Operational and Financial Results Report
Emgesa S.A. E.S.P.
As of June 2019[1]

June 30th, 2019

<u>Executive Summary</u>

- ***Emgesa reached a net income of COP $621 billion during the first half of 2019. This result reflects a successful commercial and business strategy despite low water availability.***

- ***Emgesa's diversified asset portfolio allowed the company to increase its generation during the first half of 2019, contributing with 21.07% of the total system generation.***

- ***In the first half of 2019, Emgesa invested COP $93.9 billion focused on projects to extend the useful life of Termozipa, a plant in which the first energy storage battery system was also installed, and to maintain the optimal operation of its centrals.***

Regulatory update

Aiming at having a resilient and complementary electricity generation matrix while reducing greenhouse gas emissions (GHG) and promoting competition in the sector, the Ministry of Mines and Energy issued resolutions 40590 and 40591 which defines and implements a mechanism that promotes long-term contracting for non-conventional renewable generation sources projects. Also, an energy contracts auction will be call by the authorities, with take or pay contracts as of January 1, 2022; with 12 to 15 years tenor.

In June 2019, CREG published resolution 060 of 2019, "By which modifications and temporary additions to the Operating Regulations are made to allow the connection and operation of solar photovoltaic and wind plants in the SIN, and established other provisions". This resolution defines operational requirements and commercial aspects for the treatment of non-conventional sources in the operational dispatch.

Emgesa's generation during the first half of 2019 reached 7.201 GWh

[1] Financial Statement figures used in this presentation as of June, 2018 and June, 2019 were prepared in Colombian pesos under IFRS officially applied in Colombia since January, 2015.

During the first half of 2019, Emgesa generated 7.201 GWh through its generation portfolio, showing a decrease of 6.7% compared to the same period of 2018. Hydroelectric generation contributed with 94.5% of the Company's total generation, while thermal supplied 5.5%. The increase in the Company's generation was mainly due to higher thermal generation (+195.6%) taking advantage of high energy prices in the spot market, a consequence of lower hydrology due to the dry season.

As of June 30, 2019, Emgesa's generation represented 21.1% of SIN's total generation, ranking as the second largest generator of the system.

During the first half, National generation was 34.175 GWh, increasing 1.8% compared to the same period of 2018. Generation mix was 72% hydro, 19% thermal, and 9% of other technologies[2]. Hydro generation decrease by 1.8% while thermal generation increases by 20.9%, in line with the trend of Emgesa's generation.

For the January-June period, reservoirs contributions were near historical average (99%). Focusing on Emgesa, the contribution surpassed the historical trend: Bogotá Central (131%), Guavio Central (107%) and El Quimbo (106%), while Betania registered an 84% deficit.

In line with the above, the El Niño phenomenon marked the average price in the spot market during the first half reaching COP $221/KWh, 90.5% higher than the average recorded during the same period of 2018 (COP $116/KWh).

Availability of Emgesa's generation plants was 91.9% in the first half of 2019, showing a reduction 2.6% when compared to the same period in 2018. During the analyzed period, failures in unit 3 of Cartagena Central (turbine contamination caused by oil leakage) caused unavailability due to corrective maintenance, while the scheduled maintenance took place according to plan.

Emgesa sold energy for 8.684 GWh during first half of 2019

During the first half of 2019, Emgesa sold 8.684 GWh, down 1.8% from the volume reported for the same period in 2018. 82.4% of sales were made

[2] 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.

through contracts with wholesale (72.5%) and non-regulated customers (27.5%), the remaining 17.6% corresponded to sales in the spot market and through the AGC mechanism. Sales in contracts decreased by 1.1% and sales through spot market decreased 5.0% compared to the same period of 2018, mainly due to changes in contracting with customers of the non-regulated market.

On the other hand, energy purchases in the spot market were reduced by 34.0%, because part of the commercial obligations were met with the Company's generation, reducing the level of purchases required in this market.

The following table summarizes Emgesa's main operating results for first half of 2019:

	January - June 2019	January - June 2018	Change (%)
Emgesa Generation (GWh)	**7.201**	**6.746**	**+6,7%**
Hydro	6.802	6.611	**+2,9%**
Thermal	399	135	**+195,6%**
Emgesa Gross Installed Capacity (MW)	**3.506**(1)	**3.547**(2)	**-1,1%**
Sales (GWh)	**8.684**	**8.843**	**-1,8%**
Contracts	7.159	7.238	**-1,1%**
Spot Market	1.525	1.605	**-5,0%**
Plans Availability	**91,1%**	**93,7%**	**-2,6%**
Energy Purchases (GWh)	**1.588**	**2.231**	**-28,8%**

(1) As of June 30, 2019
(2) As of December 31, 2018

Emgesa's EBITDA reached COP $1.2 trillion

During first half of 2019, Emgesa's achieved an operating income of COP $1.95 trillion, showing an increase of 10.5% compared to the previous year. This positive performance is explained by: i) an increase in energy prices in the spot market due to the El Niño Phenomenon presented during the first months of the year. This situation benefited sales transactions in both the spot market and through contracts with non-regulated clients that are indexed to the spot price, ii) and a better performance of the PPI.

Similarly, in the same period the costs of supplies and services reached COP $682 billion, growing 10.1% compared to the same period of 2018, mainly explained by: i) an increase in the cost of energy purchases (+16.1%) derived from a higher prices in the spot market, ii) an increase in the cost of fuels (+43%) due to higher generation with thermal resources, and iii) higher costs by Law 99/93 (+47%) as a result of an increase in the rate with which energy income is settled for the calculation of transfers of the electricity sector, whose application was partial in 2018 but does affect the entire term of 2019.

The increase in costs is offset by a reduction in the restrictions or limitations of National Interconnected System - SIN, to attend the energy requirements. System restrictions forced energy generation that can be more expensive than generations in ideal conditions. In 2019 there is a reduction compared to the figures registered for the same period of 2018 (-55%).

All of the above explained a contribution margin of COP $1.27 trillion, 8.3% higher than the same period of the previous year.

As a result of the operating margin explained above and +5.3% in fixed costs, mainly due to greater execution in environmental activities at the plants, such as safety inspections and risk programs as well as greater execution in the telemetry contract for the entry of new clients, EBITDA increased 11.2% at the end of June 2019, registering COP $ 1,2 billion and reaching a margin of 59.7% on operating revenue.

After the entry into operation of the investments made during 2018 and in line with the maintenance and growth plan that is being executed, depreciation and amortization show an increase of 9.6% compared to the same period of the previous year, on the other hand, there was a reduction in impairment losses thanks to a greater portfolio recovery.

As such, EBIT reached COP $1.05 trillion in the first half of 2019, showing an 11.7% increase compared to the same period of the previous year.

Net financial expenses decreased by 13.1%

Net financial expense accumulated in the first half of 2019 decreased by 13.1% compared to the first half of 2018, reaching a total of COP $133 billion.

On the one hand, gross financial expense decreased by 12.0%, reaching COP 150 billion. This reduction is explained by the combination of: i) a lower 12-month variation of the Consumer Price Index (CPI) to which 64% of the

Company's debt was indexed to by the end of June 2019, and ii) a lower average debt balance during the first half of 2019 compared to December 2018.

Likewise, financial revenues decreased by 28.1% mainly explained by lower average placement interest rates compared to the first half of 2018.

Thus, Emgesa reported earnings before taxes (EBT) of COP $916 billion, presenting an increase of 17% compared to the same period of the previous year.

Finally, net income increased 22.9% compared to the same period of 2018, reaching COP $ 621 billion, according with the previously explained, and considering a lower tax rate after the reduction of the income tax rate by 4 points for 2019.

Emgesa made investments by COP $93.9 billion during first half of 2019

During the first half of 2019, Emgesa invested COP 93.9 billion, equivalent to a 27.9% increase compared to the same period of 2018. This higher level of investment is mainly explained by the life extension project and the batteries and environmental improvement in the Termpozipa plant, as well as investment associated with the concession of waters of the Bogotá river, and the execution of the hydroelectric plants maintenance plan, particularly, the preventive maintenance carried out at unit 2 of Betania.

Balance Sheet Structure

As of June 30th, 2019, the Company's assets totaled COP $8.8 trillion, a decrease of COP 439 billion compared to the end of 2018 (-4.7%), mainly explained by the use of cash to the payment of bonds, taxes and dividends.

Property, plant and equipment represented 91.2% of total assets, reaching COP $8.03 trillion, showing stability compared to December 31st, 2018.

Emgesa's liabilities at the end of June 2019 amounted to COP $4.67 trillion pesos, a decrease of 6.7% compared to the end of 2018, mainly explained by amortization without refinancing of debt maturities (bonds and bank loans).

The Company’s total equity was COP $4.14 trillion, presenting a reduction of 2.4% compared to December 31st, 2018, mainly explained by the approval of profits and payment of dividends from the year 2018.

Regarding Emgesa’s financial structure, liabilities and equity accounted for 53.0% and 46.9% of total assets, respectively. Financial debt represented 38.5% of total assets at the end of June 2019.

During 2019, Emgesa paid dividends to its shareholders for a total of COP $429 billion, corresponding to the last installment of the dividends decreed of 2017 net income, and the first installment of the dividends decreed of the 2018 results, equivalent to a 70% dividend payout.

Financial Debt

At the end of June 30, 2019, Emgesa’s financial debt including interest payables, amounted to COP $3.40 trillion, showing a decrease of 10.7% compared to the balance as of December 31, 2017.

During the first half of 2019, all the financial obligations were fulfilled with the Company’s internal cash generation, as follows:

- COP $160 billion corresponding to a local bond maturity from the second tranche of the Company’s Issuance and Placement Program.
- COP $235 billion corresponding to a local bond maturity from the seventh tranche of the Company’s Issuance and Placement Program.
- COP $15 billion corresponding to the payment of the Club Deal quota in June.

As of June 30th, 2019, Emgesa’s financial debt was represented by local bonds (73%), COP – denominated international bonds (22%) and bank loans (5%). Coupons of 64% from total financial debt were indexed to CPI, 32% were fixed and 4% were indexed to IBR.

All of the company’s debt was in Colombian pesos. The financial debt’s average life at the end of the June 2019 was 3.82 years.

All of Emgesa’s local bond issuances maintain the highest AAA rating (local scale rating) by Fitch Ratings and Emgesa’s international bond issuance is on the BBB (stable) scale by Fitch Ratings and Standard & Poors.

The following table summarizes the terms and conditions of Emgesa's financial debt[3] as of June 30th, 2019:

Instrument	Coupon/Interest	Maturity	Amount (MM COP)	Average Life (years)	Credit Rating
Local Bonds					
Fifth Bond Issuance (Second tranche under program)	B15 Series : CPI + 6,09%	February 11, 2024	$ 55.500	4,62	AAA (local)
Sixth Bond Issuance (Third tranche under program)	B-12 Series : CPI + 6,10%	July 2, 2021	$ 89.580	2,01	AAA (local)
Seventh Bond Issuance (Fourth tranche under program)	B-10 Series : CPI + 3,52%	December 13, 2022	$300.000	3,46	AAA (local)
	B-15 Series : CPI + 3,64%	December.13, 2027	$200.000	8,46	AAA (local)
Eighth Bond Issuance (Fifth tranche under program)	B-6 Series : CPI + 4,25%	September 11, 2019	$201.970	0,20	AAA (local)
	B-12 Series : CPI + 5,00%	September 11, 2025	$363.030	6,21	AAA (local)
Ninth Bond Issuance (Sixth tranche under program)	B-6 Series : CPI + 3.42%	May 16, 2020	$241.070	0,88	AAA (local)
	B-10 Series : CPI + 3.83%	May 16, 2024	$ 186.430	4,88	AAA (local)
	B-16 Series : CPI + 4.15%	May 16, 2030	$ 162.500	10,88	AAA (local)
Tenth Bond Issuance (Seventh tranche under program)	B-7 Series : CPI + 4.69%	February 11, 2023	$ 290.130	3,62	AAA (local)
Eleventh Bond Issuance (Eighth tranche under program)	E-6 Series : 7.59% E.A.	September 27, 2019	$300.000	3,25	AAA (local)
			$2.390.210	**4,34**	
International Bonds					
144 A /Reg S	8,75% E.A[3]	January 25, 2021	$ 736.760	1,58	BBB / BBB (Intl.)
			$ 736.760	**1,58**	
Bank Loans					
BBVA Colombia	IBR + 2,00% E.A.	December 19, 2023	$150.000	2,22	N/A
			$150.000	**2,22**	
			$3.276.970	**3,72**	

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