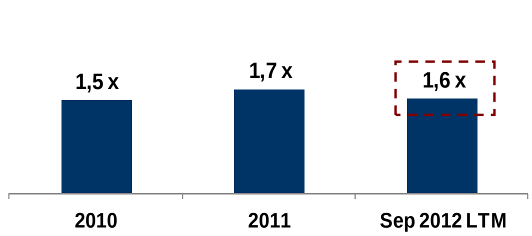
Financial Ratios

As of September 30, 2012, the Company's assets reached COP$8,5 trillion (USD$4,7 billion), out of which property, plant and equipments represented 61.8% totaling COP$5,3 trillion (USD$2,9 billion) and cash and temporary investments reached COP$234 billion (USD$130 million), about 2.7% of total assets.

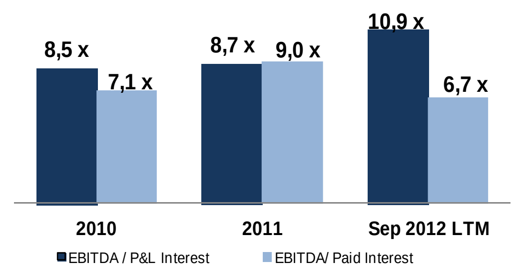
Emgesa's total liabilities as of September 30, 2012 were COP$3,2 billion (USD$1,8 billion) and the shareholders' equity reached COP$5,3 billion (USD$3 billion). Regarding the financial structure of the Company, total liabilities represented 37.3% of total assets and the shareholders' equity was 62.7% of total assets. Total financial debt was equivalent to 24.9% of total assets.

The following graphs present Emgesa's key credit metrics as of September 30, 2012:

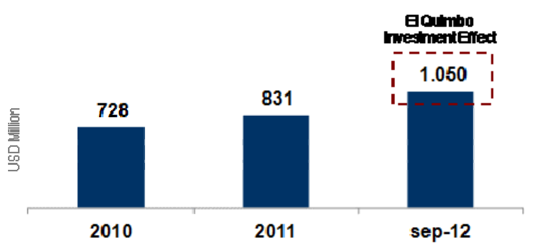
Debt[7] /EBITDA



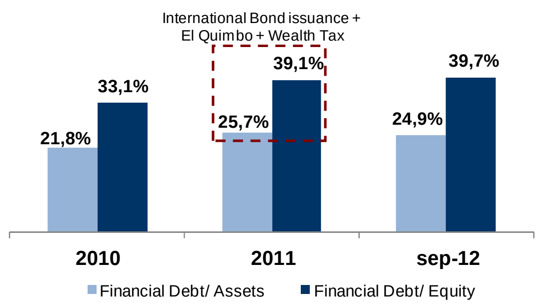
EBITDA/ Interest Expense[8]



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.