Operational and Financial Results Report – Emgesa S.A. E.S.P
First Half 2013

August 13, 2013

Executive Summary

- ***Emgesa's EBITDA[1] grew by 16.7% in the first six months of 2013 due to the continuity of a large intermediation activity in the spot market taking advantage of higher prices resulting from the dry season.***
- ***Emgesa's net income increased by 20.7% in the first half of 2013 as a result of better operational results, due to higher excess liquidity and a decrease in financial expenditure due to lower interest rates.***
- ***During the first half of 2013 Emgesa invested more than COP$251,1 billion (USD$130 million) mainly in the construction of El Quimbo Hydroelectrical Plant and the Salaco repowering and generated about 20.9% of the energy in the country.***
- ***Financial obligations, including accrued interests, reached COP$2,7 trillion (USD$1,5 billion), a 1.6% decrease with respect to existing obligations in December 2012, mainly due to the annual interest payment in January 2013 of the global peso bond issued by Emgesa in 2011.***

Emgesa's net income reached COP$421,8 billion (USD$219 million) in the first half of 2013

Emgesa recorded a net income of COP$421,8 billion (USD$219 million) during the first six months of 2013, a 20.7% increase with respect to the same period of 2012. The main factors explaining this result include, a higher volume of sales in the spot market at higher prices, the sales through the secondary frequency regulation mechanism (AGC)[2] and a 24% decrease in the financial expenditure due to a downward trend in the CPI and DTF, indexes at which 68% of Emgesa's debt is linked to.

The result for the company is a net margin of 35.6% over total operational revenues in the first half of the year.

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

[2] 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.

Emgesa's EBITDA reached COP$744.5 billion (USD$386 million) during the first six months of 2013

Operating revenues totaled COP$1,2 trillion (USD$614 million), showing a 19.6% increase compared to the first half of 2012, due to a 3.2% increase in the volume of energy sales, especially in the spot market. The increase in the volume of energy sales is the result of a commercial strategy focused in optimizing the water reserves to increase the commercialization in the spot market to profit from higher prices that resulted from low hydrology during the first half of the year.

During the first six months of 2013 Emgesa sold 7,955 GWh, out of which 69.1% corresponded to sales through contracts to clients in the wholesale and unregulated markets and the remaining 30.9% to sales in the spot market and through the AGC[3] mechanism.

The cost of sales during the first half of the year totaled COP$502,9 billion (USD$261 million) representing a 21.1% increase compared to the result from the same period last year. This was mainly due to higher fuel costs in the first half of 2013, as a result of higher thermal generation during the period and higher energy purchases in the spot market at higher prices as a result of intermediation in the spot market.

Administrative expenses had a 10,8% reduction compared to the first half of 2012, reaching a total of COP$12,6 billion (USD$7 million).

Operational income increased by 19.3%, reaching a total of COP$669,1 billion (USD$347 million) in the first half of 2013. As a result of the increase in the operational income, Emgesa's EBITDA had a 16.7% increase between January and June 2013, totaling COP$744,5 billion (USD$386 million).

Net financial expenditure reached COP$48,9 billion (USD$25 million)

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.

Net financial expenditure in the first half of 2013 had a decrease of COP$13,3 billion (USD$7 million) compared to the same period in 2012, a 21.4% variation in the period. Financial expenditure was reduced in 14.3% reaching COP$57,8 billion (USD$30 million),as a result of the easing in the monetary policy of the Central Bank since December 2012 cutting the reference interest rate and to a lower inflation rate, at which 55% of Emgesa's debt is indexed.

Moreover, financial revenues increased by COP$3,7 billion (USD$2 million) as a result of higher cash balances in the period compared to the first six months of 2012, after the issuance of the Fourth Tranche of the Local Bond Program for a total of COP$500 billion (USD$273million) in December 2012.

Emgesa's generation reached 6,397 GWh in the first six months of 2013

During the first six months of 2013 Emgesa generated 6,397 GWh, through its 12 generation plants in the country, with 91% of the total generation coming from hydro plants and 9% from thermal plants, showing an increase in the share of thermo generation due to low hydrology during the first half of 2013. The power generation mix of the country for the same period was 68% hydro sources, 26% thermal sources, 5.6% from minor plants and 0.5% from cogeneration.

Emgesa's generation represented 20.8% of national generation during the first half of the year which totaled 30,734 GWh, a 4.7% increase as compared to the first six months of 2012.

Gross installed capacity for Emgesa as of June 2013 was 2,914 MW and net installed capacity was 2,883 MW, which represented 19.5% of the country's installed capacity.

During the first six months of 2013, the company served a monthly average of 763 frontiers in the unregulated market, which represented 13.7% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 1,526 GWh, equivalent to 15.3% of the national demand in this market.

The availability of Emgesa's generation plants between January and June 2013 was 90.4%, up from an 88.3% availability level in the same period of 2012.

Average spot price for the market during the first half of 2013 was at COP$169.6/KWh, doubling the average spot price from the same period of 2012. This is a result of rain levels within the system below the general average (89% of historical average). Rain levels for the Betania and Guavio reservoirs were at 74% and 95% of the historical average, respectively. The regulated rain levels of the Bogota River Basin were at 106% of the historical average.

During the first half of 2013, weather conditions were neutral in the region. The temperatures in the eastern Pacific basin were below the historical average, indicating negative temperature anomalies during the period analyzed. Given the above, the predictions made by international agencies reported probabilities of occurrence of El Niño phenomena (dry season) below 2% in June 2013. Therefore, the expectation is that neutral conditions will remain during the third quarter of 2013.

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

	June 2013	June 2012	(%) change
Emgesa's Generation (GWh)	**6,397**	**6,396**	**0,0%**
Hydro	5,845	6,188	-5.5%
Thermo	552	208	+165.4%
Emgesa's gross installed capacity (MW)	**2,914**	**2,914**	**0,0%**
Sales (GWh)	**7,965**	**7,719**	**+3.2%**
Contracts	5,504	5,654	-2.7%
Spot	5,461	2,065	+19.2%
Availability of Plants	**90.4%**	**88.3%**	**+2.1%**
Energy Purchases (GWh)	**1,654**	**1,386**	**+19.4%**

Investments for COP$251,1 billion (USD$130 million) in the first six months of 2013

Emgesa has invested COP$251,1 billion (USD$130 million) as of June 2013 mainly in the construction of El Quimbo Hydroelectric Power Plant and the repowering of old minor plants in the Salaco chain. Likewise, Emgesa performed preventive maintenance to its hydro and thermal plants to guarantee their reliability and availability. Total investment as of June 2013 was 38.9% above the executed level between January and June 2012, as the advance in El Quimbo Project has driven investment up. As of June 2013 Emgesa had invested COP$224,3 billion (USD$116 million) billion in El Quimbo project, COP$13,0 billion (USD$6.7 million) in the repowering of the Salaco

Chain and COP$13,8 billion (USD$7.1 million) in preventive maintenance.

Balance Sheet Structure

As of June 2013, the Company's assets reached COP$9,3 trillion (USD$4.8 billion), out of which property, plant and equipments represented 61.6% totaling COP$5,7 trillion (USD$3 billion) and cash and temporary investments reached COP$441,3 billion (USD$229 million), about 7.3% of total assets.

Emgesa's total liabilities as of June 2013 were COP$3.9 trillion (USD$2 billion) and the shareholders' equity reached COP$5,4 trillion (USD$2,8 billion). Regarding the financial structure of the Company, total liabilities represented 42.2% of total assets and the shareholders' equity was 57.8% of total assets. Total financial debt was equivalent to 29.0% of total assets.

During the first half of 2013, Emgesa paid dividends corresponding to the last portion of the 2011 net income for a total of COP$165 billion (USD$90 million) and the first portion of the net income of the 2012 for COP$154 billion (USD$ 80 million).

Financial Debt

As of June 2013, Emgesa's financial debt reached COP$2.7 trillion (USD$1,4 billion) (including accrued interests), showing a 1.6% reduction compared to the debt balance of December 2012, mainly as a result of the annual interest payment of the global peso bond in January 2013.

As of June 2013, Emgesa's total 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. Average life of Emgesa's debt was 6.6 years by the end of June 2013.

The following table summarizes the conditions of Emgesa's financial debt as of June 30, 2013:

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	1.7	AAA (local)

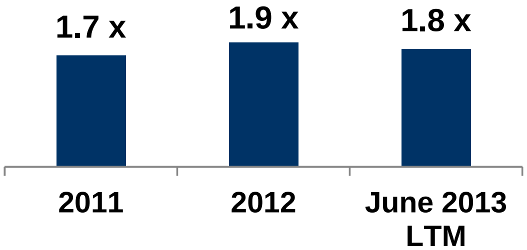
Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. Life (years)	Rating
Fourth Bond Issuance (First Tranche Under Program)	B10 Series: IPC + 5.15%	IPC + 5.15%	February 20, 2017	$ 170,000	3.9	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1.47%	DTF TA + 1.47%	February 11, 2014	$ 49,440	0.6	AAA (local)
	B10 Series: IPC + 5.78%	IPC + 5.78%	February 11, 2019	$ 160,060	5.9	AAA (local)
	B15 Series: IPC + 6.09%	IPC + 6.09%	February 11, 2024	$ 55,500	10.6	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	E-5 Series: 9.27%	9.27%	July 2, 2014	$ 92,220	1.0	AAA (local)
	B-9 Series: IPC + 5.90%	IPC + 5.90%	July 2, 2018	$ 218,200	5.0	AAA (local)
	B-12 Series: IPC + 6.10%	IPC + 6.10%	July 2, 2021	$ 89,580	8.0	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-10 Series: IPC + 3.52%	IPC + 3.52%	Dec.13, 2022	$300,000	9.5	AAA (local)
	B-15 Series: IPC + 3.64%	IPC + 3.64%	Dec.13, 2027	$200,000	14.5	AAA (local)
		Local Bonds Total		**$ 1,585,500**	**6.7**	
International Bond						
144 A /Reg S	8.75%	8.75%	January 25, 2021	$ 736,760	7.8	BBB (Intl.)
		International Bonds Total		**$ 736,760**		
Local Banks						
Bancolombia	DTF + 3.75%		April 10, 2022	$ 22,599	5.3	N/A
Bancolombia	DTF + 3.75%		April 10, 2022	$ 68,446	5,3	N/A
BBVA Colombia	DTF + 3.75%		April 10, 2022	$ 185,000	5,3	N/A
AV Villas	DTF + 3.75%		April 10, 2022	$ 28,955	5,3	N/A
		Local Banks Total		**$305,000**	**5.3**	
		Emgesa Total		**$ 2,626,760**	**6.6**	

During the first half of 2013, the rating agencies Fitch Ratings and Standard & Poor's raised EMGESA's international rating, as issuer of long-term corporate debt in local and foreign currency from BBB- to BBB, with a stable perspective. The two agencies highlighted the company's solid financial performance, its satisfactory profile regarding commercial and financial risks, and the significant progress achieved in the El Quimbo project's construction, including the positive cash flow generation associated to its entry into service in 2015.

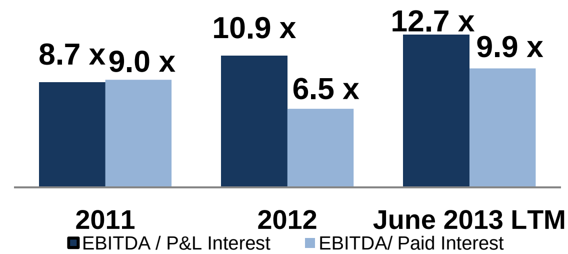
Financial Ratios

The following graphs present Emgesa's key credit metrics as of June 20, 2013:

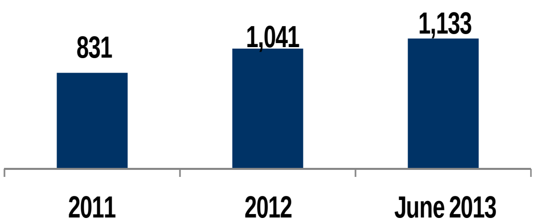
Debt[4] /EBITDA



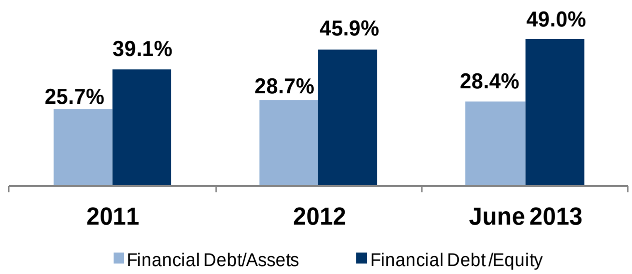
EBITDA / Interest Expenditure[5]



Net Financial Debt (USD million)



Leverage



For additional information, please contact our Investor Relations Team (IR):

Emgesa's Investor Relations Office
e-mail: inversionistas@emgesa.com.co; rinversionistas@codensa.com.co
Website: www.emgesa.com.co

Aurelio Bustilho de Oliveira
e-mail: abustilho@endesacolombia.com.co
Tel: +57 1 601 5411

Juan Manuel Pardo Gómez
e-mail: jmpardog@endesacolombia.com.co
Tel: +57 1 601 5411

Carolina Bermúdez Rueda
e-mail: cbermudez@endesacolombia.com.co
Tel: + 57 1 601 5751

María Patricia Moreno Moyano
e-mail: mmorenom@endesacolombia.com.co
Tel: +57 1 601 6060 ext: 3502

[4] Includes only the principal balance of the financial debt of the company.
[5] Financial expenditure associated to El Quimbo financing is being activated during the construction period of the project and will be reflected in the Company's P&L once the project starts its commercial operations. This is the reason for presenting two different calculations for the EBITDA/ Interest Expenditure.