emgesa

Operational and Financial Results Report – Emgesa S.A. E.S.P As of September 2014[1]

November 6, 2014

Executive Summary

- ***Emgesa's EBITDA[2] grew by 21.4% in the first nine months of 2014 due to an increase in Energy sales volume at higher spot prices.***

- ***Emgesa's net income increased by 24.9% in the first nine months of 2014 as a result of better operational results.***

- ***Between January and September 2014 Emgesa generated about 22% of the energy in the country and invested more than COP$620,3 billion (USD$322 million) mainly in the construction of El Quimbo Hydroelectrical Plant and the Salaco repowering.***

- ***Financial obligations, including accrued interests, reached COP$3,7 trillion (USD$1,8 billion), a 12.7% increase with respect to the existing obligations in December 2013, after the issuance of COP$590 billion (USD$291 million) in local bonds in May, to finance El Quimbo project.***

Emgesa's generation reached 10,524 GWh in the first nine months of 2014

During the first nine months of 2014 Emgesa generated 10,524 GWh, through its 11 generation plants in the country, representing a 9.4% increase compared to the generation of the same period of 2013. About 93% of the total generation came from hydro plants and 7% from thermal plants, evidencing an increase in the share of hydro generation compared to the same period of 2013, due to higher hydrology in the areas where Emgesa's generation plants in contrast with dry conditions in the rest of the country. The power generation mix of the country for the first nine months of 2014 was 65% hydro sources, 29.3% thermal sources, 5.0% from minor plants and 0.7% from cogeneration[3].

During the first nine months of the year, Emgesa's generation represented 22% of national generation, which totaled 47,781 GWh, a 2.9% increase as compared to the same period of 2013.

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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 September 30, 2014 COP$2,028,48).

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

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

Gross installed capacity for Emgesa as of September 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 nine months of 2014, the company served a monthly average of 787 frontiers in the unregulated market, which represented 13.1% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 2,497.3 GWh, equivalent to 16% of the national demand in this market.

The availability index of Emgesa's generation plants between January and September 2014 was 91.3%, slightly below from the 91.5% availability index in the same period of 2013.

Regarding the average spot price for the market between January and September 2014 stood at COP$239/KWh (USD$117.9/ MWh), 39.6% above the average spot price of the same period of 2013. This result is due to the hydrological conditions experienced and to the expectations of occurrence of a Niño Phenomenon during the second half of the year. Year to date, the system's rain levels have been below the historical average (91.5% of historical average) while rain levels for the Betania and Guavio reservoirs were at 106.9% and 114% of the historical average, respectively. The regulated rain levels of the Bogota River Basin were at 113.9% of the historical average.

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

	Sept-2014	Sept-2013	(%) change
Emgesa's Generation (GWh)	**10,524**	**9,623**	**+9.4%**
Hydro	9,756	8,840	+10.4%
Thermo	768	783	-1.9%
Emgesa's gross installed capacity (MW)	**3,041**	**2,914**	**4.3%**
Sales (GWh)	**12,140**	**12,103**	**+0.3%**
Contracts	8,155	8,628	-5.5%
Spot	3,985	3,475	+14.7%
Availability of Plants	**91.2%**	**90.4%**	**0.8%**
Energy Purchases (GWh)	**1,343**	**1,654**	**-18.8%**

Emgesa's EBITDA reached COP$1,36 trillion (USD$670 million) during the first nine months of 2014

Operating revenues totaled COP$2,0 trillion (USD$1 billion), showing a 12,2% increase compared to the same period of 2013, due to higher energy prices of sales in the spot market and to a 14.7% increase in the volume of energy sales in the spot market, due to higher own generation and to the increase in PPI, at which most of our contracts are indexed.

Between January and September 2014 Emgesa sold 12,140 GWh, out of which 67% were sales through contracts to clients in the wholesale and non regulated market and the 33% left were sales to the spot market and through the AGC mechanism.

During the first nine months of 2014 the cost of sales totaled COP$760,3 billion (USD$375 million) representing a 3,1% decrease compared to the result from the same period of last year. This was mainly due to a lower thermal generation compensated by a higher hydro generation, resulting in lower operational costs.

Administrative expenses had a 21,3% increase compared to the first nine months of 2013, reaching a total of COP$23 billion (USD$11 million).

Operating income increased by 24%, reaching a total of COP$1,25 trillion (USD$616 million) in the first nine months of 2014. As a result of the increase in the operating income, Emgesa's EBITDA had an 21,4% increase between January and September 2014, totaling COP$1,36 trillion (USD$670 million).

Net financial expenditure reached COP$80 billion (USD$39 million)

Net financial expenditure between January and September 2014 had an increase of COP$5,7 billion (USD$2,8 million) compared to the same period of 2013, a 7,6% variation between periods. Financial expenditure increased by 7,6% reaching COP$95,1 billion (USD$47 million), as a result of higher average interest rates in IBR and CPI, at which 79.8% of Emgesa's debt is indexed, and to a higher financial debt balance during the first nine months of 2014 as compared to the same period of 2013.

Moreover, financial revenues increased by 7.7% in the same period, also as a result of higher interest rates.

Emgesa's net income reached COP$806,8 billion (USD$398 million) in the first nine months of 2014

Emgesa recorded a net income of COP$806,8 billion (USD$398 million) between January and September of 2014, representing a 24,9% increase with respect to the same period of 2013. The main factors explaining this result are the increase in the sales volume in the spot market at higher spot prices, to lower operational costs due to lower thermal generation in comparison with the same period of 2013 as well as to a higher PPI level. This result, represented a net margin[4] of 39.4% over total operational revenues for the last twelve months.

Investments for COP$620,3 billion (USD$322 million) in the first nine months of 2014

Emgesa invested COP$620,3 billion (USD$322 million) between January and September 2014 mainly in the construction of El Quimbo Hydroelectric Power Plant (COP$549,3 billion or USD$271 million) and the repowering of old minor plants in the Salaco chain (COP$23 billion or USD$11,7 million). Likewise, Emgesa performed preventive maintenance to its hydro and thermal plants, mainly to guarantee their reliability and availability with a total investment of COP$47 million or USD$23 million). Total investment as of September 2014 was 44% higher than the executed level in the same period of 2013, as the advance in El Quimbo Project has driven investment up.

Balance Sheet Structure

As of September 30, 2014, the Company's assets reached COP$10,5 trillion (USD$5,2 billion), out of which property, plant and equipments represented 62,1% totaling COP$6,5 trillion (USD$3,2 billion) and cash and temporary investments reached COP$1 trillion (USD$509 million), equivalent to 9.8% of total assets.

Emgesa's total liabilities as of September 30, 2014 were COP$4,8 trillion (USD$2,4 billion) and the shareholders' equity reached COP$5,7 trillion (USD$2,8 billion). Regarding the financial structure of the Company, total liabilities represented 45,4% of total assets and the shareholders' equity was 54,6% of total assets. Total financial debt, including accrued interests, was equivalent to 35,4% of total assets.

During 2014, Emgesa has paid COP$524,5 billion (USD$258,6 million)in dividends to its shareholders. In January 2014 Emgesa paid the final installment of dividends corresponding to the net income from 2012, in the amount of COP$195,9 billion (USD$96,6 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$162 million)

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

Financial Debt

As of September 30, 2014, Emgesa's financial debt reached COP$3,7 trillion (USD$1,8 billion), including accrued interests, showing a 12,7% 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$291 million) in May 2014 to fund part of El Quimbo's 2014 investments (USD$384 million), prefund a local bond maturity in July (USD$45 million) and fund part of the working capital needs of 2014 (USD$8,8 million). The prefunding resources were used to serve the local bond maturity of the fixed rate bonds of the Third Tranche of the Program for COP$92,2 (USD$45,5 million).

As of the end of September, 2014, Emgesa's total financial debt was denominated in pesos including local bonds (71.4%), international bonds (20.2%) and long-term loans with local Banks (8.4%). About 71.4% of the financial debt was indexed to CPI, 20.2% was in fixed rate and 8.4% was indexed to IBR. Average life of Emgesa's debt was 6,96 years by the end of September 2014.

The following table summarizes the conditions of Emgesa's financial debt as of September 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	0.40	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	2.39	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1,47%	IPC + 5,78%	February 11, 2014	$ 160,060	4.37	AAA (local)
	B10 Series: IPC + 5,78%	IPC + 6,09%	February 11, 2019	$ 55,500	9.37	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	B15 Series: IPC + 6,09%	IPC + 5,90%	July 2, 2014	$ 218,200	3.76	AAA (local)
	B-9 Series: IPC + 5,90%	IPC + 6,10%	July 2, 2018	$ 89,580	6.76	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-12 Series: IPC + 6,10%	IPC + 3,52%	July 2, 2021	$300,000	8.21	AAA (local)
	B-10 Series: IPC + 3,52%	IPC + 3,64%	Dec,13, 2022	$200,000	13.21	AAA (local)
Eighth Bond Issuance (Fifth Tranche under Program)	B-15 Series: IPC + 3,64%	IPC + 4,25%	Dec,13, 2027	$201,970	4.95	AAA (local)
	B-6 Series: IPC + 4,25%	IPC + 5,00%	Sept, 11, 2019	$363,030	10.96	AAA (local)
Ninth Bond Issuance (Sixth Tranche under Program)	B-6 Series: IPC +3,42%	IPC +3,42%	May 16, 2020	$241,070	5.63	AAA (local)
	B-10 Series: IPC + 3,83%	IPC + 3,83%	May 16, 2024	$ 186,430	9.63	AAA (local)
	B-16 Series: IPC + 4,15%	IPC + 4,15%	May 16, 2030	$ 162,500	15.64	AAA (local)
			Local Bond Total	**$ 2,598,340**	**7,28**	
International Bond						

Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av, Life (years)	Rating
144 A /Reg S	8,75%	8,75%	January 25, 2021	$ 736,760	6.33	BBB / BBB (Intl,)
		International Bonds Total		$ 736,760		
Local Banks						
BBVA Colombia	IBR + 3,55% M,V,		Dec, 19, 2023	$ 225,000	5.72	N/A
Corpbanca	IBR + 3,7% T, A,		Dec, 19, 2023	$ 80,000	5.72	N/A
		Local Banks Total		$305,000	5.72	
		Emgesa Total		$ 3,640,100	6.96	

During 2014 the local and international credit ratings of Emgesa were confirmed. 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.

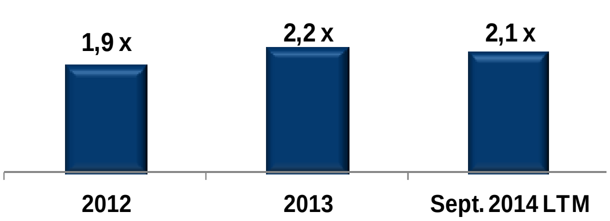
Renovation of IR Recognition from Colombian Stock Exchange

In August 2014, Emgesa received from the Colombian Stock Exchange (BVC in Spanish) the renovation of the IR Recognition to the issuers that meet the highest standard of transparency and corporate governance in Colombia, and to the companies with the best practices in Investor Relations.

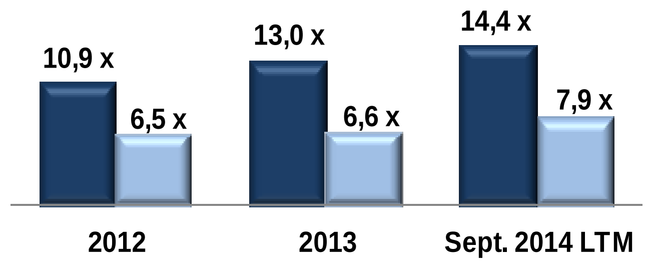
Financial Ratios

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

Debt /EBITDA



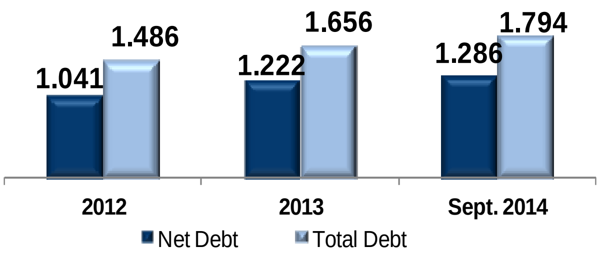
EBITDA/ Interest Expenditure[5]

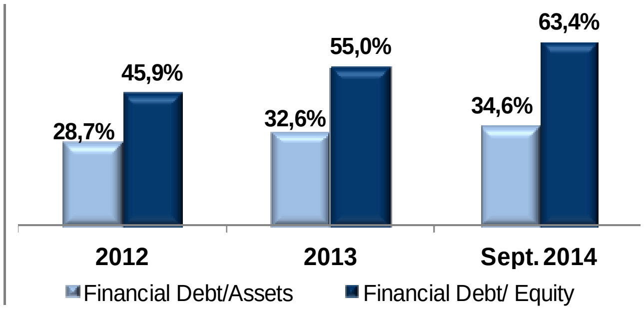


Net Financial Debt (USD million) [6]

Leverage

[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)





LTM= Last twelve months

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

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