emgesa

Operational and Financial Results Report – Emgesa S.A. E.S.P As of June 30th, 2015[1]

August 31st, 2015

Executive Summary

- ***In 2015 Emgesa adopted the International Financial Reporting Standards (IFRS)[2], thus the financial results as of June 2015 include effects derived from changes in the accounting standards.***

- ***During the first half of 2015, Emgesa generated 20,4% of the energy in the country and invested COP$640,7 billion (USD$248 million) mainly in the construction of El Quimbo Hydroelectrical Plant.***

- ***Emgesa's EBITDA[3] during the first half of 2015 decreased by 3.6% as compared to the same period of the previous year, due to the recognition of the 2015 wealth tax as a fixed operating cost under IFRS, which was previously recognized in the equity.***

- ***Emgesa's net income decreased by 12.6% during the first six months of 2015 as compared to the same period of 2014 due to a combination of the impact of the wealth tax on the EBITDA and higher financial net expenses as a result of a higher inflation rate,at which most of Emgesa's debt is indexed, and a lower cash balance.***

- ***Financial obligations, including accrued interests, reached COP$3,8 trillion (USD$1,46 billion), up 1.1% compared to December 2014, due to the disbursement of short term credits to serve working capital needs with a balance of COP$335 billion (USD$129 million) as of June 2015.***

Emgesa's generation reached 6,642 GWh during the first half of 2015

During the first half of 2015 Emgesa generated 6,642 GWh, through its 12 generation plants in the country, representing a 7.9% increase compared to the same period of 2014, due to hydropower generation. About 91,4% of the total generation came from hydro plants and 8,6% from thermal plants, evidencing a 1,4% increase in the share of the thermal generation in comparison to the same period of 2014, due to higher output of the coal-fired Tarmozipa plant. The power

[11] Figures of the financial statements used in this presentation as of June 30th, 2015 were prepared in Colombian pesos under IFRS officially applied in the Colombia since January 2015. As a result of these transition during this year, the quarterly figures will be constantly subject to changes and adjustments, according to local regulation. The P&L statement as of June 30th, 2014 and the general balance sheet statement as of December 31st, 2014, used to calculate the variations with respect to the corresponding financial statements as of June 30th, 2015 , were prepared under IFRS applicable to the Enel Group, which may vary in certain figures with respect to IFRS adopted in Colombia. The variations of the main figures of these two financial statements are presented only for informative purposes for the convenience of the readers of this presentation.

[2] In accordance with local regulation in Law 1314 of 2009 and the Decrees 2784 of 2012, 3023 of 2013 and 2615 of 2014 for the entities included in Group 1, Emgesa prepared the opening balance sheet under IFRS as of January 1st, 2014 and the comparative transition balance sheet under IFRS as of December 31st, 2014.

[3] EBITDA is calculated by adding the depreciation and amortization charges to EBIT.

generation mix of the country during the first half of 2015 was 70,2% hydro sources, 27.2% from thermal sources, 4.9% from minor plants and 0.8% from cogeneration[4].

During the first half of 2015, the system's rain levels were below the historical average (93.2% of historical average) while rain levels for the Betania and Guavio reservoirs stood at 104.8% and 119.8% of the historical average, respectively. The regulated rain levels of the Bogota River Basin stood at 122.1% of the historical average.

Emgesa's generation represented 20.4% of national generation during the first six months of 2015. Total national power output reached 32,527 GWh, up 3.1% in the same period of 2014.

Gross installed capacity for Emgesa as of June 2015 was 3,059 MW, increasing by 0.6% as compared to June 2014, due to the gradual entrance into operation of the Salaco repowered plants during 2014, which added 144,6 GWh. Net installed capacity was 3,012 MW. In terms of gross installed capacity, Emgesa represented 19.7% of the National Electric Grid's installed capacity.

The availability index of Emgesa's hydropower plants during the first quarter of 2015 was 85.5%, below from the 91.4% availability index obtained in March 2014, due to the works in the Pagua power plant. Furthermore, the availability index of Emgesa's thermal plants was 70.2% in March 2015, down from the 78.2% reached in the same month of 2014, due to maintenances in the Cartagena plant.

The average spot price for the market during the first half of 2015 stood at COP$194,9/KWh (USD$68/ MWh), 26.5% below the average spot price during the same period of 2014. This result is explained by the more favorable hydrological conditions during the first half of 2015 than in the same period of 2014.

During the first half of 2015, Emgesa sold 8,026 GWh, 71% of which were contract sales to clients in the wholesale and non regulated market and the other 29% were sales to the spot market and through the AGC[5] mechanism. Sales through contracts increased by 8.6% compared to the same period of 2014, as a result of a 12.0% increase in sales in the wholesale market and a 1.0% growth in sales through contracts in the unregulated market.

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[4] Source: Monthly Supply and Generation Reports (January- June 2015). XM Compañía de Expertos en Mercados S.A. E.S.P.- XM. www.xm.com.co. Emgesa's own calculations for accumulated figures.

[5] 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.

During the first six months of 2015 the company served a monthly average of 853 frontiers in the unregulated market, which represented 14.6% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 1,638.5 GWh, equivalent to 15.7% of the national demand in this market.

In the following table we present a summary of the main operational results during the first half of 2015:

	June-2015	June-2014	(%) change
Emgesa's Generation (GWh)	**6,642**	**6,154**	**+7.9%**
Hydro	6,073	5,593	+8.6%
Thermal	569	561	+1.4%
Emgesa's gross installed capacity (MW)	**3,059**	**3,041**	**+0.6%**
Sales (GWh)	**8,026**	**7.398**	**+8.5%**
Contracts	5,671	5,222	+8.6%
Spot	2,355	2,176	+8.2%
Availability of Plants	**93.7%**	**91.2%**	**+2.5%**
Energy Purchases (GWh)	**1,481**	**1,343**	**+10.3%**

Emgesa's EBITDA reached COP$813,6 billion (USD$327 million) during the first half of 2015

Operating revenues totaled COP$1,32 trillion (USD$529,4 million), a 3,0% increase compared to the same period of 2014. The main factor explaining this result include a 7.9% growth in energy sales an increase in EMGESA's output, which allowed Emgesa to have surplus energy to be sold in the spot market and a higher average Producer Price Index (PPI) level during 2015, which increased the revenues from contracts to the wholesale market.

Operating costs totaled COP$396,7 billion (USD$159,6 million), up 3.8% compared to the same period of 2014. This rise was mainly attributable to increased thermal power generation in the Cartagena Power Plant, resulting in additional generation costs.

As a result, the operating margin reached COP$918,9 billion (USD$369,8 million), up 2.7% compared to the first six months of the previous year.

Furthermore, personnel expenses increased by 45.2% as compared to the same period of 2014 reaching COP$38,7 billion (USD$15,6 million), mainly due to the valuation of benefits to employees, such as house loans, vehicle loans and education loans, at market rates under IFRS. Other expenses increased by 125.1% with respect to the same period of 2014, totalling COP$77,9 billion (USD$31,3 million), as a result of the recognition of the wealth tax of 2015, which is calculated at a rate of 1.15% on the equity hold as of January 1st, 2015.

Consequently, EBITDA decreased by 3.6%, totalling COP$813,6 billion (USD$327,4 million), a 63.3% margin over operating revenues. EBIT decreased by 4.2% during the first six months of 2015 compared to the same period of the previous year, reaching a total of COP$739,9 billion (USD$297,8 million).

Net financial charges reached COP$63,8 billion (USD$25,7 million)

Net financial charges during the first half of 2015 increased by 7.1% compared to the same period of 2014. During this period financial expenses decreased by 9.0% reaching COP$70,3 billion (USD$28,3 million), as a result of the COP$250 billion (USD$97 million) maturity of the third issue of local bonds in February 2015 paid with cash on hand, which partially offset the effect of higher average inflation (Consumer Price Index, CPI), at which most of Emgesa's debt is indexed.

In addition, financial income decreased by 63,6% as compared to the same period of 2014, due to lower cash balances during the first six months of 2015 compared to the same period of 2014, due to dividend payments that took place in January, the payment of the local bond maturity mentioned before with cash on hand and the investment in El Quimbo project.

Finally, thanks to the above operating and financial results, EMGESA posted a EBT of COP$676,1 billion (USD$ 272,1 million), down 5.2% with respect to the same period of 2014. The net income had a 12.6% decrease over the same period of 2014, totalling COP$ 428,9 (USD$172,6 million) as a result of the increase in the income tax rate related to the surcharge in income tax for equality (CREE, from its Spanish acronym). This result was equivalent to a net margin[6] of 35.5%.

Investments for COP$640,7 billion (USD$248 million) during the first half of 2015

Emgesa invested COP$640,7 billion (USD$248 million) during the first half of 2015, increasing by 71.1% as compared to the first six

6 Net margin = net income /operating revenue s for the last 12 months.

months of 2014, mainly in the construction of El Quimbo Hydroelectric Power Plant (COP$613,8 billion or USD$237 million). Likewise, Emgesa completed preventive maintenance to its hydro and thermal plants, mainly to guarantee their reliability and availability with a total investment of COP$26 billion (USD$10 million).

As of June 2015, El Quimbo Hydroelectric Power Plant, reached a physical advance of 94.3% with a cumulative investment of USD$1 billion (2010 constant USD), presenting important achievements such as the opening of the viaduct, the advance up to the level of the auxiliary dam, the settlement of the families affected with the projects to the new sites built by Emgesa, and the beginning of the filling of the reservoir on June 30th 2015.

We started filling the reservoir after receiving the resolution from the National Environmental Licenses Authority stating that Emgesa had met all the obligations included in El Quimbo's environmental license to start filling the dam, and having duly informed the environmental authorities, we closed the dam gates to begin filling the reservoir on June 30th 2015. This date was carefully chosen so that the hydrological conditions were optimal to do so securely, both for environmental and technical reasons. The technical maneuver was impeccable since we were able to avoid fish mortality and a dry riverbed on the Magdalena River. In addition, a follow up team from the National Environmental Licenses Authority accompanied the maneuver days prior the closing of the gates and since then been present in the facilities of El Quimbo.

On the same day, the gates were closed, Emgesa was able to achieve the minimum flow of the river required by the environmental license, which is 36 cubic meters per second. Moreover, Emgesa has guaranteed since then the 160 cubic meters flow required by Betania, Emgesa’s largest generation plant located upstream Quimbo, to preserve a 70% level of the dam for the fishermen in Betania.

Balance Sheet Structure

As of June 30th, 2015, the Company’s assets reached COP$7,9 trillion (USD$3,1 billion), of which property, plant and equipments represented 90.9% totaling COP$7,2 trillion (USD$2,8 billion) while cash and temporary investments amounted to COP$69.6 billion (USD$27 million), equivalent to 0.9% of the total assets. When compared to the results from December, 2014, total assets decreased by 3.7%, mainly as a result of lower cash balances due to the dividend payment of the last tranche of the 2013 net income, the payment of the COP $250 billion (USD$97 million) and the execution of investments.

As of June 30th, 2015 Emgesa's total liabilities were COP$4,9 trillion (USD$1,9 billion), down 10.1% as compared to the closing of 2014, due to the dividend payment and maturity of local bonds mentioned before, while the shareholders' equity reached COP$3,1 trillion (USD$1,2 billion), increasing by 8.5% as compared to December 31st, 2014, as a result of the mixed effects of the net income of the first half of 2015, the dividend declaration of the net income of the four month period between September and December 2014 and the constitution of an occasional reserve, associated to the fiscal effects of an accelerated depreciation starting in 2014, in accordance with article 130 of the Colombian Tax Regulation.

Regarding the financial structure of the Company, total liabilities represented 61,1% of total assets and the shareholders' equity was 38,9% of total assets. Total financial debt, including accrued interests, was equivalent to 47,4% of total assets as of June 30th 2015.

Emgesa paid its shareholders a total of COP$687,6 billion (USD$266 million) in dividends in January and June 2015, corresponding to the last portion of the payout of the 2013 net income and to the first part of the January-August 2014 net income.

Financial Debt

As of June, 2015, Emgesa's financial debt reached COP$3,7 trillion (USD$1,5 billion), including accrued interests, showing an 1,1% increase compared to the debt balance of December 2014, mainly as a result of the payment of the maturity of the Third Tranche of bonds under the Local Bond Program for COP$250 billion (USD$97 million) in February 2015 with cash on hand and to the disbursement of short term loans with the local banks during the second half of 2015 to serve the working capital needs of the Company.

As of June 2015, Emgesa's total financial debt was denominated in pesos including local bonds (63%), international bonds (20%) in COP and long-term loans with local Banks (17%). About 63% of the financial debt was indexed to CPI, 21% was in fixed rate, 14% was indexed to IBR and 2% was indexed to DTF. Average cost of debt as of June 2015 was 8.53%. The average life of Emgesa's debt decreased from 6.71 years at the end of 2014 to 6.12 years in June 2015.

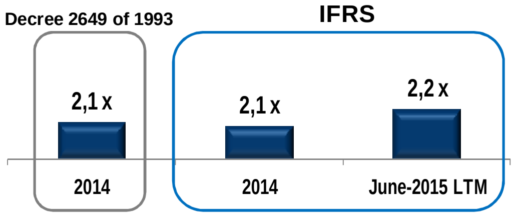
The following table summarizes the conditions of Emgesa's financial debt as of June 30th, 2015:

Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av, Life (years)	Rating
Local Bonds						
Fourth Bond Issuance (First Tranche Under Program)	B10 Series: IPC + 5,15%	IPC + 5,15%	February 20, 2017	$ 170,000	1,65	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	A5 Series: DTF TA + 1,47%	IPC + 5,78%	February 11, 2014	$ 160,060	3,62	AAA (local)
	B10 Series: IPC + 5,78%	IPC + 6,09%	February 11, 2019	$ 55,500	8,62	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	B15 Series: IPC + 6,09%	IPC + 5,90%	July 2, 2014	$ 218,200	3,01	AAA (local)
	B-9 Series: IPC + 5,90%	IPC + 6,10%	July 2, 2018	$ 89,580	6,01	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-12 Series: IPC + 6,10%	IPC + 3,52%	July 2, 2021	$300,000	7,46	AAA (local)
	B-10 Series: IPC + 3,52%	IPC + 3,64%	Dec,13, 2022	$200,000	12,46	AAA (local)
Eighth Bond Issuance (Fifth Tranche under Program)	B-15 Series: IPC + 3,64%	IPC + 4,25%	Dec,13, 2027	$201,970	4,20	AAA (local)
	B-6 Series: IPC + 4,25%	IPC + 5,00%	Sept, 11, 2019	$363,030	10,21	AAA (local)
Ninth Bond Issuance (Sixth Tranche under Program)	B-6 Series: IPC +3,42%	IPC +3,42%	May 16, 2020	$241,070	4,88	AAA (local)
	B-10 Series: IPC + 3,83%	IPC + 3,83%	May 16, 2024	$ 186,430	8,88	AAA (local)
	B-16 Series: IPC + 4,15%	IPC + 4,15%	May 16, 2030	$ 162,500	14,89	AAA (local)
		Local Bond Total		**$ 2,348,340**	**7,27**	
International Bond						
144 A /Reg S	8,75%	8,75%	January 25, 2021	$ 736,760	5.58	BBB / BBB (Intl)
		International Bonds Total		**$ 736,760**		
Local Banks						
BBVA Colombia	IBR + 3,55% M,V,		Dec, 19, 2023	$ 225,000	4.97	N/A
Corpbanca	IBR + 3,7% T, A,		Dec, 19, 2023	$ 80,000	4.97	N/A
Local Banks (short-term)	Weighted average rate: 5,45%		Ago- Dic 2015	$335.066	0,30	N/A
		Local Banks Total		**$640,066**	**5.27**	
		Emgesa Total		**$ 3,725,166**	**6.12**	

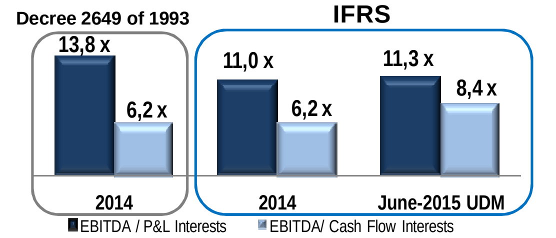
Financial Ratios

The following graphs present Emgesa's key credit metrics as of June, 2015:

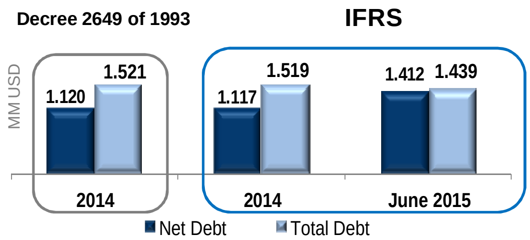
Debt /EBITDA



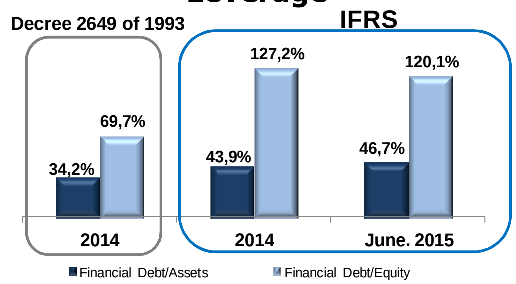
EBITDA/ Interest Expenditure[7]



Financial Debt (USD million) [8]



Leverage



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