Operational and Financial Results Report – Emgesa S.A. E.S.P First Half 2014[1]

July 31, 2014

Executive Summary

Emgesa's EBITDA[2] grew by 11.5% in the first six months of 2014 due to an increase in operating revenues as a result of a higher energy sales price in the spot market.

- ***Emgesa's net income increased by 16.2% in the first half of 2014 as a result of better operational results.***

- ***During the first half of 2014 Emgesa invested more than COP$374,5 billion (USD$194 million) mainly in the construction of El Quimbo Hydroelectrical Plant and the Salaco repowering and generated about 19.5% of the energy in the country.***

- ***Financial obligations, including accrued interests, reached COP$3,8 trillion (USD$2 billion), a 14.9% increase with respect to existing obligations in December 2013, mainly due to the issuance of the Sixth Tranche of Emgesa´s Local Bond Program on May 16, 2014.***

During the first six months of 2014 Emgesa sold 7,398 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 mechanism.

Operating revenues totaled COP$1,3 trillion (USD$677 million), showing a 7.6% increase compared to the first half of 2013, due to higher energy prices of sales in the spot market, particularly in May as a response to the expectation of a strong dry season, known as "El Niño" phenomenon, during the second half of 2014.

The cost of sales during the first half of the year totaled COP$500,1 billion (USD$266 million) representing a 0.4% decrease compared to the result from the same period last year. This was mainly due to a lower thermal generation with fuel oil in favor of thermal generation with coal, resulting in an important reduction of costs.

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[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 June 30, 2014 COP$1,881,19).

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

Administrative expenses had a 24.7% increase compared to the first half of 2013, reaching a total of COP$15,7 billion (USD$8 million) as a result of the update on the tariffs of the insurance premiums and outsourced services in 2014.

Emgesa's EBITDA reached COP$830.4 billion (USD$441.4 million) during the first six months of 2014

Operational income increased by 13.2%, reaching a total of COP$757,7 billion (USD$403 million) in the first half of 2014. As a result of the increase in the operational income, Emgesa's EBITDA had an 11.5% increase between January and June 2014, totaling COP$830,4 billion (USD$441 million).

Net financial expenditure reached COP$52,6 billion (USD$28 million)

Net financial expenditure in the first half of 2014 had an increase of COP$3,7 billion (USD$2 million) compared to the same period in 2013, a 7.6% variation in the period. Financial expenditure increased by 9.7% reaching COP$63,4 billion (USD$34 million),as a result of higher average interest rates (IBR and CPI), and of a higher financial debt balance, due to the issuance of local bonds carried out in September, 2013 and May, 2014 to finance El Quimbo investments, prefund local bond maturities and serve working capital needs.

Moreover, financial revenues increased by COP$1,8 billion (USD$1 million) as a result of an 89.9% increase in cash balances in June 2014 compared to the same month of 2013, after the issuances of local bonds.

Emgesa's net income reached COP$489,9 billion (USD$260 million) in the first half of 2014

Emgesa recorded a net income of COP$489,9 billion (USD$260 million) during the first six months of 2014, a 16.2% increase with respect to the same period of 2013. The main factors explaining this result are higher revenues as a consequence of the increase in the energy sales price in the spot market and a reduction of generation costs due to lower generation with fuel oil as compared with the first half of 2014.

Net margin[3] was 37.7% over total operational revenues for the last twelve months.

[3] Net Margin = Net Income / Operating Revenues LTM.

Emgesa's generation reached 6,154 GWh in the first six months of 2014

During the first six months of 2014 Emgesa generated 6,154 GWh, through its 11 generation plants in the country, with 91% of the total generation coming from hydro plants and 9% from thermal plants, showing a small decrease in the share of hydro generation due to low hydrology during the first half of 2014 as compared to the historical average and to the preservation of water reserves to face the expected strong dry season by year end (El Niño Phenomenon). The power generation mix of the country for the first six months of 2014 was 63.5% hydro sources, 30.7% thermal sources, 5.1% from minor plants and 0.7% from cogeneration[4].

During the first half of the year, Emgesa's generation represented 19.5% of national generation, which totaled 31,540 GWh, a 2.6% increase as compared to the first six months of 2013.

Gross installed capacity for Emgesa as of June 2014 was 3,041 MW and net installed capacity was 2,994 MW, which represented 20.7% of the country's installed capacity.

During the first six months of 2014, the company served a monthly average of 811 frontiers in the unregulated market, which represented 13.5% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 1,629.2 GWh, equivalent to 15.8% of the national demand in this market.

The availability index of Emgesa's generation plants between January and June 2014 was 91.2%, up from an 90.4% availability index in the same period of 2013.

Average spot price for the market during the first half of 2014 was at COP$265/KWh (USD$XX / MWh), 57% above the average spot price of the first half of 2013. The rain levels within the system were below the general average (92.8% of historical average). Rain levels for the Betania and Guavio reservoirs were at 101.5% and 103.7% of the historical average, respectively. The regulated rain levels of the Bogota River Basin were at 105.7% of the historical average.

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[4] Source: Monthly Supply and Generation Reports (January- June 2014). XM Compañía de Expertos en Mercados S.A. E.S.P.- XM. www.xm.com.co. Emgesa's own calculations for accumulated figures..

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

	Jun-2014	Jun-2013	(%) change
Emgesa's Generation (GWh)	**6,154**	**6,397**	**-3.8%**
Hydro	5,593	5,845	-4.3%
Thermo	561	552	1.6%
Emgesa's gross installed capacity (MW)	**3,041**	**2,914**	**4.3%**
Sales (GWh)	**7,398**	**7,965**	**-7.1%**
Contracts	5,222	5,504	-5.1%
Spot	2,176	2,461	-11.6%
Availability of Plants	**91.2%**	**90.4%**	**0.8%**
Energy Purchases (GWh)	**1,343**	**1,654**	**-18.8%**

Investments for COP$374,5 billion (USD$194 million) in the first six months of 2014

Emgesa has invested COP$374,5 billion (USD$194 million) as of June 2014 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 2014 was 49.1% above the executed level between January and June 2013, as the advance in El Quimbo Project has driven investment up. As of June 2014 Emgesa had invested COP$339,2 billion (USD$180 million) billion in El Quimbo project, COP$17,9 billion (USD$10 million) in the repowering of the Salaco Chain and COP$17,4 billion (USD$9.2 million) in preventive maintenance.

Balance Sheet Structure

As of June 2014, the Company's assets reached COP$10,3 trillion (USD$5.4 billion), out of which property, plant and equipments represented 61.3% totaling COP$6,3 trillion (USD$3,3 billion) and cash and temporary investments reached COP$838,2 billion (USD$446 million), about 8.1% of total assets.

Emgesa's total liabilities as of June 2014 were COP$4.8 trillion (USD$2,6 billion) and the shareholders' equity reached COP$5,4 trillion (USD$2,8 billion). Regarding the financial structure of the Company, total liabilities represented 47.4% of total assets and the shareholders' equity was 52.6% of total assets. Total financial debt, including accrued interests, was equivalent to 36.2% of total assets.

As for dividend payments, in January Emgesa paid the final installment of dividends corresponding to the net income from 2012, in the amount of COP$195,9 billion (USD$104 million). Afterwards, on June 25, 2014 the Company paid dividends for a total 37.8% of the 2013 net income for an amount of COP$329 billion (USD$175 million)

Financial Debt

As of June 2014, Emgesa's financial debt reached COP$3.8 trillion (USD$2 billion), including accrued interests, showing a 14.9% increase compared to the debt balance of December 2013, mainly as a result of the issuance of the Sixth Tranche of bonds under the Local Bond Program for COP$590 billion (USD$314 million). The issuance was placed in three series: COP$241 billion (USD$128 million) in a 6 year tenor and a coupon of CPI + 3.42%, COP$186 billion (USD$99 million) in a 10 year tenor and a coupon of CPI + 3.83% and COP$162 billion (USD$86 million) in a 16 year bond and a coupon of CPI + 4.15%. The transaction was 2.6 times oversubscribed. The funds raised with this transaction were used to fund part of El Quimbo's 2014 investments, prefund a local bond maturity in July and fund part of the working capital needs of 2014

As of June 2014, Emgesa's total financial debt was denominated in pesos including local bonds (72%), international bonds (20%) and long-term loans with local Banks (8%). About 70% of financial debt was indexed to CPI, 22% was in fixed rate and 8% was indexed to IBR. Average life of Emgesa's debt was 7.03 years by the end of June 2014.

The following table summarizes the conditions of Emgesa's financial debt as of June 30, 2014:

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	0,65	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	2,65	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1.47%	IPC + 5,78%	February 11, 2014	$ 160.060	4,62	AAA (local)
	B10 Series: IPC + 5.78%	IPC + 6,09%	February 11, 2019	$ 55.500	9,62	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	B15 Series: IPC + 6.09%	9,27%	February 11, 2024	$ 92.220	0,01	AAA (local)
	E-5 Series: 9.27%	IPC + 5,90%	July 2, 2014	$ 218.200	4,01	AAA (local)
	B-9 Series: IPC + 5.90%	IPC + 6,10%	July 2, 2018	$ 89.580	7,01	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-12 Series: IPC + 6.10%	IPC + 3,52%	July 2, 2021	$300.000	8,46	AAA (local)
	B-10 Series: IPC + 3.52%	IPC + 3,64%	Dec.13, 2022	$200.000	13,46	AAA (local)
Eighth Bond Issuance (Fifth Tranche under Program)	B-15 Series: IPC + 3.64%	IPC + 4,25%	Dec.13, 2027	$201.970	5,20	AAA (local)
	B-6 Series: IPC + 4.25%	IPC + 5,00%	Sept. 11, 2019	$363.030	11,20	AAA (local)

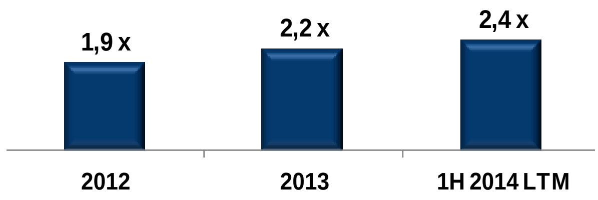
Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. Life (years)	Rating
Ninth Bond Issuance (Sixth Tranche under Program)	B-6 Series: IPC +3.42%	IPC +3.42%	May 16, 2020	$241.070	5.88	AAA (local)
	B-10 Series: IPC + 3.83%	IPC + 3.83%	May 16, 2024	$ 186.430	9.88	AAA (local)
	B-16 Series: IPC + 4.15%	IPC + 4.15%	May 16, 2030	$ 162.500	15.88	AAA (local)
		Local Bond Total		**$ 2.690.560**	**7.28**	
International Bond						
144 A /Reg S	8,75%	8,75%	January 25, 2021	$ 736.760	6,58	BBB / BBB (Intl.)
		International Bonds Total		**$ 736.760**		
Local Banks						
BBVA Colombia	IBR + 3,55% M.V.		Dec. 19, 2023	$ 225.000	5.97	N/A
Corpbanca	IBR + 3,7% T. A.		Dec. 19, 2023	$ 80.000	5.97	N/A
		Local Banks Total		**$305.000**	**5.97**	
		Emgesa Total		**$ 3.732.320**	**7.03**	

During the first half of 2014 the local and international credit ratings of Emgesa were ratified. Fitch Ratings Colombia confirmed the AAA (col) local long term credit rating for the Local Third Bond Issuance and the Local Bond Program of Emgesa in May 2014. Similarly, Fitch Ratings and S&P confirmed Emgesa's BBB long-term issuer credit rating and foreign currency rating with a stable outlook.

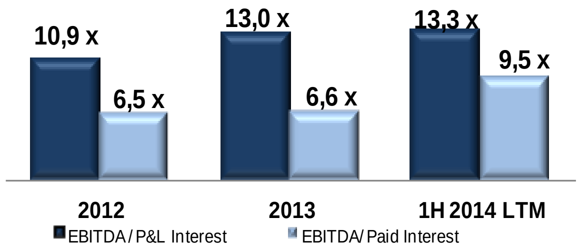
Financial Ratios

The following graphs present Emgesa's key credit metrics as of June , 2014:

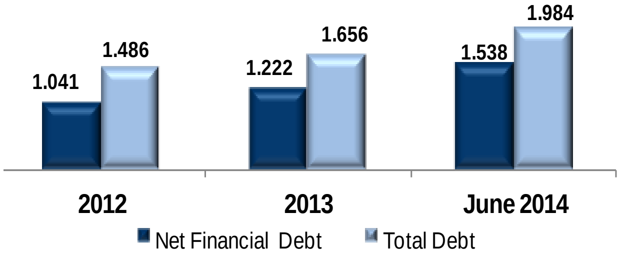
Debt /EBITDA



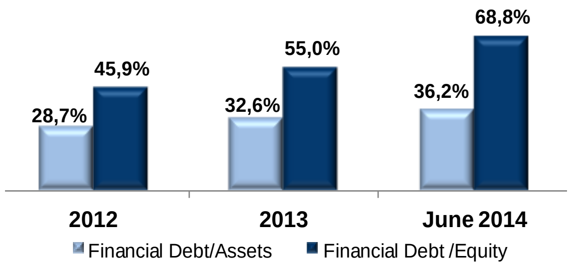
EBITDA/ Interest Expenditure[5]



Net Financial Debt (USD million) [6]



Leverage



1H= First Half
LTM= Last twelve months

[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.

[6] Net financial debt = Debt – Cash and Investments. Financial Debt = Total Debt (non including accrued interest)

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

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