



Operational and Financial Results Report – Emgesa S.A. E.S.P As of December 2014¹

February 24th, 2015

Executive Summary

- ***In 2014 Emgesa generated 21,2% of the energy in the country and invested more than COP\$872,5 billion (USD\$435 million) mainly in the construction of El Quimbo Hydroelectrical Plant and the Salaco repowering.***
- ***On December 13, 2014 the last of the six repowered units of the Salaco Chain started operations. These six repowered units added 144,6 MW to Emgesa's installed capacity.***
- ***Emgesa's EBITDA² in 2014 grew by 16.0% as compared to the previous year due to an increase in energy sales volume in the spot market and to favorable hydrological conditions compared to the national average in the areas where Emgesa's power plants are located.***
- ***Emgesa's net income increased by 15.6% in 2014 as compared to the result of 2013.***
- ***Financial obligations, including accrued interests, reached COP\$3,7 trillion (USD\$1,6 billion), a 13.34% increase with respect to the existing obligations in December 2013, after the issuance of COP\$590 billion (USD\$247 million) in local bonds in May which have been used to finance El Quimbo project.***

Emgesa's generation reached 13,631 GWh in 2014

During 2014 Emgesa generated 13,631 GWh, through its 11 generation plants in the country, representing a 6.9% increase compared to the generation of 2013. About 93% of the total generation came from hydro plants and 7% from thermal plants, evidencing a slight increase in the hydro power generation compared to 2013, due to increased water levels in the areas where Emgesa's generation plants are located in contrast with dry conditions in the rest of the country. The power generation mix of the country in 2014 was 65% hydro sources, 28.6% from thermal sources, 5.1% from minor plants and 0.7% from cogeneration³.

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 December 31, 2014 COP\$2,392.46) for the Balance Sheet accounts and an average COP/USD FX rate (COP\$2,004.10) for the P&L accounts.

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- December 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 2014, the system's rain levels were below the historical average (90.2% of historical average) while rain levels for the Betania and Guavio reservoirs stood at 103.3% and 108.1% of the historical average, respectively. The regulated rain levels of the Bogota River Basin stood at 109.7% of the historical average.

Emgesa's generation represented 21.2% of national generation in 2014, which totaled 64,264 GWh, a 4.2% increase as compared to 2013.

Gross installed capacity for Emgesa as of December 2014 was 3,059 MW, increasing by 4.6% as compared to 2013, and net installed capacity was 3,011 MW. In terms of gross installed capacity, Emgesa represented 19.1% of the National Electric Grid's installed capacity. The increase in the gross installed capacity was mainly due to the startup of the repowered Salaco Chain, completed on December 13th, 2014 with the entrance into operation of Unit 1 of the Laguneta Plant (18 MW). In all, the project represented the repowering of six units of the plants on the Bogota River Basin, adding 144,6 MW of installed capacity to Emgesa.

The availability index of Emgesa's generation plants in 2014 was 90.8%, slightly below from the 92.5% availability index of 2013, due to the demanding conditions for the plants due to a higher generation during the year.

The average spot price for the market in 2014 stood at COP\$225/KWh (USD\$112/ MWh), 27.1% above the average spot price in 2013. This result is explained by the dry conditions experienced in some parts of the country and by the expectations of occurrence of a Niño Phenomenon during the second half of the year which drove spot prices higher during May and June.

During 2014, Emgesa sold 15,773 GWh, 70% of which were contract sales to clients in the wholesale and non regulated market and the other 30% were sales to the spot market and through the AGC⁴ mechanism. Sales through contracts decreased by 5.2% compared to 2013, as a result of the guidelines of the commercial policy, which allowed Emgesa to to meet contractual obligations and provided the company with surplus energy to be sold on the spot market, increasing spot sales by 6.2% in 2014 compared to 2013.

⁴ AGC or Automatic Generation Control, refers to the secondary frequency regulation defined by Colombian energy system to guarantee quality of energy supply, hence avoiding major frequency variations along the National Transmission System.



In 2014 the company served a monthly average of 800 frontiers in the unregulated market, which represented 13.0% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 3,300 GWh, equivalent to 16% of the national demand in this market.

In the following table we present a summary of the main operational results of 2014:

	Dic-2014	Dic-2013	(%) change
Emgesa's Generation (GWh)	13,631	12,748	+6.9%
Hydro	12,643	11,784	+7.3%
Thermo	988	964	+2.5%
Emgesa's gross installed capacity (MW)	3,059	2,925	+4.6%
Sales (GWh)	15,773	16,090	-2.0%
Contracts	10,969	11,567	-5.2%
Spot	4,804	4,523	+6.2%
Availability of Plants	90.8%	92.5%	-1.7%
Energy Purchases (GWh)	2,333	3,461	-32.6%

Emgesa's EBITDA reached COP\$1,76 trillion (USD\$857 million) in 2014

Operating revenues totaled COP\$2,6 trillion (USD\$1,3 billion), a 9,1% increase compared to 2013. The main factor explaining this result include higher energy prices of sales in the spot market, high water levels mentioned before, which allowed EMGESA to meet contractual obligations and provided the company with surplus energy to be sold on the spot market. Another important factor was the recovery of PPI as compared to 2013, at which most of our contracts in the wholesale market are indexed.

In 2014 the operating costs totaled COP\$1,01 trillion (USD\$505 million), down 2,4% compared to 2013. This was mainly due to the decrease in thermal generation, resulting in lower operational costs.

Administrative expenses had a 15,2% increase compared to 2013, reaching a total of COP\$33 billion (USD\$17 million), due to higher expenses associated to general services.

As a result, EBIT increased by 17.9% in 2014 compared to the previous year, reaching a total of COP\$1,6 trillion (USD\$783 million), while the EBITDA increased by 16,0% in 2014 compared to the previous year, totaling COP\$1,76 trillion (USD\$857 million), representing a 65.7% margin over operating income.



Net financial charges reached COP\$106 billion (USD\$53 million)

Net financial charges in 2014 had a 23.0% increase compared to 2013. In 2014 financial expenditure increased by 10.2% totaling COP\$129 billion (USD\$64 million) compared to 2013, as a result of higher average interest rates (IBR) and inflation (CPI), at which 79.8% of Emgesa's debt is indexed.

Moreover, financial income decreased by 25.3% in 2014 as compared to the previous year, since in 2013 Emgesa received an extraordinary revenue of COP\$11,5 billion (USD\$5,7 million), resulting from a legal process against the Colombia Government (Ministry of Finance and Public Credit and the Ministry of Mining and Energy) for net-worth losses incurred in the sale of the Betania Hydro Plant in 1995.

Finally, due to the financial and operating results mentioned above, Emgesa reported a net income of COP\$1,0 trillion (USD\$502 million) in 2014, representing a 15,6% increase over 2013. This result, represented a net margin⁵ of 38.5%.

Investments for COP\$872,5 billion (USD\$435 million) in 2014

Emgesa invested COP\$872,5 billion (USD\$435 million) in 2014, mainly in the construction of El Quimbo Hydroelectric Power Plant (COP\$739 billion or USD\$369 million) and the repowering of old minor plants in the Salaco chain (COP\$29 billion or USD\$14 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\$104,9 million or USD\$52 million).

Total investments as of December 2014 were 55% higher than in 2013, as the advance in El Quimbo Project has driven investment up.

As of December of 2014, El Quimbo Hydroelectric Power Plant, reached a physical advance of 85% with an accumulative investment of USD\$861,6 million (2010 constant USD), presenting important achievements in civil works, secondary roads and the social and environmental management plan.

Balance Sheet Structure

As of December 31, 2014, the Company's assets reached COP\$10,6 trillion (USD\$4,4 billion), of which property, plant and equipments

⁵ Net Margin = Net Income / Operating Revenues.



represented 63,3% totaling COP\$6,7 trillion (USD\$2,8 billion) while cash and temporary investments amounted to COP\$961 billion (USD\$402 million), equivalent to 9.0% of the total assets.

As of December 31, 2014 Emgesa's total liabilities were COP\$5,4 trillion (USD\$2,3 billion) while the shareholders' equity reached COP\$5,2 trillion (USD\$2,2 billion). Regarding the financial structure of the Company, total liabilities represented 51,0% of total assets and the shareholders' equity was 49,0% of total assets. Total financial debt, including accrued interests, was equivalent to 34,2% of total assets.

During 2014, Emgesa paid COP\$739,7 billion (USD\$369 million) in dividends to its shareholders as follows: in January 2014 Emgesa paid the final portion (25%) of the payout of the 2012 net income for COP\$195,9 billion (USD\$98 million); then in June and November of 2014 the Company paid dividends for COP\$329 billion (USD\$164 million) and COP\$215,1 billion (USD\$107 million), respectively, corresponding to 62.5% of the payout on the 2013 net income.

Financial Debt

As of December 31, 2014, Emgesa's financial debt reached COP\$3,7 trillion (USD\$1,6 billion), including accrued interests, showing a 13,3% 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\$247 million) in May 2014 to fund part of El Quimbo's 2014 investments (USD\$200 million), prefund a local bond maturity in July (USD\$38 million) and fund part of the working capital needs of 2014 (USD\$7,4 million).

As of December 2014, Emgesa's total financial debt was denominated in pesos including local bonds (71.4%), international bonds (20.2%) in COP 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 cost of debt during 2014 was 8.18%. The average life of Emgesa's debt changed from 6.88 years at the end of 2013 to 6,71 years in 2014.

The following table summarizes the conditions of Emgesa's financial debt as of December 31, 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	0.15	AAA (local)
		IPC + 2,40%		\$ 40,000		

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	2.14	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1,47%	IPC + 5,78%	February 11, 2014	\$ 160,060	4.12	AAA (local)
	B10 Series: IPC + 5,78%	IPC + 6,09%	February 11, 2019	\$ 55,500	9.12	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	B15 Series: IPC + 6,09%	IPC + 5,90%	July 2, 2014	\$ 218,200	3.50	AAA (local)
	B-9 Series: IPC + 5,90%	IPC + 6,10%	July 2, 2018	\$ 89,580	6.51	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-12 Series: IPC + 6,10%	IPC + 3,52%	July 2, 2021	\$300,000	7.96	AAA (local)
	B-10 Series: IPC + 3,52%	IPC + 3,64%	Dec,13, 2022	\$200,000	12.96	AAA (local)
Eighth Bond Issuance (Fifth Tranche under Program)	B-15 Series: IPC + 3,64%	IPC + 4,25%	Dec,13, 2027	\$201,970	4.70	AAA (local)
	B-6 Series: IPC + 4,25%	IPC + 5,00%	Sept, 11, 2019	\$363,030	10.70	AAA (local)
Ninth Bond Issuance (Sixth Tranche under Program)	B-6 Series: IPC +3,42%	IPC +3,42%	May 16, 2020	\$241,070	5.38	AAA (local)
	B-10 Series: IPC + 3,83%	IPC + 3,83%	May 16, 2024	\$ 186,430	9.38	AAA (local)
	B-16 Series: IPC + 4,15%	IPC + 4,15%	May 16, 2030	\$ 162,500	15.38	AAA (local)
Local Bond Total				\$ 2,598,340	7.03	
International Bond						
144 A /Reg S	8,75%	8,75%	January 25, 2021	\$ 736,760	6.07	BBB / BBB (Intl.)
International Bonds Total				\$ 736,760		
Local Banks						
BBVA Colombia	IBR + 3,55% M,V,		Dec, 19, 2023	\$ 225,000	5.47	N/A
Corpanca	IBR + 3,7% T, A,		Dec, 19, 2023	\$ 80,000	5.47	N/A
Local Banks Total				\$305,000	5.47	
Emgesa Total				\$ 3,640,100	6.71	

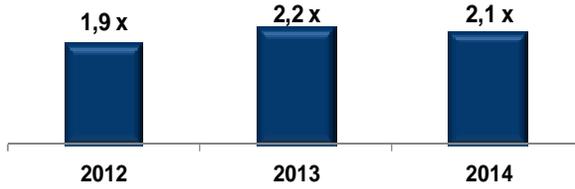
During 2014 the local and international credit ratings of Emgesa were confirmed. Fitch Ratings Colombia confirmed the AAA (col) national long term credit rating and the AAA (col) rating for the Local Third Bond Issuance and the Local Bond Program of Emgesa in May 2014. Similarly, Fitch Ratings and S&P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

Financial Ratios

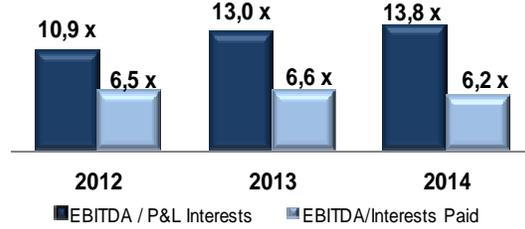
The following graphs present Emgesa's key credit metrics as of December, 2014:



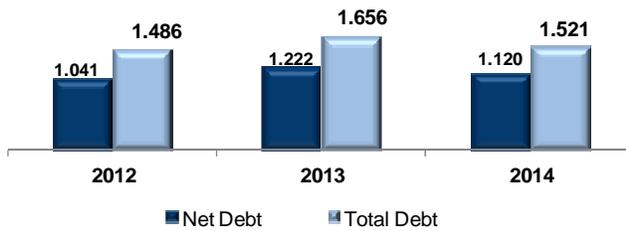
Debt / EBITDA



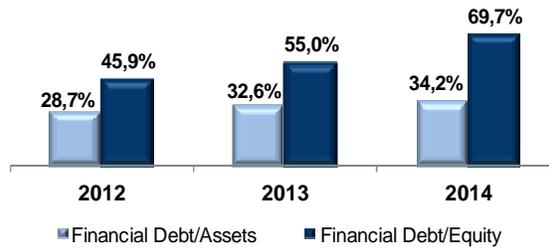
EBITDA/ Interest Expenditure⁶



Financial Debt (USD million)⁷



Leverage



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

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⁶ 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.

⁷ Net financial debt = Debt – Cash and Investments. Financial Debt = Total Debt (non including accrued interest)