



Grupo Enel

Operational and Financial Results Report – Emgesa S.A. E.S.P As of March 31st, 2016¹

May 13th 2016

Executive Summary

- ***Emgesa's EBITDA grew by 39.8% in the first quarter of 2016 compared to the same period of 2015 as a result of an increase in energy sales and a positive variation in PPI index through the quarter, which offset higher energy purchases traded at higher prices due to El Niño weather phenomenon.***
- ***In the first quarter of 2016 Emgesa generated 19.9% of the country's energy, through to its diversified and competitive assets portfolio with its 13 power plants in 3 different basins. In this period the contributions of reservoirs Guavio and Quimbo were above the country average.***
- ***During the first quarter of 2016 Emgesa invested \$21,969 billion in expansion and maintenance.***

Emgesa's generation reached 3.271 GWh during the first three months of 2016

During the first three months of 2016 Emgesa generated 3.271 GWh, through its 13 generation plants in the country, representing a 2.3% increase compared to the same period of 2015, mainly from thermal generation as a result of the weather phenomenon known as El Niño. About 80% of total generation came from hydro plants and 20% from thermal plants, evidencing a 10,8% increase in the share of the thermal generation and a decrease in the same amount in the share of the hydro generation in comparison to the same period of 2015.

The power generation mix of the country during the first quarter of 2016 was 47.7% from hydro sources, 48.6% from thermal sources, 2.7% from minor plants and 1.0% from cogeneration².

¹ Figures of the financial statements used in this presentation as of September 30, 2015 were prepared in Colombian pesos under IFRS officially applied in the Colombia since January 2015.

² Source: Monthly Supply and Generation Reports (January-March 2016). XM Compañía de Expertos en Mercados S.A. E.S.P.- XM. www.xm.com.co. Emgesa's own calculations for accumulated figures.



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During the first three months of 2016, the system's rain levels were below the historical average (63% of historical average) while rain levels for Betania, Quimbo and Guavio reservoirs stood at 47%, 72% and 74% of the historical average, respectively. The regulated rain levels of the Bogota River Basin stood at 26% of the historical average, one of the most affected basins in the country by El Niño.

The diversified portfolio of generation assets, including two thermal generation plants and hydro plants located in three different river basins, allowed Emgesa to meet all of its Firm Energy Obligations in spite of the challenging weather situation. As of the end of March 2016, the rain levels of Emgesa's reservoirs reached 15/GWh/day equivalent to 24% of the National Interconnected System (SIN), while Emgesa's reservoirs stood at 1.1 TWh, equivalent to 25% of the SIN (4 TWh).

Emgesa's generation represented 19.9% of national generation during the first three months of 2016. Total national power output reached 16,475 GWh, up 2.0% in the same period of 2015.

Gross installed capacity for Emgesa as of March 2016 was 3,459 MW, increasing by 13.1% as compared to March 2015, due to the entrance into operation of El Quimbo (November 16th 2015). In terms of gross installed capacity, Emgesa represented 20.9% of the National Electric Grid's installed capacity.

The availability index of Emgesa's power plants stood at 92.8% as of March 2016. Emgesa's hydropower plants had a 94.2% availability index in this period, above the 85.5% availability index obtained in the same period of last year, due to the generation of its thermal plants, which was forced to make an adjustment in its maintenance calendar in order to attend the emergency in the electrical system in the country. Furthermore, the availability index of Emgesa's thermal plants was 82.6% in March 2016, up from the 70.0% reached in the same month of 2015, due to the postponement of the maintenances in the Termozipa power plants, in order to assure generation under the difficult climatic conditions and lower reservoirs levels.

The average spot price for the market during the first three months of 2016 stood at COP\$677/KWh (USD\$208/MWh), 264% above the average spot price during the same period of 2015. This increase is a result of the occurrence of El Niño Phenomenon in Colombia during



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the first quarter 2016 and regulatory measures that kept the spot energy price at levels of \$810/KWh (USD \$ 249/MWh).

During the first three months of 2016, Emgesa sold 4.113 GWh, 75% of which were sales through contracts to clients in the wholesale and non regulated market and the other 25% were sales in the spot market and through the AGC³ mechanism. Sales through contracts increased by 10.7% compared to the same period of 2015, as a result of a 25.5% increase in sales in the wholesale market and a 12.1% growth in sales through contracts in the unregulated market.

During the first three months of 2016 the company served a monthly average of 931 frontiers in the unregulated market, which represented 16.3% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 914,8 GWh, equivalent to 17.4% of the national demand in this market.

In the following table we present a summary of the main operational results during the first three months of 2016:

	Mar-2016	Mar-2015	Change (%)
Emgesa's Generation (GWh)	3.271	3.196	+2,3%
Hydro	2.620	2.904	-9,8%
Thermal	651	292	+123,3%
Capacidad instalada bruta Emgesa (MW)	3.459	3.059	+13,1%
Sales (GWh)	4.113	3.715	+10,7%
Contrats	3.095	2.553	+21,2%
Spot	1.018	1.162	-12,4%
Availability of Plants	92,8%	83,4%	+9,4%
Energy Purchases (GWh)	918	566	+62,3%

Emgesa's EBITDA reached COP\$539,6 billion during the first three months of 2016

Operating revenues totaled COP\$1.10 trillion (USD\$340 million), a 77.9% increase compared to the same period of 2015. The main

³ 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.



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factors that explain this result include as a result of an increase in energy sales and a positive variation in PPI index when compared to the same quarter 2015, to which most of the non regulated clients contracts are indexed to.

Operating costs totaled COP\$495,2 billion (USD\$152.4 million), up 194.6% compared to the same period of 2015. This rise was caused by the increased in energy purchases in the spot market at higher prices and higher costs of the thermal power generation with fuel oil in the Cartagena power plant and coal in the Termostiza power plant.

As a result, the operating margin reached COP\$609,7 billion (USD\$187.7 million), up 34.6% compared to the first three months of the previous year.

Other fixed operating costs increased by 4.5% with respect to the first three months of 2015, reaching a total of 78,081 million COP, due to the salary adjustment done this year and increased insurance premiums, general services and property tax

Consequently, EBITDA increased by 39.8%, totalling COP\$539,6 billion (USD\$166.1 million), a 50.1% margin over operating revenues. EBIT increased by 40.3% during the first three months of 2016 compared to the same period of the previous year, reaching a total of COP\$488,8 billion (USD\$179.2 million).

Net financial charges reached COP\$105.5 billion (USD\$39.5million)

Net financial charges during the first three months of 2016 increased by 240.5% compared to the same period of 2015 reaching COP\$105,5 billion (USD\$39.5 million).

First, gross interest expenses increased by 49.6%, totaling COP\$117,9 billion, due to i) higher average CPI for the first quarter of 2016 compared to the previous year, ii) the entry into operation of El Quimbo, which suspended the capitalization of financial expenses of debt taken on to finance this project during the construction phase and iii) higher debt balance at the end of March 2016, as a consequence of debt taken in the second half of 2015 and the issuance of the seventh tranche of local bonds under the bond issuance program in February 2016 for COP\$525 billion.



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Also, financial income increased by 177.6% compared to the first quarter of 2015, due to higher average cash balances in the first three months of 2016 and higher rates in response to the increase in the Central Bank reference rate.

Finally, due to the above operating and financial results, EMGESA posted an EBT of COP\$381,1 billion (USD\$ 217.9 million), up 20.0% with respect to the same period of 2015. The net income had an 13.6% increase over the same period of 2015, totalling COP\$219.3 billion (USD\$67.5 million) equivalent to a net margin⁴ of 24.3%.

Investments for COP\$21.9 billion (USD\$7 million) during the first three months of 2016

Emgesa invested COP\$21.9 billion (USD\$7 million) during the first three months of 2016, showing an important reduction compared to the same period 2015 mainly explained by the conclusion an entry into operation of El Quimbo in November 2015. Investments you were mainly focused on maintenance (COP\$16,7 billion).

El Quimbo Hydroelectric Plant

After one month into operation, on December 16th 2015, El Quimbo was obliged to suspend its generation due to legal decisions from the Constitutional Court. This court had been reviewing the legality of the Presidential Decree that allowed the beginning of operations in El Quimbo, in spite of the existence of a legal decision from a regional court that prevented generation until certain environmental requests had been fulfilled.

On January 8th through a legal decision Emgesa received a notification that ordered the restart of operation in El Quimbo, from January 10th to this date. Since then Emgesa has been helping improve the reliability of the National Energy System, been able to meet 5% of the energy demand of the system and allowing the entry of additional flows in Betania, limiting the potential impacts on fishing activity of this reservoir.

Later, the Administrative Court of Huila, proffered the popular action No. 410012333 00020140052400, that allows power generation in El

⁴ Net margin = net income /operating revenue s for the last 12 months



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Quimbo, for a term of six months while a project to recover the oxygen levels in the section Quimbo is implemented. In addition, the Administrative Court of Huila ordered the establishment of a guarantee issued by an insurance company for COP\$20 billion, in order to protect the economic and environmental damage that the operation of the hydroelectric power may cause.

Emgesa has been monitoring the oxygen levels in the water leaving El Quimbo reservoir and entering Betania reservoir, to ensure that they remain in the acceptable levels by the Colombian environmental legislation and meeting the ecological flow established in the Environmental License.

Finally, on April 18th, 2016, Emgesa was notified of Resolution 0381 of 2016 by which the National Licensing Authority Environmental - ANLA- imposed a fine of COP\$2.5 billion, considering the breach of certain obligations related to stacking and removal of wood and biomass in the reservoir basin area of El Quimbo. Against this resolution Emgesa appealed it, in accordance with the law that assists it. This appeal suspends the effect of the resolution.

Balance Sheet Structure

As of March 31st, 2016, the Company's assets reached COP\$9,2 trillion (USD\$3,05 billion), out of which property, plant and equipments represented 85.1% totaling COP\$7,85 trillion (USD\$2,6 billion) while cash and temporary investments amounted to COP\$647.5 billion (USD\$210 million), equivalent to 7.0% of the total assets. When compared to the results from December, 2015, total assets increased by 4.4%, as a result of a higher cash balance.

As of March 31st, 2016 Emgesa's total liabilities were COP\$6.2 trillion (USD\$2,1 billion), up 26.6% as compared to the closing of 2015, mainly due to the decree of 2015 dividends in the shareholders meeting held on March 28, 2016 and increased debt balance from the issuance of local bonds in February 2016 for (COP\$525 billion).

Regarding the financial structure of the Company, total liabilities represented 67.8% of total assets and the shareholders' equity was 32.2% of total assets. Total financial debt, including accrued interests, was equivalent to 48% of total assets as of March 31st 2016.



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In the first three months Emgesa paid its shareholders a total of COP\$187.91 billion in dividends, corresponding to the last portion of the payout of the 2014.

Financial Debt

As of March, 2016, Emgesa's financial debt reached COP\$4,4 trillion (USD\$1,5 billion), including accrued interests, showing an 8.1% increase compared to the debt balance of December 2015. All of this explained by the issuance of local bonds on February 11, 2016 for a total of COP\$525 billion in two series of 3 and 7 years (3 years CPI + 3.49%; 7 years CPI + 4.69%) with a bid to cover of 1.7x. The resources were allocated to the replacement of short-term financial obligations and to finance the investment plan.

As of March 2016, Emgesa's total financial debt was denominated in pesos including local bonds (66%), international bonds indexed to COP (17%) and loans with local and international Banks (17%). About 66% of the financial debt was indexed to CPI, 24% was in fixed rate, 10% was indexed to IBR.

Average annual cost of debt as of March 2016 was 10.8%. The average life of Emgesa's debt decreased from 5.38 years at the end of 2015 to 5.30 years in March 2016.

The following table summarizes the conditions of Emgesa's financial debt as of March 31st, 2016:

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Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av. Life (years)	Rating
Local Bonds						
Forth Bond Issuance (First Tranche under Program)	B10 Series: IPC + 5,15%	CPI + 5,15%	Feb 20, 2017	\$ 170.000	0,89	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	B10 Series: IPC + 5,78%	CPI + 5,78%	Feb 11, 2019	\$ 160.060	2,87	AAA (local)
	B15 Series: IPC + 6,09%	CPI + 6,09%	Feb 11, 2024	\$ 55.500	7,87	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	B-9 Series: IPC + 5,90%	CPI + 5,90%	July 2, 2018	\$ 218.200	2,25	AAA (local)
	B-12 Series: IPC + 6,10%	CPI + 6,10%	July 2, 2021	\$ 89.580	5,26	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-10 Series: IPC + 3,52%	CPI + 3,52%	Dec.13, 2022	\$300.000	6,71	AAA (local)
	B-15 Series: IPC + 3,64%	CPI + 3,64%	Dec.13, 2027	\$200.000	11,71	AAA (local)
Eighth Bond Issuance (Fifth Tranche under Program)	B-6 Series: IPC + 4,25%	CPI + 4,25%	Sep.11, 2019	\$201.970	3,45	AAA (local)
	B-12 Series: IPC + 5,00%	CPI + 5,00%	Sep.11, 2025	\$363.030	9,45	AAA (local)
Ninth Bond Issuance (Sixth Tranche under Program)	B-6 Series: IPC +3.42%	CPI +3.42%	May 16, 2020	\$241.070	4,13	AAA (local)
	B-10 Series: IPC + 3.83%	CPI + 3.83%	May 16, 2024	\$ 186.430	8,13	AAA (local)
	B-16 Series: IPC + 4.15%	CPI + 4.15%	May 16, 2030	\$ 162.500	14,13	AAA (local)
Tenth Bond Issuance (Seventh Tranche under Program)	B-3 Series: IPC + 3.49%	CPI + 3.49%	Feb. 11, 2019	\$ 234.870	2,87	AAA (local)
	B-7 Series: IPC + 4.69%	CPI + 4.69%	Feb. 11, 2023	\$ 290.130	6,87	AAA (local)
Total Local Bonds				\$ 2.873.340	6,25	
International Bond						
144 A /Reg S	8,75%	8,75%	Jan 25, 2021	\$ 736.760	4,82	BBB / BBB (Intl.)
Total Bonos internacionales				\$ 736.760		
Local Banks						
BBVA Colombia	IBR + 2,19%		Dec. 19, 2023	\$ 225.000	4,22	N/A
Banco de Bogotá	IBR + 2,22%		Dec. 19, 2023	\$ 80.000	4,22	N/A
Local Banks (short-term)	Weighted average rate: 6,20%		Oct.2016- Jun. 2017	\$453.519	0,73	N/A
Banks Total				\$758.519	2,13	
Emgesa Total				\$4.368.619	5,30	

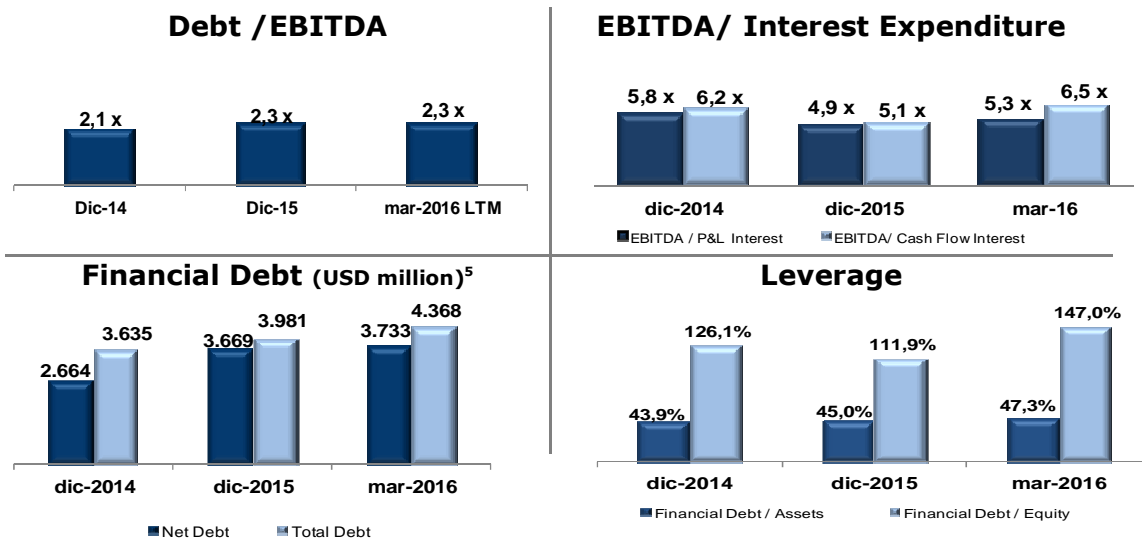
On February 19, 2016 Standard & Poor's adjust its outlook on the long-term credit rating on Emgesa S.A. ESP from stable to negative, and confirmed the current long-term rating applicable to the issuance of global bonds in pesos of 2011 in BBB. The change on the outlook for the company followed a similar rating action on the Republic of Colombia and three other local companies.



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Financial Ratios

The following graphs present Emgesa's key credit metrics as of March 2016:



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

Emgesa's Investor Relations Office

e-mail: IR.Emgesa@enel.com

Website: www.emgesa.com.co

Leonardo López Vergara

e-mail: leonardo.lopez@enel.com

Tel. 6015641

Carolina Bermúdez Rueda

e-mail: carolina.bermudez@enel.com

Tel. 6015751

María Patricia Moreno Moyano

e-mail: maria.morenom@enel.com

Tel. 6016060 ext: 3502

Alejandra Méndez Chaves

e-mail: alejandra.mendez@enel.com

Tel. 6015564

Cristian Mauricio Gacha Vera

e-mail: cristian.gacha@enel.com

Tel. 6016000 ext: 3517

⁵ Net financial debt = Debt – Cash and Investments. Financial Debt = Total Debt (non including accrued interest)