



## Operational and Financial Results Report - Emgesa S.A. E.S.P. First Quarter 2013<sup>1</sup>

May 6, 2013

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### Executive Summary

- *Emgesa's EBITDA<sup>2</sup> grew 10.6% in the first three months of 2013 due to an increase in the commercialization in the spot market taking advantage of the high prices resulting from the dry season.*
  - *Emgesa's net income increased by 11.5% in the first quarter of 2013 as a result of better operational results and a decrease in financial expenditure due to lower interest rates.*
  - *During the first quarter of 2013 Emgesa invested more than COP\$108,9 billion, (USD\$59 million) mainly in the construction of El Quimbo Hydroelectrical Plant and the Salaco repowering and generated about 20.2% of the energy in the country.*
  - *Financial obligations, including accrued interests, reached COP\$2,7 trillion (USD\$1,5 billion), a 2.2% 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.*
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### **Emgesa's net income reached COP\$196,1 billion (USD\$196 million) in the first half of 2012**

Emgesa recorded a net income of COP\$196,1 billion (USD\$107 million) during the first three months of 2013, an 11.5% 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 given the traditional dry season that extends during the first three months of the year, and to a decrease in the financial expenditure due to lower interest rates as 68% of Emgesa's debt is linked to CPI and DTF, which have been constantly decreasing.

The result for the company is a net margin of 33.8% over total operational revenues in the first quarter of the year.

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<sup>1</sup> 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 March 31, 2012 COP\$1,832.20).

<sup>2</sup> EBITDA is calculated adding back the depreciation and amortization (included in the cost of sales and administrative expenses) to the operating income.



**Emgesa's EBITDA reached COP\$349.1 billion (USD\$191 million) during the first three months of 2013**

Operating revenues totaled COP\$580,2 billion (USD\$317 million), showing a 16.8% increase compared to the first quarter of 2012, due to a 2.6%% increase in the physical 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 increasing the commercialization in the spot market profiting from higher prices that resulted from low hydrology during the first three months of the year.

During the first quarter of 2013 Emgesa sold 3,833 GWh, out of which 68% corresponded to sales through contracts to clients in the wholesale and unregulated markets and the remaining 32% to sales in the spot market and through the AGC<sup>3</sup> mechanism.

The cost of sales during the first quarter of the year totaled COP\$246,5 billion (USD\$144 million) representing an 25.9% increase compared to the result from last year. The increase in the cost of sales was due to a higher cost of fuel during the first quarter of the year as a result of increasing thermo generation in the Cartagena plant using higher amounts of fuel oil and in the Termozipa plant using more coal, as they resulted dispatched during the period due to the high prices in the spot market, as well as to higher energy purchases resulting from the intermediation in the spot market.

Administrative expenses had a 5.8% reduction compared to the first quarter of 2012, reaching a total of COP\$6 billion (USD\$3 million).

Operational income increase by 10.5%, reaching a total of COP\$310 billion (USD\$169 million) in the first quarter of 2013. As a result of the increase in the operational income, Emgesa's EBITDA had a 10.6% increase between January and March 2013, totaling COP\$349 billion (USD\$191 million).

**Net financial expenditure reached COP\$4 billion (USD\$2 million)**

Net financial expenditure in the first quarter of 2013 had a decrease of COP\$25,4 billion (USD\$14 million) compared to the same period

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<sup>3</sup> 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.



in 2012, a 85.1% variation in the period. Financial expenditure was reduced in 14.3% reaching COP\$28,2 billion (USD\$15 million), as a result of the easing in the monetary policy of the Central Bank since December 2012 cutting the reference interest rate by 125 basis points, and a lower inflation rate, at which 55% of the interest payments are indexed.

Moreover, financial revenues increased by COP\$1,3 billion (USD\$0,7 million) as a result of higher cash balances in the period compared to the first three 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 3,035 GWh in the first three months of 2013**

During the first three months of 2013 Emgesa generated 3,035 GWh, through its 12 generation plants in the country, with 89% of the total generation coming from hydro plants and 11% from thermo plants, showing an increase in the share of thermo generation due to low hydrology during the first quarter of 2013, specially in Betania and Guavio. Colombia's generation mix for the same period was 66% from hydro sources, 29% from thermo sources, 4% from minor plants and 1% from cogeneration.<sup>4</sup>

Emgesa's generation represented 20.2% of national generation during the first quarter of the year which totaled 15,051 GWh, a 3.4% increase as compared to the first three months of 2012.

Gross installed capacity for Emgesa as of March 2013 was 2,914 MW, which represents 19.5% of the country's installed capacity.

During the first three months of 2013, the company served a monthly average of 758 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 729 GWh, equivalent to 15% of the national demand in this market.

The availability of Emgesa's generation plants between January and March 2013 was 89.1%, up from an 85.3% availability level in the same period of 2012.

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<sup>4</sup> Source: XM. Supply and Demand Monthly Reports 2013. XM Compañía de Expertos en Mercado S.A. E.S.-P.- XM. [www.xm.com.co](http://www.xm.com.co) . Emgesa's calculations for quarterly results.



Average spot price for the market during the first quarter of 2013 was at COP\$168.3/KWh, doubling the average spot price from the same period in 2012. This is a result of rain levels within the system below the general average (91% of historical average). Rain levels for the Betania and Guavio reservoirs were at 88% and 99% of the historical average, respectively. The regulated rain levels of the Bogota River Basin were at 121% of the historical average.

During the first quarter of 2013, weather conditions were neutral in the region. However, by the end of March abnormal temperature conditions had values close to the long-term average and the probabilities of El Niño phenomena (dry season) remained low. According to weather models neutral conditions will remain in place for the second quarter of 2013.

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

	March 2013	March 2012	(%) Change
<b>Emgesa's Generation (GWh)</b>	<b>3.035</b>	<b>3.073</b>	<b>-1.2%</b>
Hydro	2.716	2.945	-7,8%
Thermo	319	128	+149,2%
<b>Emgesa's gross installed capacity (MW)</b>	<b>2.914</b>	<b>2.914</b>	<b>0%</b>
<b>Sales (GWh)</b>	<b>3.833</b>	<b>3.737</b>	<b>+2,6%</b>
Contracts	2.622	2.720	-3,6%
Spot	1.211	1.017	+19,1%
<b>Availability of Plants</b>	<b>89,1%</b>	<b>85,3%</b>	<b>+3,8%</b>
<b>Energy Purchases (GWh)</b>	<b>843</b>	<b>700</b>	<b>+20,4%</b>

### **Investments for COP\$108,9 billion (USD\$59 million) in the first three months of 2013**

Emgesa has invested COP\$180,8 billion (USD\$101 million) as of March 2013 mainly in the construction of El Quimbo Hydroelectrical Plant and the repowering of the Salaco chain. Likewise, Emgesa performed preventive maintenance in its hydro and thermo plants to guarantee the their reliability and availability. Total investment as of March 2013 was 37.2% above the executed level between January and March 2012, as the advance in El Quimbo Project has driven investment up. As of March 2013 Emgesa had invested COP\$101,8 billion (USD\$59 million) in El Quimbo project, COP\$2,6 billion



(USD\$1,5 million) in the repowering of the Salaco chain and around COP\$4,4 billion (USD\$2,4 million) in maintenance.

### **Balance Sheet Structure**

As of March 2013, the Company's assets reached COP\$2,1 trillion (USD\$5 billion), out of which property, plant and equipments represented 61.2% totaling COP\$5,6 trillion (USD\$3 billion) and cash and temporary investments reached COP\$607,6 billion (USD\$332 million), about 29.2% of total assets.

Emgesa's total liabilities as of March 2013 were COP\$4 billion (USD\$2,2 billion) and the shareholders' equity reached COP\$5,1 billion (USD\$2,8 billion). Regarding the financial structure of the Company, total liabilities represented 43.9% of total assets and the shareholders' equity was 56.1% of total assets. Total financial debt was equivalent to 29.2% of total assets.

During the first quarter of 2013, Emgesa paid dividends corresponding to the last portion of the 2011 net income for a total of COP\$166 billion (USD\$91 million) and declared dividends for 100% of the 2012 net income, which will be paid in several installments between June 2013 and January 2014.

### **Financial Debt**

As of March 2013, Emgesa's financial debt reached COP\$2.7 trillion (USD\$1,5 billion) (including accrued interests), showing a 2.2% 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 March 2013, 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. Average life of Emgesa's debt was 6.9 years by the end of March 2013.

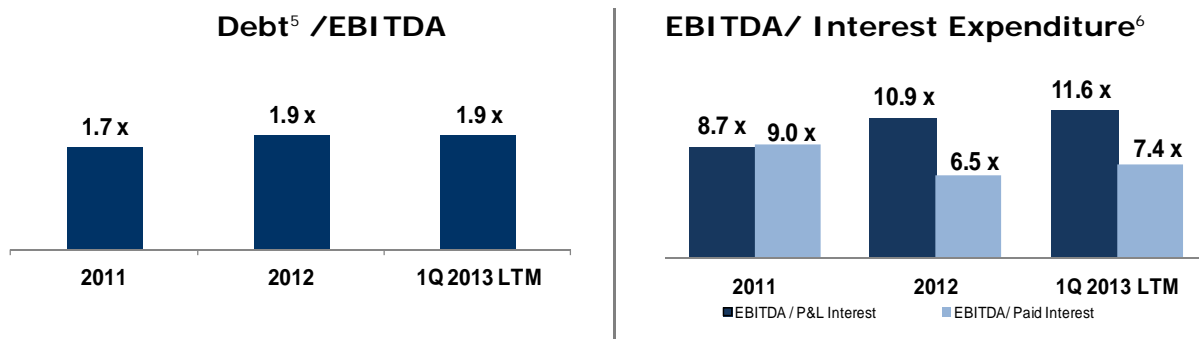
The following table summarizes the conditions of Emgesa's financial debt as of March 31, 2013:



Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. life (years)	Rating
<b>Local Bonds</b>						
Third Bond Issuance (First Tranche)	A7 Series: IPC + 5.04%	IPC + 5.04%	February 23, 2015	\$ 210,000	1,9	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	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	0,9	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	10,9	AAA (local)
Sixth Bond Issuance (Third Tranche under Program)	E-5 Series: 9.27%	9.27%	July 2, 2014	\$ 92,220	1,3	AAA (local)
	B-9 Series: IPC + 5.90%	IPC + 5.90%	July 2, 2018	\$ 218,200	5,3	AAA (local)
	B-12 Series: IPC + 6.10%	IPC + 6.10%	July 2, 2021	\$ 89,580	8,3	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-10 Series: IPC + 3.52%	IPC + 3.52%	Dec 13, 2022	\$ 300,000	9,7	AAA (local)
	B-15 Series: IPC + 3.64%	IPC + 3.64%	Dec 13, 2027	\$ 200,000	14,7	AAA (local)
<b>Local Bonds Total</b>				<b>\$ 1,585,500</b>	<b>6.7</b>	
<b>International Bond</b>						
144 A /Reg S	8.75%	8.75%	January 25, 2021	\$ 736,760	7.8	BBB- (Intl.)
<b>International Bonds Total</b>				<b>\$ 736,760</b>		
<b>Local Banks</b>						
Bancolombia	DTF + 3.75%		April 10, 2022	\$ 22,599	5,5	N/A
Bancolombia	DTF + 3.75%		April 10, 2022	\$ 68,446	5,5	N/A
BBVA Colombia	DTF + 3.75%		April 10, 2022	\$ 185,000	5,5	N/A
AV Villas	DTF + 3.75%		April 10, 2022	\$ 28,955	5,5	N/A
<b>Local Banks Total</b>				<b>\$305,000</b>	<b>5.5</b>	
<b>Emgesa Total</b>				<b>\$ 2,626,760</b>	<b>6.9</b>	

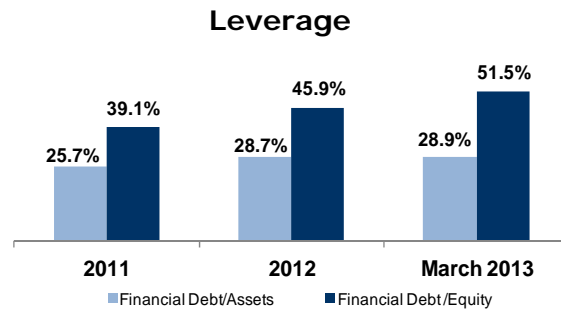
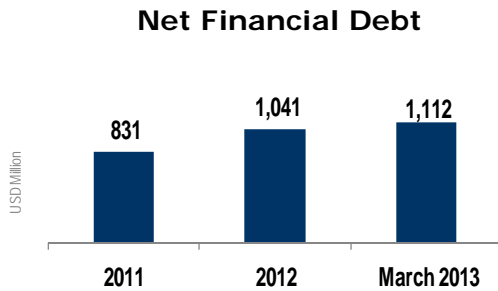
## Financial Ratios

The following graphs present Emgesa's key credit metrics as of March 31, 2013:



<sup>4</sup> Includes only the principal balance of the financial debt of the company.

<sup>6</sup> 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.



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

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