Grupo Enel

Operational and Financial Results Report - Emgesa S.A. E.S.P.
As of June 2017[1]

August 8th, 2017

Executive Summary

- ***Emgesa reached an EBITDA of COP $979 billion in the first half of 2017, maintaining a 60.9% margin on revenues.***

- ***Emgesa's diversified asset portfolio allowed it to use higher hydrology to increase its generation during the first half of 2017, contributing with 22.8% of the SIN's[2] total generation.***

- ***During the first half of 2017, Emgesa invested COP $73 billion, mainly in the maintenance of its generation assets.***

Emgesa's generation during the first half of 2017 reached 7,445 GWh

During the first half of 2017, Emgesa generated 7,445 GWh with its asset portfolio, equivalent to an increase of 3.5% compared to the same period of 2016. Hydroelectric generation contributed with 98.4% of total generation of the company whereas thermal generation supplied 1.6%. The increase in the company's generation was mainly due to a more favorable hydrology in the basins where Emgesa's hydroelectric power plants are located compared to the country average.

SIN generation in the first half of 2017 totaled 32,671 GWh, increasing by 0.8% over the same period in 2016. Generation mix observed was 80.7% hydro, 11.9% thermal, 6.4% mini-hydro and 0.9% cogeneration[3].

During the first half of 2017, the SIN's hydric inflows show that flow rates were mostly above the historical average throughout the country (115% of the Historical Average), although the eastern part of Colombia was marginally deficient. Focusing on Emgesa, the

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[1] Figures of the financial statements used in this presentation as of June 30th, 2017 were prepared in Colombian pesos under IFRS officially applied in Colombia since January 2015.

[2] Sistema Interconectado Nacional – SIN: National Interconnected System

[3] Source: Informes de Oferta y Generación mensuales (enero – junio 2017). XM Compañía de Expertos en Mercados S.A. E.S.P.- XM. www.xm.com.co.

contributions of all the reservoirs of the company surpassed the historical average, as follows: Betania 122%, Quimbo 129%, Guavio 102% and Rio Bogota basin with 166%.

Emgesa’s generation accounted for 22.8% of the generation of the SIN in the first half of 2017, being the third generator of the system measured by net generation contributed to the system.

Emgesa’s gross installed capacity at the end of June 2017 was 3,509 MW, remaining stable with respect to the end of 2016 and representing 21.0% of the SIN’s gross installed capacity.

Availability of Emgesa's generation plants was 92.0% in the first half of 2017, where hydroelectric plants had a 91.9% availability, lower than the 94.4% obtained in the same period of 2016, due to the execution of scheduled maintenance in the company's largest plants. On the other hand, the availability of Emgesa’s thermal plants was 92.0%, 7.5% higher than in first half of 2016, thanks to a significant reduction of unavailability levels due to the maintenance plan executed during the second half of 2016, once El Niño Phenomenon concluded.

During the first half of 2017, Emgesa sold 8,689 GWh, down 0.1% from the volume reported for the same period in 2016. 80.6% of sales were made through contracts with wholesale and non-regulated customers (71.8% in wholesale and 28.2% in non-regulated) and the remaining 19.4% corresponded to sales in the spot market and through the AGC mechanism[4]. Sales in contracts for the first six months of the year grew 8.3% compared to the same period in 2016, mainly in the wholesale market, whereas sales in the spot market decreased by 24.5%. The company increased the portion of energy sold in contracts and reduced sales in the spot market, as a hedging strategy to reduce the exposure of operating revenues to the lower spot price.

Meanwhile, energy purchases in the spot market fell by 16.0%, due to the fact that the greater hydrology presented during this period compared to the previous year allowed Emgesa to attend its

[4] The AGC (Automatic Generation Control) refers to the secondary frequency regulation defined by the Colombian energy system to maintain quality in the power supply avoiding large frequency variations in the National Transmission System.

commercial obligations with greater generation, also reducing the amount of energy purchases required in the spot market.

The following table summarizes Emgesa's main operating results for the first half of 2017:

	January - June 2017	January - June 2016	Change (%)
Emgesa Generation (GWh)	**7.445**	**7.191**	**+3,5%**
Hydro	7.326	6.397	**+14,5%**
Thermal	119	794	**-85,0%**
Emgesa Gross Installed Capacity (MW)	**3.509 (1)**	**3.509 (2)**	**0.0%**
Sales (GWh)	**8.689**	**8.701**	**-0,1%**
Contracts	7.004	6.469	**+8,3%**
Spot Market	1.685	2.232	**-24,5%**
Plants Availability	**92,0%**	**93,3%**	**-1,4%**
Energy Purchases (GWh)	**1.363**	**1.623**	**-16,0%**

(1) As of June 30, 2017
(2) As of December 31, 2016

Emgesa's EBITDA reached COP $979 billion

During the first half of 2017, Emgesa achieved an operating income of COP $1,6 trillion (USD 550 million), showing a reduction of 18.1% compared to a year earlier. This was the result of a slight reduction in sales volume, coupled with spot prices substantially lower than the exceptionally high prices recorded in the same period of 2016 during El Niño Phenomenon, which impacted not only revenues from the spot market but also those from certain unregulated contracts that have indexation to the spot price.

The costs of supplies and services, which represent Emgesa's cost of sales, reached COP $524 billion (USD 179 million) during the first half of 2017, equivalent to a 32.6% reduction compared to the first half of 2016. This decline was explained by a considerable decrease in the cost of energy purchases (-52.3%), due to less volume purchases at lower spot prices, and by a reduced use of thermal assets to generate energy, which implied a decrease in fuel costs.

Contribution margin was COP $1,1 trillion (USD 371 million), 8.5% less than in the first half of 2016.

EBITDA decreased by 8.1% in the first half of 2017 totaling COP $979 billion (USD 335 million), representing a 60.9% margin on operating revenues, due to the effect on the operating margin previously explained, as well as a reduction of 12.0% in fixed costs.

Net financial expense was COP $170 billion (USD 58 million)

Net financial expenses during the first half of 2017 decreased by 23.1% compared to the first half of 2016, reaching a total of COP $170 billion (USD 58 million).

On the one hand, gross financial expenses decreased by 24.2%, reaching COP $189 billion (USD 65 million). This is mainly due to a lower 12-month variation of the Consumer Price Index (CPI) over the course of the analyzed period, at which the coupons of 65.9% of total debt was indexed to by the end of June 2017, as well as to a lower average debt balance during the first half of 2017 compared to the same period in 2016. On the other hand, financial revenues also decreased by 31.8% due to lower average cash balances, which partially offset the reduction in gross financial expenses.

As a result of all of the above, Emgesa reported earnings before taxes (EBT) of COP $703 billion (USD 241 million), showing a decrease of 4.8% compared to the same period of the previous year.

Finally, net income decreased 3.4% compared to 2016, reaching COP $421 billion (USD 144 million), thanks to a lower effective tax rate that contributed positively to the net result.

CAPEX reached COP $73 billion (USD 25 million) during the first half of 2017.

During the first half of the year, Emgesa invested COP $73 billion (USD 25 million), equivalent to a 12.7% increase compared to the same period of 2016. This higher level of investments is mainly explained by the execution of scheduled maintenance on the company's hydroelectric plants and the implementation of some remaining investments associated with the construction of El Quimbo.

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Balance Sheet Structure

As of June 30th, 2017, the Company's assets totaled COP $8.5 trillion (USD 2.8 billion), a decrease of 6.6% compared to the end of 2016, mainly explained by the use of the cash for tax and dividend payments which are mostly concentrated during the first half of the year and to the repayment without refinancing of a portion of financial maturities due in the first half of 2017. Property, plant and equipment accounted for 93.5% of total assets, amounted COP $7,9 trillion (USD 2.6 billion), showing stability compared to December 31st, 2016.

Emgesa's liabilities at the end of June 2017 amounted to COP $5.1 trillion (USD 1.67 billion), a decrease of 8.6% compared to the end of 2016, mainly as a result of the amortization without refinancing of debt maturities worth COP $220 billion (USD 73 million) and a decrease of COP $145 billion (USD 48 million) in current tax liabilities due to the payment of income tax and CREE obligations during the first half of 2017.

The Company's total equity was COP $3.4 trillion (USD 1.1 billion), a 3.2% decrease compared to December 31st, 2016 due to the decree of dividends in March 2017 for a value equivalent to 70% of 2016 net profits.

Regarding Emgesa’s financial structure, liabilities and equity accounted for 59.9% and 40.1% of total assets respectively. Financial debt represented 49.4% of total assets at the end of June 2017.

During the first half of 2017, Emgesa paid dividends to its shareholders for a total of COP $402 billion (USD 138 million), as follows:

- In January, COP $200 billion (USD 69 million) corresponding to the last installment of the dividends decreed with charge to 2015 net income.
- In May, $ 202 billion (USD 69 million) corresponding to the first installment of the dividends decreed for 2016 net income.

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Financial Debt

At the end of June 2017, Emgesa's financial debt amounted to COP $4,2 trillion (including interest payable) (USD 1.4 billion), showing a decrease of 6.2% compared to the balance as of December 31, 2016. This was the result of a maturity of COP $170 billion in local bonds (USD 56 million) –out of which only COP $100 billion (USD 33 million) were refinanced through a 1-year synthetic credit granted by Banco de Crédito del Perú-, and the servicing with cash on hand of both a maturity of an international bank loan for COP $130 billion (USD 43 million) and local banks loans for COP $20 billion (USD 7 million) due in June.

Financial debt at June 30th, 2017 was represented by local bonds (73.1%), COP-denominated international bonds (18.0%) and bank loans (8.9%). Coupons of 65.9% from total financial debt were indexed to CPI, 27.7% were fixed and 6.4% were indexed to IBR. All of the company's debt was in Colombian pesos, either directly or through cross currency swaps.

The financial debt's average life at the end of June 2017 was 4.78 years.

The following table summarizes the terms and conditions of Emgesa's financial debt[5] as of June 30th 2017:

Instrument	Coupon/Interest	Maturity	Amount (MM COP)	Average Life (years)	Credit Rating
Local Bonds					
Fifth Bond Issuance (Second tranche under program)	B10 series : CPI + 5,78%	February 11, 2019	$ 160.060	1,62	AAA (local)
	B15 Series : CPI + 6,09%	February 11, 2024	$ 55.500	6,62	AAA (local)
Sixth Bond Issuance (Third tranche under program)	B-9 Series : CPI + 5,90%	July 2, 2018	$ 218.200	1,01	AAA (local)
	B-12 Series : CPI + 6,10%	July 2, 2021	$ 89.580	4,01	AAA (local)
Seventh Bond Issuance (Fourth tranche under program)	B-10 Series : CPI + 3,52%	December 13, 2022	$ 300.000	5,46	AAA (local)
	B-15 Series : CPI + 3,64%	December.13, 2027	$ 200.000	10,46	AAA (local)
Eighth Bond Issuance (Fifth tranche under program)	B-6 Series : CPI + 4,25%	September 11, 2019	$ 201.970	2,20	AAA (local)
	B-12 Series : CPI + 5,00%	September 11, 2025	$ 363.030	8,21	AAA (local)
Ninth Bond Issuance (Sixth tranche under program)	B-6 Series : CPI + 3.42%	May 16, 2020	$ 241.070	2,88	AAA (local)
	B-10 Series : CPI + 3.83%	May 16, 2024	$ 186.430	6,88	AAA (local)
	B-16 Series : CPI + 4.15%	May 16, 2030	$ 162.500	12,88	AAA (local)

[5] Excluding leasing operations

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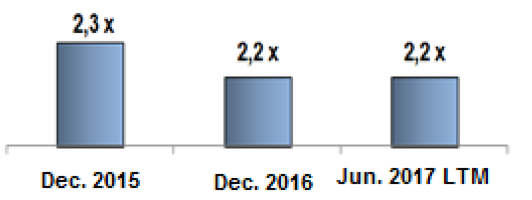
Instrument	Coupon/Interest	Maturity	Amount (MM COP)	Average Life (years)	Credit Rating
Tenth Bond Issuance (Seventh tranche under program)	B-3 Series : CPI + 3.49%	February 11, 2019	$ 234.870	1,62	AAA (local)
	B-7 Series : CPI + 4.69%	February 11, 2023	$ 290.130	5,62	AAA (local)
Eleventh Bond Issuance (Eighth tranche under program)	E-6 Series : 7.59%	September 27, 2019	$ 300.000	5,25	AAA (local)
			$3.003.340	**5,33**	
International Bonds					
144 A /Reg S	8,75%[6]	January 25, 2021	$ 736.760	3,58	BBB / BBB (Intl.)
			$ 736.760		
Bank Loans					
BBVA Colombia	IBR + 2,19% E.A	December 19, 2023	$ 195.000	3,47	N/A
Banco de Bogotá	IBR + 2,22% E.A	December 19, 2023	$ 69.333	3,47	N/A
Banco de Crédito de Perú	7,85%[7]	February 22, 2018	$ 100.000	0,65	N/A
			$364.333	**2,70**	
			$4.104.433	**4,78**	

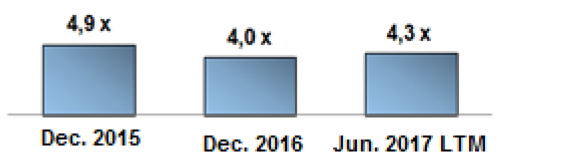
Key Credit Metrics

Main credit metrics as of June 30th, 2017 are as follows:

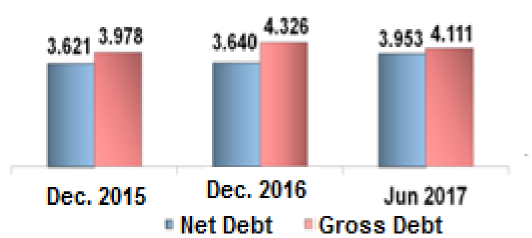
Debt /EBITDA



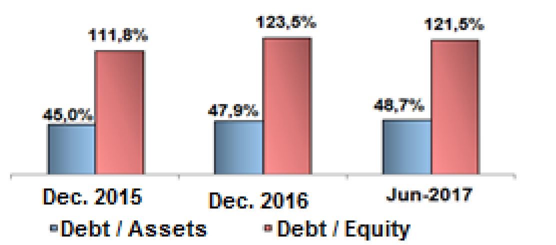
EBITDA/ Financial Expenses



Financial Debt[8]



Leverage



[6] Coupon rate before Withholding Tax

[7] All-in rate after hedge operation

[8] Net financial debt = Debt – Cash and Investments.
Financial Debt = Total outstanding debt (not including accrued interest)

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