



Grupo Enel

Operational and Financial Results Report – Emgesa S.A. E.S.P As of September 30, 2016¹

November 1st 2016

Executive Summary

- ***Emgesa reached an EBITDA of \$1,553,721 million as of September 2016, equivalent to a 16% growth compared to the same period of 2015. This result was driven by an increase in energy sales, annual increase in PPI and CPI offsetting the higher Generation costs and energy purchases at higher prices.***
- ***In September 2016 Emgesa generated 23.1% of the country's energy, based on its competitive and diversified assets portfolio with 13 generation plants in 3 different basins, being the largest generator in Colombia as of September 2016.***
- ***During the first nine months of 2016, Emgesa invested \$ 117.641 billion pesos in expansion and maintenance.***

Emgesa's generation reached 11.378 GWh during the first nine months of 2016

During the first nine months of 2016 Emgesa generated 11,378 GWh through its 13 generating plants in the country, which represented an increase of 5.7% compared to the same period of 2015. The drought conditions presented in the first months of 2016 explained the increase in the company's thermal generation. About 92% of total generation came from hydro sources (including El Quimbo), and 8% with thermal sources, being 2% higher than that presented in the same period of 2015.

The power generation mix of the country during the first nine months of 2016 was 64% from hydro sources, 30% from thermal sources, 4.5% from minor plants and 0.9% from cogeneration².

¹ Figures of the financial statements used in this presentation as of September 30, 2016 were prepared in Colombian pesos under IFRS officially applied in the Colombia since January 2015.

² Source: Monthly Supply and Generation Reports (January-September 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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SIN water contributions have improved after El Niño Phenomenon during the first four months of the year. In the first nine months of 2016, water contributions have been below historical average (94% in relation to the historical average), and for the Betania, Quimbo and Guavio reservoirs, the contributions were 89%, 101% and 108% of the HA, respectively. The regulated contributions of the Bogotá river basin were 85% of the HA, presenting a significant improvement compared to the first half of the year.

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 September 2016, the rain levels of Emgesa's reservoirs reached 51/GWh/day equivalent to 27% of the National Interconnected System (SIN), while Emgesa's reservoirs stood at 2.8 TWh, equivalent to 27% of the SIN (10.6 TWh).

Emgesa's generation represented 23.1% of national generation during the first nine months of 2016. Total national power output reached 49,372 GWh, up 0.6% in the same period of 2015.

Gross installed capacity for Emgesa as of September 2016 was 3,469 MW, increasing by 13.4% compared to the same month 2015, due to the entrance into operation of El Quimbo (November 16th 2015) and the operation of the minor Guavio Central (last april). In terms of gross installed capacity, Emgesa represented 21% of the National Electric Grid's installed capacity.

The availability index of Emgesa's power plants stood at 92.7% as of September 2016. Emgesa's hydropower plants had a 94.6% availability index in this period, above the 91.4% availability index obtained in the same period of last year. Furthermore, the availability index of Emgesa's thermal plants was 79% in September 2016, lower than the 80.3% reached in the same month of 2015, due to the maintenances in the Termozipa and Cartagena power plants, which had been postponed in the first half of the year to meet energy demand under extreme drought conditions during the El Niño Phenomenon.

The average spot price for the market during the first nine months of 2016 stood at COP\$350/KWh (USD\$114/MWh), % above the average spot price during the same period of 2015. This increase is a result of



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the occurrence of El Niño Phenomenon in Colombia during the first quarter 2016 and regulatory measures that kept the spot energy price at levels of \$810/KWh (USD \$ 249/MWh).

During the first nine months of 2016, Emgesa sold 13.825 GWh, 74% of which were sales through contracts to clients in the wholesale and non regulated market and the other 26% were sales in the spot market and through the AGC³ mechanism. Sales through contracts increased by 10.5% compared to the same period of 2015, as a result of a 11.6% increase in sales in the wholesale market and a 7.6% growth in sales through contracts in the unregulated market.

During the first nine months of 2016 the company served a monthly average of 927 frontiers in the unregulated market, which represented 16.2% of this market in the country. Energy demand of the unregulated market served by Emgesa in the same period reached 2.750 GWh, equivalent to 17.6% of the national demand in this market.

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

	Sep-16	Sep-2015	Change (%)
Emgesa's Generation (GWh)	11.378	10.761	+5,7%
Hydro	10.487	9.887	+6,1%
Thermal	891	874	+2%
Gross Installed Capacity (MW)	3.469	3.059	+13,4%
Sales (GWh)	13.825	12.845	+7,6%
Contrats	10.197	9.227	+10,5%
Spot	3.628	3.618	+0,3%
Plants Availability	92,68%	91,24%	+1,4%
Energy Purchases (GWh)	2.599	2.239	+16,1%

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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Emgesa's EBITDA reached COP\$1.554 billion during the first nine months of 2016

Operating revenues totaled COP\$2.77 trillion (USD\$906 million), a 28% increase compared to the same period of 2015. Among the factors that explain this growth are the higher energy sales through contracts at higher prices, as a result of the favorable effect of the Producer Price Index (PPI), to which most of the energy sales contracts are indexed in the wholesale market, and the higher energy prices in the spot market.

Operating costs totaled COP\$1.062 billion (USD\$347 million), up 55.8% compared to the same period of 2015. All of the above explained by an increase of 16.5% in energy purchases in the spot market and higher generation costs for Cartagena and Termozipa plants.

As a result, the operating margin reached COP\$1.711 billion (USD\$460 million), up 15.2% compared to the first nine months of the previous year.

Other fixed operating expenses increased by 10.7% compared to the first nine months of 2015, totaling \$157,6 billion pesos.

Consequently, EBITDA increased by 15.7%, totalling COP\$1.554 billion (USD\$507 million), a 50% margin over operating revenues.

Net financial charges reached COP\$343.2 billion (USD\$124.8 million)

Net financial charges during the first nine months of 2016 increased by 259% compared to the same period of 2015 reaching COP\$343.2 billion (USD\$124.8 million).

First, gross interest expenses increased by 265.6%, totaling COP\$382.4 billion, due to i) higher average CPI during 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 September 2016, due to the bond issues (Seventh and Eighth tranche of the Emgesa Bond Issue and Placement Program) in February and September 2016.



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Also, financial income increased by 267% compared to the first nine months of 2015, due to higher average cash balances 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\$1.054 billion, down by 7.2% with respect to the same period of 2015. The net income had an 12.2% decrease over the same period of 2015, totalling COP\$630.8 billion (USD\$206 million) equivalent to a net margin⁴ of 20.6%.

Investments for COP\$117.6 billion (USD\$38 million) during the first nine months of 2016

Emgesa invested COP\$117 billion (USD\$38 million) during the first nine months of 2016, showing an important reduction compared to the same period 2015 due to the start of operations of El Quimbo Hydroelectric plant in November 2015. Investments were mainly focused on maintenance (COP\$76 billion).

Balance Sheet Structure

As of September 30, 2016, the Company's assets reached COP\$9,4 trillion (USD\$3,26 billion), out of which property, plant and equipments represented 83.4% totaling COP\$7,84 trillion (USD\$2,7 billion) while cash and temporary investments amounted to COP\$901.3 billion (USD\$306 million), equivalent to 9.6% of the total assets. When compared to the results from December, 2015, total assets grew by 6.4%, as a result of a higher cash balance.

As of September 30, 2016 Emgesa's total liabilities were COP\$6.02 trillion (USD\$2,09 billion), up 14% as compared to the closing of 2015, as a result of the financing operations carried out in 2016 to refinance the maturities and cover investments. The Company's equity was COP\$3.4 trillion, down 5% compared to December 31, 2015, due to the dividend distribution of net income for 2014 and 2015.

Regarding the financial structure of the Company, total liabilities represented 64% of total assets and the shareholders' equity was

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



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36% of total assets. Total financial debt, was equivalent to 51% of total assets as of September 30 2016.

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.

As of September 2016, Emgesa has paid dividends to its shareholders for a total of COP\$515,1 billion pesos, corresponding to the payment of the last dividend payment of net income for 2014 and the first installment of net income for 2015.

Financial Debt

At the end of September 2016, Emgesa's financial debt amounted to COP\$4.795 trillion, an increase of 16.9% over the balance as of December 31, 2015, due to the issuance Of the seventh tranche of the Emgesa Bond under the Placement Program on February 11, 2016 for a total amount of COP\$525 billion in two series of 3 and 7 years with CPI + 3.49% and CPI + 4.69% , respectively. The issue had an overdemand of 1.7 times the amount initially offered. In addition to this bond issue, the eighth tranche of the Program was issued on September 27 for a total amount of COP\$300 billion in a 6-year series at a fixed rate of 7.59%. The issue had an overdemand of 2.9 times the amount initially offered. The resources of the placement were used for the substitution of financial obligations.

All of Emgesa's financial as of September 2016 was denominated in pesos including local bonds (68%), international bonds indexed to the peso (16%) and credits with local and international banks (16%). About 62% of the financial was indexed to the CPI, 29% was in fixed rate and 9% had indexation to IBR.

The average life of the debt at the end of September 2016 was 4.49 years.

The following table summarizes the conditions of Emgesa's financial debt as of September 30, 2016:

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Instrument	Coupon / Interest Rate	Yield	Maturity	Amount (MM COP)	Av, Life (years)	Rating
Bonos Locales						
Forth Bond Issuance (First Tranche under Program)	B10 Series: CPI + 5,15%	IPC + 5,15%	Feb 20, 2017	\$ 170.000	0,39	AAA (local)
Fifth Bond Issuance (Second Tranche under Program)	B10 Series: CPI + 5,78%	IPC + 5,78%	Feb 11, 2019	\$ 160.060	2,37	AAA (local)
	B15 Series : CPI + 6,09%	IPC + 6,09%	Feb 11, 2024	\$ 55.500	7,37	AAA (local)
Sixth Bond Issuance (Third Tranche under program)	B-9 Series: CPI + 5,90%	IPC + 5,90%	Jul 2, 2018	\$ 218.200	1,75	AAA (local)
	B-12 Series: CPI + 6,10%	IPC + 6,10%	Jul 2, 2021	\$ 89.580	4,76	AAA (local)
Seventh Bond Issuance (Fourth Tranche under Program)	B-10 Series: CPI + 3,52%	IPC + 3,52%	Dec.13, 2022	\$300.000	6,21	AAA (local)
	B-15 Series: CPI + 3,64%	IPC + 3,64%	Dec.13, 2027	\$200.000	11,21	AAA (local)
Eighth Bond Issuance (Fifth Tranche under Program)	B-6 Series: CPI + 4,25%	IPC + 4,25%	Sep.11, 2019	\$201.970	2,95	AAA (local)
	B-12 Series: CPI + 5,00%	IPC + 5,00%	Sep.11, 2025	\$363.030	8,95	AAA (local)
Ninth Bond Issuance (Sixth Tranche under Program)	B-6 Series: CPI +3,42%	IPC +3,42%	May 16, 2020	\$241.070	3,63	AAA (local)
	B-10 Series: CPI + 3,83%	IPC + 3,83%	May 16, 2024	\$ 186.430	7,63	AAA (local)
	B-16 Series: CPI + 4,15%	IPC + 4,15%	May 16, 2030	\$ 162.500	13,63	AAA (local)
Tenth Bond Issuance (Seventh Tranche under Program)	B-3 Series: CPI + 3,49%	IPC + 3,49%	Feb 11, 2019	\$ 234.870	2,37	AAA (local)
	B-7 Series: CPI + 4,69%	IPC + 4,69%	Feb 11, 2023	\$ 290.130	6,37	AAA (local)
Eleventh Bond Issuance (Eighth Tranche under Program)	E-6 Series: 7.59%	7.59%	Sep 27, 2019	\$300.000	6	AAA (local)
Total Local Bonds				\$3.173.340	5,78	
Bonos Internacionales						
144 A /Reg S	8,75%	8,75%	Jan 25, 2021	\$ 736.760	4,32	BBB / BBB (Intl.)
Total International Bonds				\$ 736.760		
Banca Local						
BBVA Colombia	IBR + 2,19% E.A.		Dec. 19, 2023	\$ 225.000	3,72	N/A
Banco de Bogotá	IBR + 2,22% E.A.		Dec. 19, 2023	\$ 80.000	3,72	N/A
Banks (short-term)	Average rate: 6,20%		Oct.2016- Jun. 2017	\$453.519	0,23	N/A
Total Banks				\$758.519	2,13	
Total Emgesa				\$4.668.619	4,49	

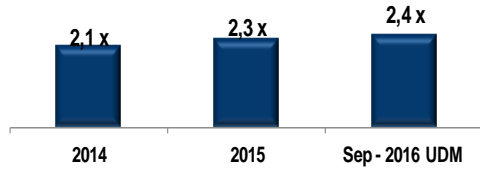
Financial Ratios

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

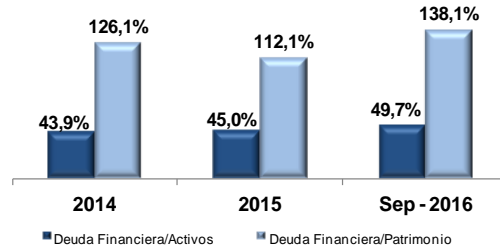


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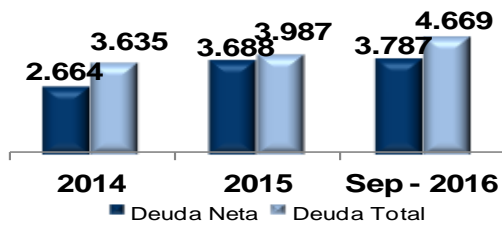
Debt / EBITDA



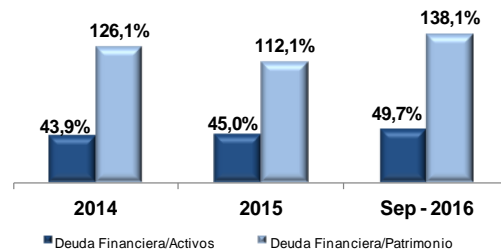
EBITDA/ Interest Expenditure



Financial Debt (USD million)⁵



Leverage



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

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