emgesa

Grupo Enel

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

February 27, 2018

Executive Summary

- ***Emgesa reached an EBITDA of $2.05 trillion pesos in 2017, registering a growth of 3.1% compared to 2016, as a result of an increase in sales through contracts and a decrease in cost of sales, due to the reduction of thermal generation and lower value of energy purchases, given the scenario of low prices in the spot market, as a consequence of a greater hydrology observed in the country.***

- ***Emgesa's net income for the period was $887 billion pesos, an increase of 17.7% with respect to 2016, largely explained by a 22.7% reduction in net financial expenses.***

- ***During 2017, Emgesa generated 14.765 GWh, contributing with 22.1% of the SIN's[2] total generation.***

Emgesa's generation in 2017 reached 14.765 GWh

Emgesa showed a decrease of 1.4% in generation compared to 2016, mainly due to a lower requirement for thermal plants in the system compared to previous year, given a higher hydrology observed in 2017, in contrast with 2016's strong El Niño Southern Oscillation (ENSO) Phenomenon. In addition, trading operations reached higher dynamism as a result of the reduction of energy prices in the spot market, thus increasing purchases in the spot market and reducing the need for own generation.

As a consequence, hydro sources contributed to 98.8% of the company's total generation, whereas thermal sources generated 1.2%. This represented an increase in the participation in hydro generation of 4.0% compared to 2016 and a decrease of 81.8% in thermal generation.

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[1] Financial Statement figures used in this presentation as of and for the nine-month period ended, September 30th, 2017 were prepared in Colombian pesos under IFRS officially applied in Colombia.

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

As of December 2017, Emgesa's generation represented 22.1% of SIN's total generation, ranking as the third largest generator of the system.

During 2017, SIN generation was 66,666 GWh, increasing 1.1% compared to 2016, with a generation mix of 80.3% hydro, 11.9% thermal, 6.8% mini-hydro and 1.0% of cogeneration[3].

Throughout the first half of 2017, SIN's hydric inflows were above the historical average, whereas during the second semester there was a deficit, due to lower rainfall records during the second winter season in most of the country. However, during the entire year there were hydric inflows slightly lower than the historical average (97%), but higher than those presented in 2016 (83% compared to the historical average). Contributions of all Emgesa's reservoirs, with the exception of Guavio (94%), remained in surplus: Betania 102%, Quimbo 118%, and Rio Bogotá basin with 106%.

This led to an average spot market price during 2017 of COP$106/KWh, 65% lower than the level recorded during 2016 of COP$301/KWh.

Emgesa's gross installed capacity at the end of 2017 was 3,509 MW, remaining unchanged with respect to 2016 and representing 20.7% of the installed capacity of the SIN.

The availability factor of Emgesa's generation plants was at 92.6% during 2017, improving 1.3% compared to 2016. Hydroelectric plants had a 92.4% availability, lower than 94.1% obtained in 2016, due to the execution of scheduled maintenance at the company's largest plants. On the other hand, the availability of Emgesa's thermal plants was 94.1%, 32.2% higher than the previous year, due to the fact that important maintenance to power plants were made during 2016.

Emgesa sold 18.156 GWh during 2017

During 2017, Emgesa sold 18,156 GWh, 0.8% higher than the volume sold during 2016. 86.5% of sales were made through contracts, out of which 74.5% were made to wholesale customers and 25.5% to non-

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

regulated customers, and the remaining 13.5% corresponded to sales in the spot market and through the AGC mechanism[4].

As a strategy to face the high hydrology and low spot prices environment observed during 2017, the Company decreased sales in the spot market by 47.6% YoY and increased sales in contracts by 17.8%. In order to fulfill these obligations, Emgesa increased energy purchases by 11.5% compared to 2016, taking advantage of the low spot price registered throughout the year, thus decreasing the company's own generation level.

The following table summarizes Emgesa’s main operating results for 2017:

	January – December 2017	January – December 2016	Change (%)
Emgesa Generation (GWh)	**14.765**	**14.975**	**-1,4%**
Hydro	14.593	14.032	**+4,0%**
Thermal	172	943	**-81,8%**
Emgesa Gross Installed Capacity (MW)	**3.509 (1)**	**3.509 (2)**	**0.0%**
Sales (GWh)	**18.156**	**18.015**	**0,8%**
Contracts	15.701	13.329	**+17,8%**
Spot Market	2.455	4.686	**-47,6%**
Plants Availability	**92,6%**	**91,4%**	**1,3%**
Energy Purchases (GWh)	**3.617**	**3.244**	**11,5%**

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

Emgesa's EBITDA reached COP $2.05 trillion

Emgesa's operating income in 2017 was COP $3.43 trillion (USD 1.16 billion), showing a reduction of 2.5% with respect to previous year, explained by the significant reduction in prices in the spot market. This effect was partially offset by a higher volume of sales, mainly in contracts in the wholesale market.

The costs of supplies and services, which represent Emgesa’s cost of sales, reached COP $1,17 billion (USD 397 million) in 2017, equivalent to a reduction of 11.5% compared to 2016, mainly explained by: i) the lower use of thermal plants for generation, which implied a 77%

[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.

decrease in fuel consumption, going from COP $170 billion in 2016 to COP $39 billion in 2017 and ii) a reduction in the cost of energy purchases of 18.2%, from COP $596 billion in 2016 to COP $487 billion in 2017, due to the significant reduction in spot prices and despite the greater volume of purchases in the spot market according to the commercial strategy implemented by the company

Operating margin was COP $2.25 trillion (USD 764 million), 2.9% higher than the previous year.

Fixed costs increased by 1.3%, mainly due to higher cost of personnel but partially offset by the reduction in the rate of wealth tax and a lower cost of insurance policies.

As a result of all of the above, EBITDA increased by 3.1% at the end of 2017 totaling COP $2.05 trillion (USD 693 million), reaching a 59.7% margin on operating revenues.

Depreciation and amortization increased by 9.6% with respect to the previous year, mainly due to the activation of certain investment projects carried out in previous periods. In addition, there is a significant reduction in impairment losses, since there was a one-off bad debt provision registered in the last quarter of 2016 for COP $99 billion.

As a result, EBIT in 2017 reached $ 1.84 trillion, showing an increase of 8.6% compared to the previous year.

Net financial expenses decreased by 20.6% compared to 2016

Net financial expense during 2017 registered a decrease of 20.6% compared to 2016, reaching a total of COP $352 billion (USD 119 million).

On the one hand, gross financial expense decreased by 22.7%, reaching a figure of COP $384 billion (USD 130 million). This reduction is explained by the combination of: i) a lower Consumer Price Index (CPI) at which the coupons of 66% of the Company's debt was indexed to, ii) a lower average debt balance in comparison with 2016, and iii) a significant reduction in the Withholding Tax applicable to the interests of the company's International Bond.

On the other hand, financial income also decreased by 41.9% due to lower average cash balances observed and average interest rates.

Earnings before taxes (EBT) reached COP $1.45 trillion (USD 492 million) during 2017, increasing by 17.6% compared to the previous year.

Finally, net income increased by 17.7% compared to 2016, reaching COP $887 billion (USD 301 million), as a result of previous explanations and considering that effective tax rate remained at 39.0%, same level as registered in 2016.

Emgesa made investments by COP $234 billion (USD 79 million)

During 2017, Emgesa decreased investments by 9.2% compared to 2016, mainly explained by lower needs of maintenance Capex for generation plants. However, investments were mostly concentrated in maintenance (COP $145 billion) and less extent in expansion (COP $90 billion).

Balance Sheet Structure

As of December 31th, 2017, the Company's assets totaled COP $9.03 trillion (USD 3.03 billion), a decrease of 0.1% compared to the end of 2016, explained by the reduction of deferred tax mainly due to the change in useful lives for tax purposes, and use of cash balances for the payment of obligations with third parties. These effects are offset by the increase in the receivables, due to higher sales in contracts whose collection is stipulated at 60 days.

Net Property, plant and equipment represented 88.0% of total assets, valued at COP $7.95 trillion (USD 2.66 billion), and presented an increase of 0.3% compared to December 31st 2016, due to a slight growth in investments during last quarter of 2017.

Emgesa's total liabilities as of December 2017 amounted to COP $5.18 trillion (USD 1.74 billion), a decrease of 6.5% compared to the end of 2016, mainly as a result of the amortization without refinancing of debt maturities and dividend payments.

The Company's total equity was COP $3.85 trillion (USD 1.29 billion), a 10.1% increase compared to December 31st, 2016 as a result of the accrual of 2017 net income, increase in retained earnings as a result of the declaration of dividends equivalent to 70% of the net income for 2016, and a higher reserve for accelerated tax depreciation.

Regarding Emgesa's financial structure, liabilities and equity accounted for 57.4% and 42.6% of total assets respectively. Financial debt represented 46.4% of total assets at the end of 2017.

During 2017, Emgesa paid dividends to its shareholders for a total of COP $597 billion (USD 202 million), as follows:

- In January, COP $200 billion (USD 68 million) corresponding to the last installment of the dividends decreed on 2015 net income.
- In May, $ 202 billion (USD 68 million) corresponding to the first installment of the dividends decreed on 2016 net income.
- In October, $ 195 billion (USD 66 million) corresponding to the second installment of the dividends decreed on 2016 net income.

Financial Debt

At the end of 2017, Emgesa's financial debt including interest expenses accrued and payable, amounted to COP $4,19 trillion (USD 1.40 billion), showing a decrease of 5.9% compared to the balance as of December 31, 2016.

Throughout 2017, COP $341 billion were amortized corresponding to maturities of local bonds (COP $170 billion), international loans (COP 130 billion) and local loans (COP $41 billion), out of which only COP$100 billion were refinanced through a one-year synthetic loan with the Banco de Crédito del Peru.

Financial debt as of December 31, 2017 was represented by local bonds (73.5%), COP-denominated international bonds (18.0%) and bank loans (8.5%). Coupons of 66.2% from total financial debt were indexed to CPI, 27.8% were fixed and 6.0% 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 2017 was 4.3 years.

As of the 31st of December 2017, all of Emgesa's local bond issuances were rated AAA (local scale rating) by Fitch Ratings and Emgesa's international bond issuance was rated BBB (stable) by both Fitch Ratings and Standard & Poors.

The following table summarizes the terms and conditions of Emgesa's financial debt[5] as of December 31, 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	1,12	AAA (local)
	B15 Series : CPI + 6,09%	February 11, 2024	$ 55.500	6,12	AAA (local)
Sixth Bond Issuance (Third tranche under program)	B-9 Series : CPI + 5,90%	July 2, 2018	$ 218.200	0,50	AAA (local)
	B-12 Series : CPI + 6,10%	July 2, 2021	$ 89.580	3,50	AAA (local)
Seventh Bond Issuance (Fourth tranche under program)	B-10 Series : CPI + 3,52%	December 13, 2022	$ 300.000	4,95	AAA (local)
	B-15 Series : CPI + 3,64%	December.13, 2027	$ 200.000	9,96	AAA (local)
Eighth Bond Issuance (Fifth tranche under program)	B-6 Series : CPI + 4,25%	September 11, 2019	$ 201.970	1,70	AAA (local)
	B-12 Series : CPI + 5,00%	September 11, 2025	$ 363.030	7,70	AAA (local)
Ninth Bond Issuance (Sixth tranche under program)	B-6 Series : CPI + 3.42%	May 16, 2020	$ 241.070	2,38	AAA (local)
	B-10 Series : CPI + 3.83%	May 16, 2024	$ 186.430	6,38	AAA (local)
	B-16 Series : CPI + 4.15%	May 16, 2030	$ 162.500	12,38	AAA (local)
Tenth Bond Issuance (Seventh tranche under program)	B-3 Series : CPI + 3.49%	February 11, 2019	$ 234.870	1,12	AAA (local)
	B-7 Series : CPI + 4.69%	February 11, 2023	$ 290.130	5,12	AAA (local)
Eleventh Bond Issuance (Eighth tranche under program)	E-6 Series : 7.59% E.A.	September 27, 2019	$ 300.000	4,74	AAA (local)
			$3.003.340	**4,83**	
International Bonds					
144 A /Reg S	8,75% E.A.[6]	January 25, 2021	$ 736.760	3,07	BBB / BBB (Intl.)
			$ 736.760	**3.07**	
Bank Loans					
BBVA Colombia	IBR + 2,19% E.A	December 19, 2023	$ 180.000	3,22	N/A
Banco de Bogotá	IBR + 2,22% E.A	December 19, 2023	$ 64.000	3,22	N/A
Banco de Crédito de Perú	7,85%[7] N.A	February 22, 2018	$ 100.000	0,15	N/A
			$344.000	**2,32**	
			$4.084.100	**4,30**	

[5] Excluding leasing operations

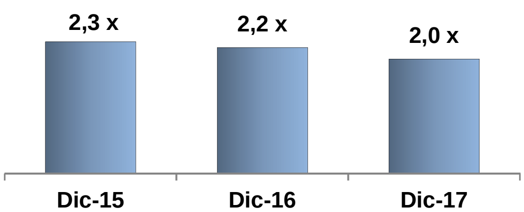
[6] Coupon rate before Withholding Tax

[7] All-in rate after hedge operation

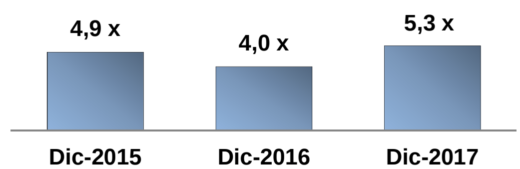
Key Credit Metrics

Main credit metrics as of December 31, 2017 are as follows:

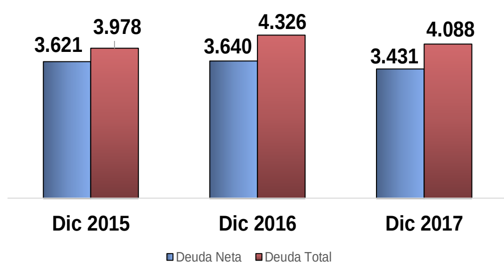
Financial Debt /EBITDA



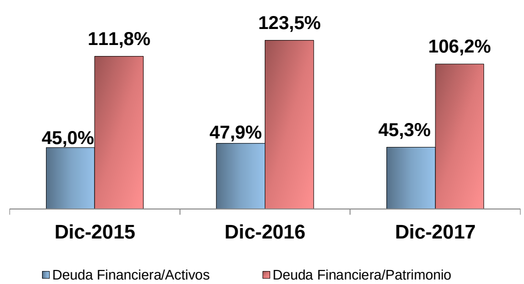
EBITDA/ Financial Expenses



Gross and Net Financial Debt[8]



Leverage



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