EMGESA
Annual Report 2011

Board of Directors

Principal Members	Alternate
Joaquín Galindo Vélez	Sebastián Fernández Cox
Ramiro Alfonsín Balza	Fernando Gutiérrez Medina
José Antonio Vargas Lleras	Gustavo Gómez Cerón
Luisa Fernanda Lafaurie	Andrés López Valderrama
Mónica De Greiff Lindo	Henry Navarro Sánchez
Héctor Zambrano Rodríguez	Cristina Arango Olaya
José Iván Velásquez Duque	Manuel Jiménez Castillo

General Manager	Lucio Rubio Díaz
1st alternate to the General Manager	Fernando Gutiérrez Medina
2nd alternate to the General Manager	Gustavo Gómez Cerón

Shareholding Composition

Shareholder	Number of shares	Participation
Empresa de Energía de Bogotá S.A. ESP.	76.710.851	51,513%
Endesa Latinoamérica S.A.	32.176.823	21,608%
Empresa Nacional de Electricidad S.A.	40.019.173	26,874%
Otros	7.315	0,005%
Total	148.914.162	100%

Management

General Manager	Lucio Rubio Díaz
Legal Manager	Andrés Caldas Rico
Commercial Manager	Fernando Gutiérrez Medina
Financial Manager	Juan Manuel Pardo Gómez
Communications and Institutional Relations Manager	María Celina Restrepo S.M.
Planning and Management Control Manager	Leonardo López Vergara
Production Manager	Gustavo Gómez Cerón
Organization and HR Manager	Rafael Carbonell Blanco
Regulations Manager	Omar Serrano Rueda
Supplies Manager	Pablo Aguayo González
Development and Energetic Planning Manager	Javier Blanco Fernández
IT and Telecommunications Manager	Patricia Delgado Meza
Audit Manager	Mauricio Carvajal García
General Services	Ana Lucía Moreno Moreno

Sumario

Letter to the Shareholders

Messrs. Shareholders:

We are glad to present the company results and the most relevant management facts between January 1 and December 31 of 2012.

The Colombian economy displayed significant dynamics during 2011, in a complex international environment marked by the debt crisis in the euro area and the slow recovery of the American economy. Such situation reflected in the 7.7% annual GNP growth at the end of the 3rd quarter, being probable that the economy will grow above 5.5% during 2011.

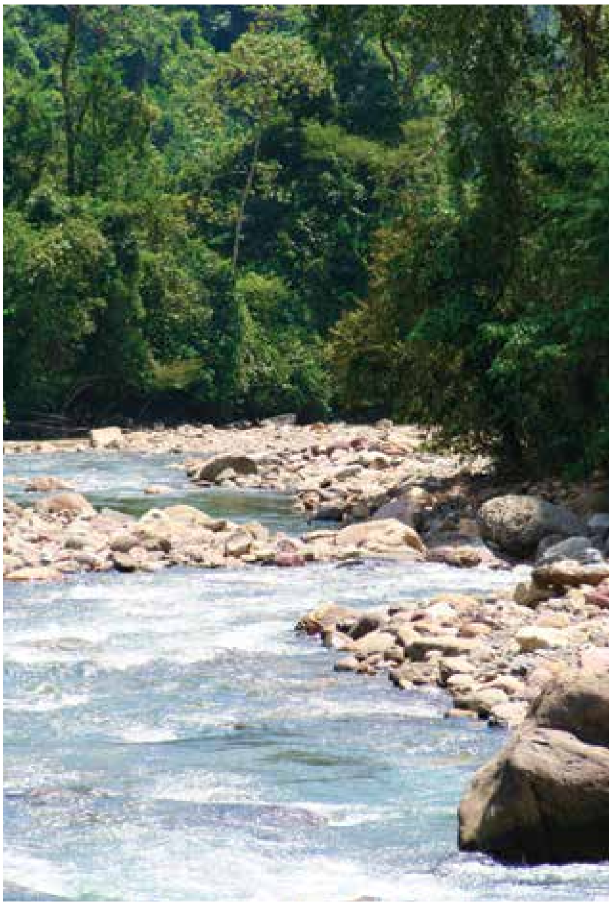
According to growth figures, the Colombian economy showed significant progress in other key economic activity metrics. Unemployment reached only one digit and direct foreign investment grew above 60% with respect to the previous year, clear evidence of the growing confidence of foreign investors in the country, confirmed by the investment grade given by major international risk rating agencies.

During most of 2011, the country faced a severe rainy season, result of the "La Niña" phenomenon, which in addition to high costs in terms of human suffering and hindered economic growth had repercussions on the Colombian electrical market, which saw maximum historical rain levels.

Activities in the spot market to maximize the Company variable margin and optimize the use of water resources should be praised, under the context of the strong rainy season that brought a reduction in energy stock prices.

As a result of the above activities, a variable margin in excess of 11.9% with respect to the 2010 margin was achieved. During 2011, commercial activities resulted in sales of 15,112 GWh, of which 7,639 GWh corresponded to sales under wholesale contracts, 2,905 GWh to large clients, and 4,568 GWh to spot market sales. At the end of 2011, 791 non-regulated clients were being served (41 clients more than in 2010).

In 2011, EMGESA reported net electrical generation of 12,092 GWh, 7% more than the previous year. While in 2010 90.9% of all electrical power generated was hydraulic, this percentage increased to 96.18% in 2011.



The average water provided to the Guavio reservoir was 111% of the historic mean, the Bogotá river basin 298%, and the Betania 123%.
The average weighted availability of the company's electrical generation stations was 88.72% (90.73% hydraulic and 77.54% steam), 4.6% higher than 2010, confirming the continued efforts to improve reliability, efficiency, and compliance with maintenance activities carried out at these stations. Preventive maintenance during 2011 was carried out according to previously established plans and routines, aimed to achieving operational excellence.

During 2011, the EMGESA EBITDA was $1,256,231 M, 12.91% higher than 2011, equivalent to a margin over taxes of 66.15%.

The company net profits during 2011 were $667,755 M, a 16.75% growth with respect to the previous year, mainly the result of the above commercial activities, the effectiveness and efficiency of the electrical stations' operational management, and the continued improvement of processes carried out by the infrastructure and support areas.

On January 20 of 2011, EMGESA successfully placed its first bond issuance in the international capital market, for COP $736,760 M, equivalent to US $400,000,000, with a 10-year maturity. With this issuance, EMGESA became the first Colombian corporate issuer to perform a peso issuance in the international capital market, successfully reaching a demand level equivalent to 3.6 times the amount initially offered. The operation is part of the financial structure of the El Quimbo Hydro-Electric Plant Project, which allowed securing pre-financing resources for this project for 2011 and part of 2012. This issuance was preceded by the public EMGESA BBB- rating announcement by Fitch Rating and Standard & Poor's.

In 2011, the Fitch Ratings Colombia S.A. S.C.V. Technical Rating Committee gave a AAA rating to the EMGESA corporate debt and to all its current bond issuances (the highest credit rating), in which risk factors are practically non-existent.

It should be noted that EMGESA has the support of one of the most important energy groups at a global level: ENEL-ENDESA, group that operates in 40 countries, with more than 96,800 MW of installed capacity and close to 61,000,000 clients in the electric and gas market. In Latin America, our parent company has a substantial project portfolio to respond to the needs of markets it operates in, this way becoming a reliable electrical power provider, friendly to the environment and to communities, at competitive prices.

During 2011, work was done in the main El Quimbo project contracts, worth mentioning being the conclusion of the river detour tunnel on July 30 of 2011, construction of industrial roads leading to the various work fronts, and ancillary work done (spillway, auxiliary dyke, and collection structure work for the loading tunnels); also, the excavation work for the machinery room embankments was started. During 2011, the project communications plan was implemented, whose main purpose is assigning project responsibilities in order to build perception based on respect and confidence.
During 2011, human resources continued being a crucial element for company growth, special efforts having been made regarding personnel training and development through activities focused on strengthening technical and management abilities and the organizational culture, and development of innovation as a competitive element.

Regarding training given to company personnel and those of is collaborating companies, emphasis was also made on safety and risk prevention regarding activities that, due to their nature, could involve accident risks. As a result of such training and the continued improvement in safety protocols applied to such activities, there has been satisfactory improvement in accident indexes (frequency and severity) as compared with previous years. However, constant improvement is still necessary, based on zero accident tolerance.

Work continued during 2011 regarding the company's innovation system consolidation process, called "IDEO", under which several areas have been successfully included in the systematic development of innovative initiatives and projects, looking to continuously improve processes and discover new practices that will significantly increase the company competitiveness. An important part of the innovation system is the execution of agreements with the most important universities in the country, looking to jointly manage investigation, development, and innovation activities. Efforts made to develop a "cross innovation culture" throughout the organization should be highlighted, by means of attractive communication and information campaigns on creativity and innovation.

In general, company social activities are carried out according to local education and development strategic guidelines identified for social participation with communities of the municipalities living in the company's area of influence. Included in its education strategy, the company made contributions to improve for rural schools affected by the rainy season, developing the environmental education program in 13 schools of the municipalities of San Antonio del Tequendama, Tocancipá, Sibaté, and El Colegio, under agreements with environmental NGOs existing in such municipalities, looking to support formulation and implementation of the PRAES school environmental projects.

In addition to other activities carried out with the ENDESA Colombia Foundation, under the local development strategy twin-purpose cattle productive projects continued in the municipality of Gama; coffee crops in the municipalities of San Antonio de Tequendama, El Colegio, Viotá, Ubalá, Gachalá, and Gama were renewed and aromatic herbs were produced and sold in the municipalities of San Antonio del Tequendama and El Colegio in order to help generate revenues for peasant families through environmentally sustainable good agricultural practices.

Regarding environmental protection activities, strict execution of activities included in the Environmental Management Plans of the company's various generation areas should be highlighted, including protection of water sources and river corridors in the area of influence of the Guavio reservoir, fish repopulation activities in the Betania reservoir, permanent control of "buchon" in the Muña reservoir, and morphological recuperation and restoration activities in the Muña quarry (from which materials used to customize the Muña reservoir dykes was obtained).

During 2011, the company submitted the 7th edition of its Sustainability Report, this way responding to its commitment to inform its groups of interest of activities and progress regarding commitments included in its Sustainability Policy.

According to the corporate bylaws, we are presenting the following reports to the shareholders:

- The General Manager's Management Report corresponding to the fiscal year of 2011, approved by the Board of Directors.
- Report from Ernst & Young Ltda., in its capacity of statutory auditor, regarding internal control.
- Report on article 446 of the Trade Code.
- Special report from the Corporate Group, according to article 29 of Law 222 of 1995.

According to item 12 of article 68 of the corporate bylaws, we are informing the shareholders that the company has an internal control office that watches over compliance with control and management programs. External audits carried out on management and results are being done by Deloitte Asesores y Consultores Ltda.; the results will be included in the Information System from the Superintendence of Household Public Utilities, according to applicable deadlines.

Cordially,

Lucio Rubio

LUCIO RUBIO DIAZ
General Manager

JOSE ANTONIO VARGAS LLERAS
Chairman of the Board of Directors

Macroeconomic Analysis

In the midst of a complex international economic environment branded by the debt crisis in the euro zone and the slow recovery of the American economy, during 2011 the Colombian economy was highly dynamic, as attested by its investment grade recovery, the significant growth of direct foreign investment, the reduction of its unemployment rate, and possibly the greatest increase in economic activities since late 2006, represented by a 7.7% GNP growth at the end of Q3 2011 - one of the highest in the region - surpassing Peru (6.5%) Chile (4.8%), Mexico (4.5%), and Brazil (2.1%). The total Colombian GNP growth for 2011 will be likely above 5.5%.

The 7.3% annual growth of household consumption at the end of Q3 2011 was an economic growth pillar, based on the high credit availability and progress seen in the labor market. Despite the Central Bank having increased its participation rate during 2011 (from 3% to 4.75% between January and December) and despite such increase having been fully transferred to commercial and consumption credit rates, the total credit portfolio continued growing during 2011, at the end of the 1st half of the year reaching 19.9%. Progress in the labor market resulted in unemployment rates that in December of 2011 were reported at 9.7%, the lowest of the last 10 years.

Direct Foreign Investment - another pillar of the Colombian economy growth during 2011 - evolved significantly and reached US $10,821 M between January and September 2011, an 88.7% growth with respect to 2010. Approximately 60% of direct foreign investment that reached the country between January and September of 2011 was directed to the oil and mining sectors, under the context of high international prices of primary products. Its positive evolution was also influenced during 2011 by Colombia having received the investment level from the 3 main international risk rating agencies.

The positive evolution of construction also helped the Colombian economy growth, which at the end of Q3 2011 had reached an 18.1% annual growth, the highest since March 2007. Investment in civil work was reduced during the first quarters of the year, however strongly recovering during the 3rd quarter as a result of rehabilitation work done on the road infrastructure affected by the rainy season during late 2010 and most of 2011.

In addition to its high cost in terms of affected people and human suffering, the extreme rainy season evidences the manner in which the Colombian economy is lagging behind regarding infrastructure, circumstance that due to its high impact on the country's competitiveness becomes even more relevant considering the upcoming Free Trade Treaty with the United States.

Despite the above, between January and September of 2011 the goods' trade balance reported a US $3,884,000,000 surplus, US $1,956,000,000 higher than in 2010. This behavior is mainly explained by the growing tendency of prices of international primary goods and the high export volumes of some of these goods, coherent with the above IED growth in the oil and mining sectors.

Despite at the end of 2011 the market representative rate being COP $1,942.7/dollar (at the end of 2010 it was COP $1,913.98/dollar), between April and September it dropped constantly under the COP 1,800/dollar barrier. The strong peso appreciation during 2011 was associated to significant capital flows into the country, to high export volumes of basic products, and to the generalized dollar weakness vis-à-vis most currencies, explained by the North American economy structural factors.

According to mid-term forecasts submitted by the government in June of 2011, the consolidated public sector fiscal deficit will be 3.4% of the GNP at the end of 2011, only 0.2% above 2010's. Inflation in 2011 was 3.73%, close to long-term goals set by the Colombian Central Bank's Board of Directors (2%-4%). Consequently, the Colombian economy dynamism during 2011 was accompanied with macroeconomic stability result of a responsible monetary and fiscal policy that will give the Colombian economy greater legroom in the near future, should the economic situation in the euro zone be worsened and should the American economy continue its bearish trend.

2012 Outlook

With the investment grade rating given to Colombia in 2011, after 10 years it has come back to the select group of countries in which international investors have deposited their confidence. According to economic analysts, this achievement provides significant growth and development opportunities for the Colombian economy.

Based on the marked uncertainty faced by the international economy, the 2011 investment grade rating, and a balanced fiscal and monetary policy, Colombia will become an attractive destination for foreign investment during 2012.

As mentioned by the Central Bank based on its diagnostics of the Colombian financial system, despite the credit portfolio significant growth during the last 2 years risk and late payment metrics remained at normal levels. The above, in addition to the great interest major international banks have shown to participate in the Colombian market and the high bank penetration potential in various segments of the population - as perceived by financial experts - 2012 will quite likely continue featuring good credit availability, which will also allow the Colombian economic activity to continue being dynamic.

However, the Central Bank should control excessive credit expansion, evidenced by the fact that during its first 2012 meeting its Board of Directors increased its intervention rate from 4.75% to 5.5%. As indicated by its President, the intervention rate's gradual increase shown since 2011 is the result of, in the longer term, an excessive credit growth possibly resulting in financial unbalances with negative consequences on economic growth, as attested by the prudent and serious handling of the Colombian monetary policy which, contrary to the serious unbalances faced by economic authorities in developed countries, could foster the international investors' confidence in the country.

Another example of how seriously the country's economic situation is being handled is the fact that, during 2011, the Santos administration concluded important legislative acts, such as the one changing the royalties regime, the one setting fiscal sustainability criteria for the various public power branches, and the one setting a fiscal rule for the Central National Government operations. These reforms will foster mid-term economic growth and will ensure the public debt's sustainability. The Royalties Law and the Fiscal Rule will be instrumental in ensuring balanced handling of the mining-energy boom that started in 2011 and will continue during 2012. The expected increase in the production and export of oil, coal, and other minerals will probably during 2012 result in a significant increase in the private sector's available revenues, as well as in considerable flow of physical resources, both for the National Government and for

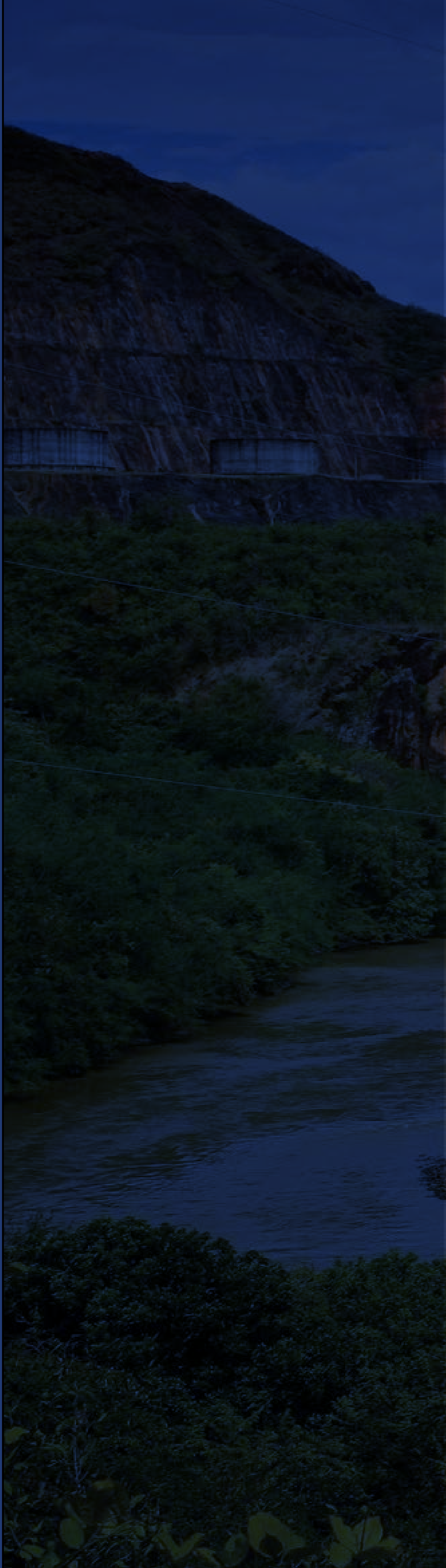
departments and municipalities benefiting from royalties.

The results of the Free Trade Treaty with the United States will be probably seen during 2012, this being a trade agreement that will give Colombia preferential access to the largest world economy, which despite its low economic growth during the last 2 years is a market with high purchasing power and over 300,000,000 consumers.

To better tackle and benefit from the FTT with the United States, it will be necessary to offset the lack of Colombian infrastructure, for which the National Government has announced investments during 2012 of the order of COP $6 MM, unprecedented in the Colombian infrastructure history which, in addition to significant investments in infrastructure that private entities will be making, could represent a dynamics source for the Colombian economic growth during 2012.

To conclude, despite the significant uncertainty the global economy will be facing during 2012, it is quite likely that the Colombian economy will continue showing good economic growth dynamics that will allow the country to continue growing and consolidating its relevance within the international economic environment.

Trade Activities



Included in its electrical generation activities, EMGESA sells electrical power in the wholesale market to large clients, makes lump sales to electrical power generating and trading companies, and makes transactions in the electrical power spot market. The EMGESA trading is supported mainly by its electrical generation assets.

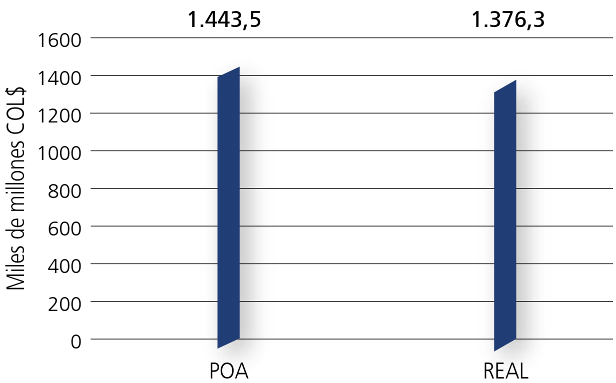
Short-Term Activities (Spot)

Variable margin

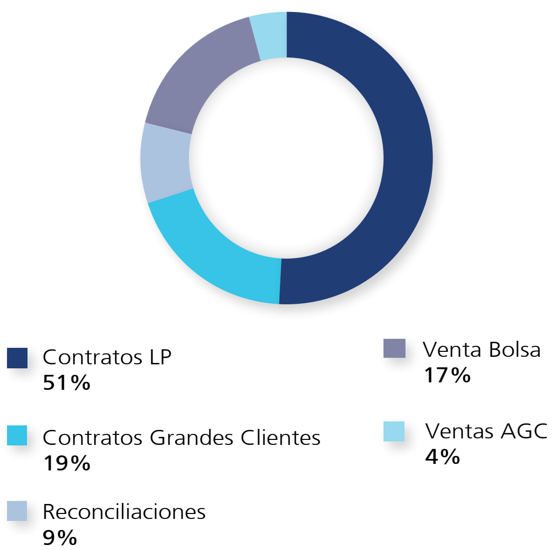
In 2011, EMGESA achieved a commercial margin of $1,376,326 M, equivalent to 95.37% of its annual operational plan. Worth mentioning are activities carried out in the sport market to maximize the variable margin and optimize the use of water resources during the year, taking into account that the country was affected by the La Niña weather phenomenon that brought a reduction in the market price.

EMGESA made sales for 15,112 GWh, of which 7,639 GWh correspond to wholesale contracts, 2,905 GWh to large clients, and 4,568 GWh to spot sales.

Margen Variable 2011

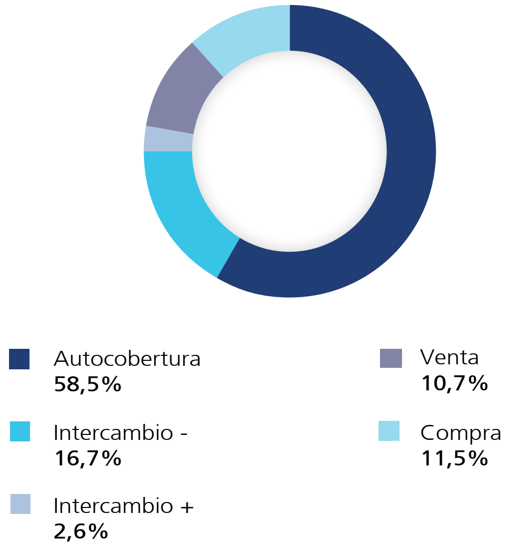


Ventas de Energía EMGESA
Total Ventas 15.112GWh



Activities In The Secondary Market Regarding Reliability Charges

During December 2010 - November 2011, firm energy surpluses for the reliability charge were handled by executing transactions with other electrical generation agents according to the secondary market rules; 1,107,976 MWh were distributed as follows, according to the type of transaction:



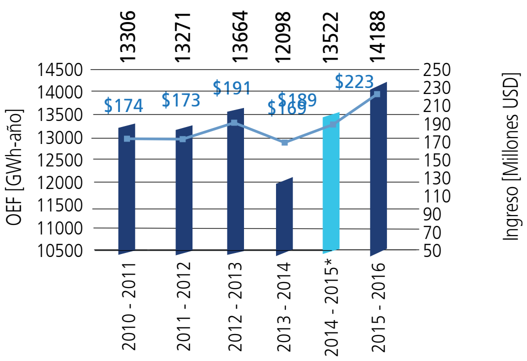
Taking into account the impact of the secondary market activities on actual charges on the reliability remuneration, it reached 95.2% of the total amount assigned to EMGESA during this time. Such actual remuneration reached US $175.6 million.

Remuneración Real	MMUSD	%
Por disponibilidad de Plantas	166,3	90,2
Por Gestión de MS	9,3	5,0
Total	175,6	95,2
Máximo Cargo por Confiabilidad a recibir	184,3	-

Future assignments of Firm Energy Obligations (OEF for its Spanish acronym) for EMGESA

Currently, the Colombian system has assigned the OEFs for periods between December 2010 and November 2014 and December 15 to November 2016; the charge period between December 2014 and November 2015 is being assigned, official OEFs being available during the H1 2012. The EMGESA obligations for the above periods, together with their equivalent charge revenues, are presented below:

EMGESA



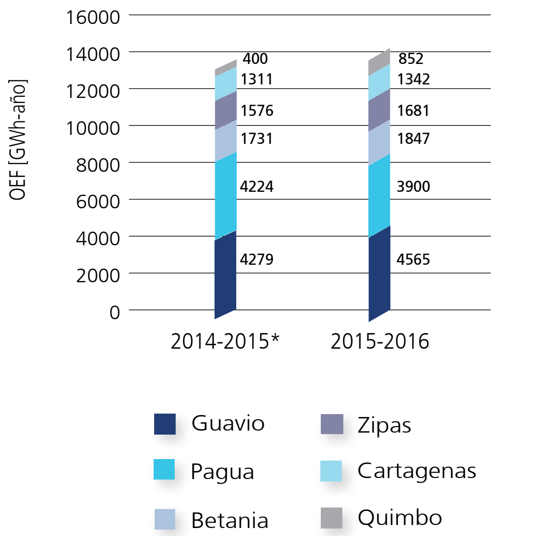
Revenues corresponded to the following rates:

Período	Tarifa[USD/MWh]	Descripción
2010 – 2011	13.045	USD ctes de nov. 2006
2011 – 2012	13.045	USD ctes de nov. 2006
2012 – 2013	13.998	USD ctes de may. 2008
2013 – 2014	13.998	USD ctes de may. 2008
2014 – 2015	13.998	USD ctes de may. 2008
2015 – 2016	15.700	USD ctes de dic. 2011

In 2011, EMGESA participated in two OEF assignment processes for 2014-2015 and 2015-2016. The first was assigned prorate to demand, the other under an assignment auction, both described and regulated according to Resolution CREG 71 of 2006 and regulations amending it.

The EMGESA 2011 OEF assignments for each plant are consolidated in the following chart. Those corresponding to the 2014-2015 period are an estimate, since the official OEFs will be published during the H1 2012.

OEF de EMGESA por Planta



Energy resource management

Hydrology and reservoir evolution

During 2011, the La Niña phenomenon became evident in the National Interconnected System. Average contribution during the year corresponded 140% of the historical means. In January, reservoir levels were equivalent to 10,537 GWh, corresponding to 66.8% of the accumulated useful volume. For December, reserves had increased to 13,968 GWh, corresponding to 88.8%. In total, 5,911 GW-hour were spilled.

Guavio reservoir

In the average, the Guavio reservoir contribution was 111% of the historical means. In December, the reservoir was at 95% of its useful volume. 954 GWh were spilled during May, June, July, and December.

Bogotá river and Muña and Tomine reservoirs

In 2011, non-regulated average contributions in the Bogotá river basin were 298% of the historical means. The Muña and Tomine reservoirs started with 37.7% and 94.5% of their useful capacity, ending the year with 73.7% and 99.9%, respectively.

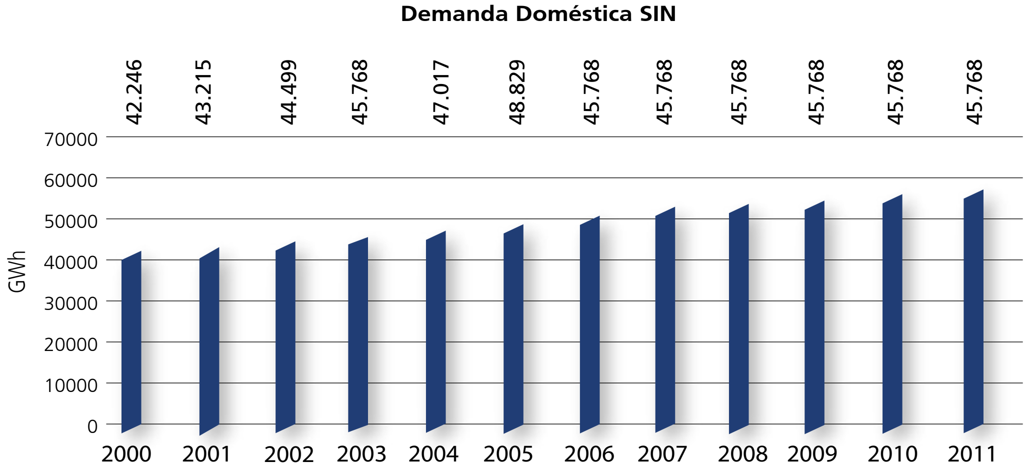
Betania reservoir

During 2011 there were water contributions equivalent to 123% of the historical means, 178 GWh having been spilled, mostly during December when contributions reached 222% of the historical means. At the end of the year, the reservoir was at 91% of its useful capacity.

National Interconnected System

Demand

Energy demand during 2011 was 57,150 GWh, a 1.8% increase with respect to the previous year.anterior.



Stock Price

The average stock price for 2011 was 75.8 $/kWh. 2011 saw the lowest average stock price since 2005.

Año	Precio Promedio de Bolsa ($corrientes/kWh)
2004	65,02
2005	75,90
2006	75,84
2007	83,84
2008	86,90
2009	138,99
2010	128,05
2011	75,08

Fuel Activities

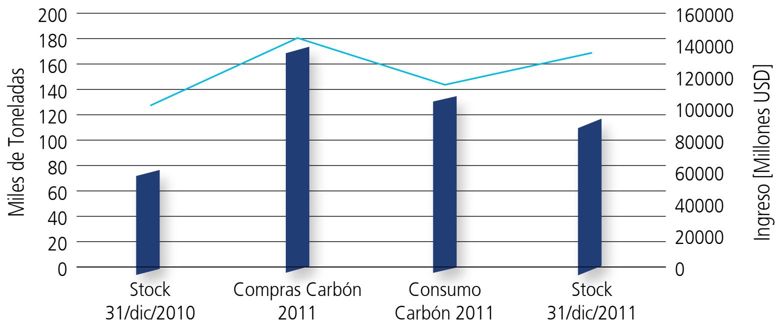
There was a steam generation reduction during 2011 as a result of high hydraulic generation levels, mainly due to the La Niña phenomenon.

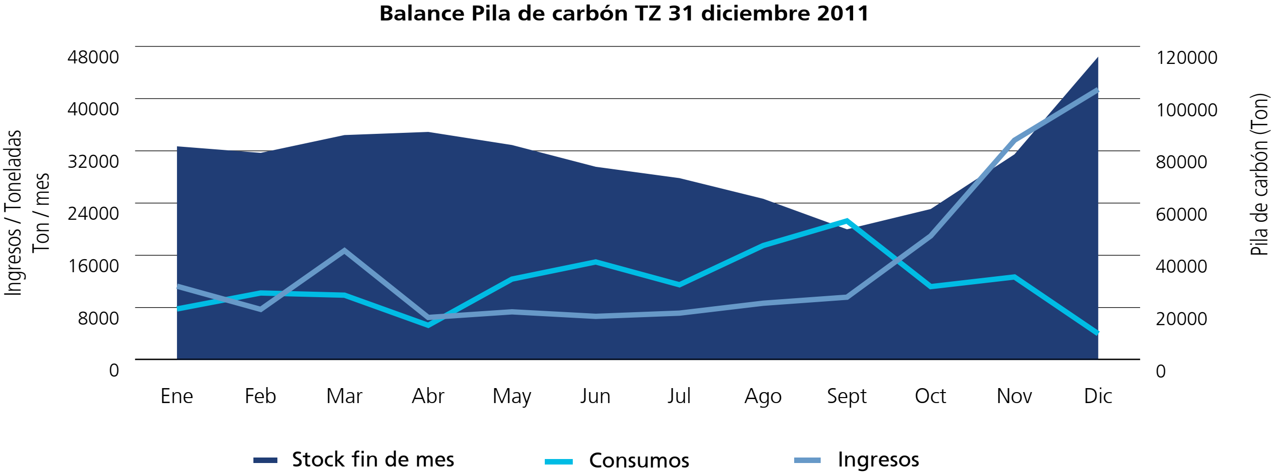
Coal

During 2011, Termozipa used 135,878 tons of coal, 66% less than in 2010. Purchases were made under short- and long-term contracts for 173,406 tons, which allowed obtaining 116,004 tons of coal as of December 31 of 2011, a 47% increase with respect to 2010.

The following graph shows the stock price behavior at the end of 2010 and 2011, referenced to 2011 purchases and consumption. 2011 closed with 14 long-term suppliers with supply agreements up to December 2015, backing reliability charge OEF obligations.

10 additional short-term contracts were executed during 2011 to respond to supply requirements and guarantee the Termozipa operation.

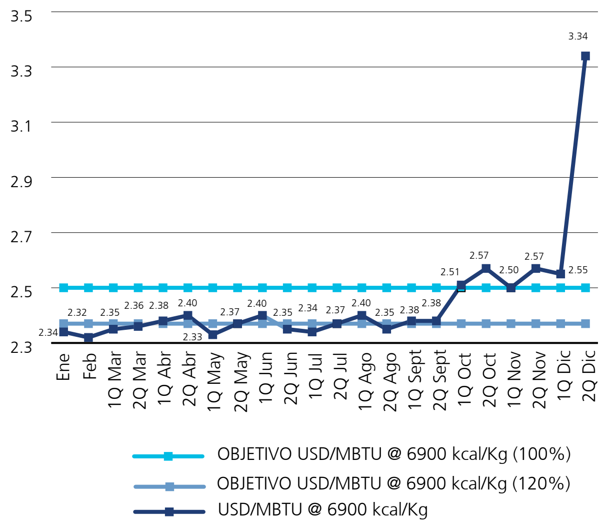




Quality/price

The following chart shows the weighted quality situation (upper calorific value), ash contents percentage, total moisture percentage, and weighted price in $/ton and USD/MBTU for coal received during 2011.

Acumulado 2011				
PCS Kcal/kg	%Cz	%HT	Precio Ponderado Liquidado $/Ton	USD/MBTU @6900 kcal/Kg
6.840	12,43	5,78	144.095	2,52

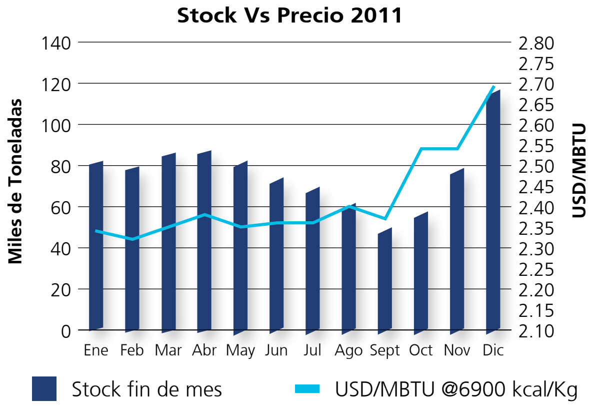


The price of the coal ton in USD/MBTU taken to the 6900 Kcal/Kg base showed a considerable increase during October through December 2011, due to the following circumstances:

a) Price adjustments to contracts with long-term suppliers due to the coal price increase in the internal market, mainly the result of extra production costs resulting from the rainy season in the regions where production units are located (mines).

b) Contracts with new additional short-term suppliers to cover long-term supplier deficits.

c) The abrupt MBTU increase seen during the 2nd half of December 2011 is the result of during this time performance bonuses having been paid to suppliers meeting deliveries agreed for October-December 2011.

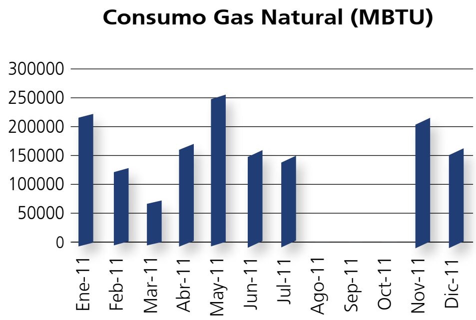


The above figure shows the month-to-month coal stock behavior according to the USD per MTBU weighted coal ton price referenced to 6900 Kcal/Kg.

Natural Gas

During 2011, the Cartagena station used 1,524,579 MBTU, 29% less than in 2010, which were provided to support the operation under supply contracts with GE- Celca, Surtigas and firm transportation with Promigas.

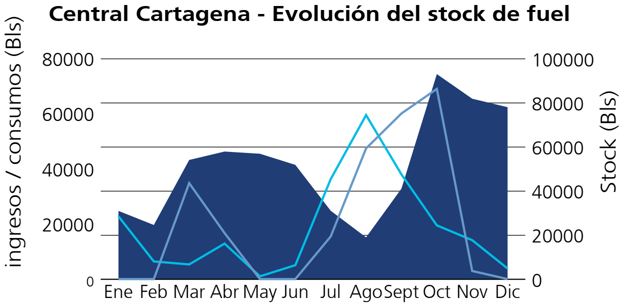
Supply:	USD 10,91 millones
Transportation:	USD 9,03 millones
Total gas:	USD 19,95 millones



Liquid fuels (Special Combustoleo)

Purchases for 246,338 barrels of Special Combustoleo were made for the Cartagena station operation and to ensure the necessary minimum storage to support the Reliability Charge OEF obligations.

221,531 barrels of liquid fuel were used during 2011. The volume as of December 31 of 2011 was 78,578 barrels.



Sociedad Portuaria Central Cartagena S.A. (Spcc SA).

With a Surveillance and Inspection Letter, on June 16 of 2011 the Ports Delegated Superintendence notified Spcc is registration as a Port Company subject to Surveillance.

Fuel reception port operations were initially started during the H2 2011 in the main Cartagena tanks, for a total of 10 liquid fuel unloading operations during 2011 from CI Petromil SAS barges, representing 7,350 metric tons (approximately 47,600 barrels) as of December 31 of 2011.

The berth construction design phase was concluded in December 2011, a contractual obligation in the INCO-SPCC concession agreement of July 2010, an engineering services company thus starting the review process of such designs.

Activities Involving Major Clients and The Wholesale Market

Wholesale transactions

During 2011, EMGESA sold energy in the wholesale market for a total of 10,544 GWh, through contracts with SIN distributors and traders resulting from public and private invitations. Sales were distributed among various agents, in addition to the EMGESA own market.

Ventas	GWh	Participación %
CODENSA	5.035	47,8%
EMGESA	2.905	27,5%
EEPPM	760	7,2%
HUILA	416	3,9%
CARIBE	360	3,4%
EEC	266	2,5%
CEOC	194	1,8%
GENERCAUCA	180	1,7%
CENS	152	1,4%
EDEQ	95	0,9%
EMSA	82	0,8%
ESSA	47	0,4%
CHEC	42	0,4%
EMCALI	9	0,1%
TOTAL	**10.544**	**100%**

Fuente: Detallados versión TXF Operaciones Comerciales y ajustes de cierre de Bolsa de energía.

As a result of energy volumes included in contracts during the year, EMGESA is the second energy supplier in the Colombian electrical system, with 17% of total contracts among agents.

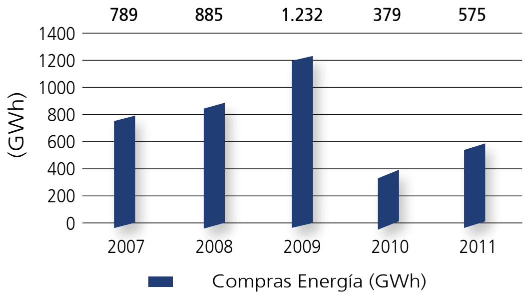
Agentes	Participación %
EEPPM	24%
EMGESA	17%
ISAGEN	15%
COMERCIALIZADORES	13%
OTROS AGENTES	12%
GECELCA	7%
CHIVOR	6%
EPSA	4%
URRA	3%

Fuente: NEON, XM. Datos ene11 a nov11.

The company participated in 58 tenders, 25 of which were awarded for energy sales between 2011 and 2015. With these awards, contracting levels were reached according to the current commercial policy of 98% for 2011, 101% for 2012, 97% for 2013, 34% for 2014, and 4% for 2015.

Energy purchases

In order to support energy sales under contracts, EMGESA purchases energy from other agents in the wholesale market, both generators and traders. The following graph shows energy purchasing levels at the end of 2011:

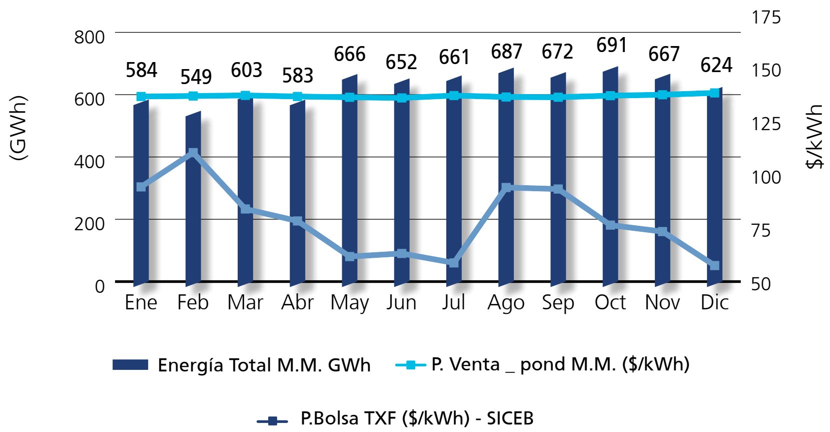


(*) dato ajustado con información al cierre de 2011.

Evolution of Rates and Energy in The Wholesale Market

EMGESA sold energy to 13 agents in the wholesale market. Excluding its own non- regulated market demand, it reached 7,639 GWh.

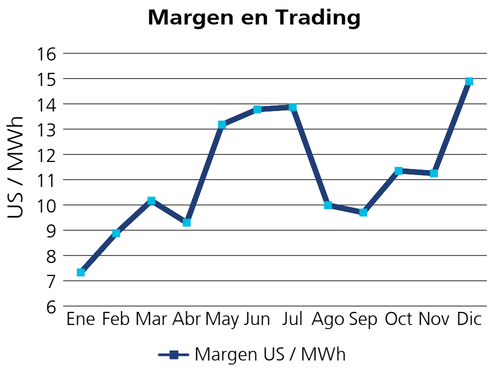
Evolución Tarifa y Energía M. Mayorista



Todos los precios en pesos de Dic-11

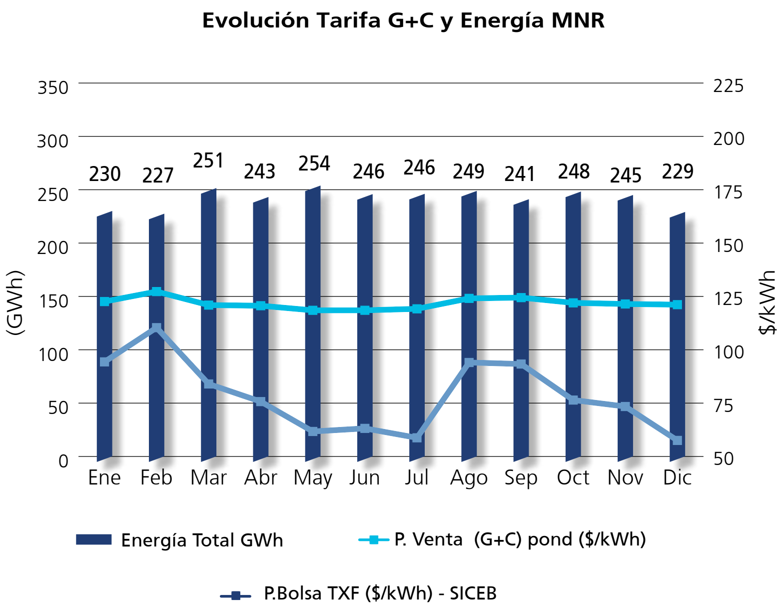
Trading Sales

Under trading sales, 2011 provided a variable margin of 1,797 M. In total, 857 GWh were sold, with an average annual margin of 11.3 US/MWh.



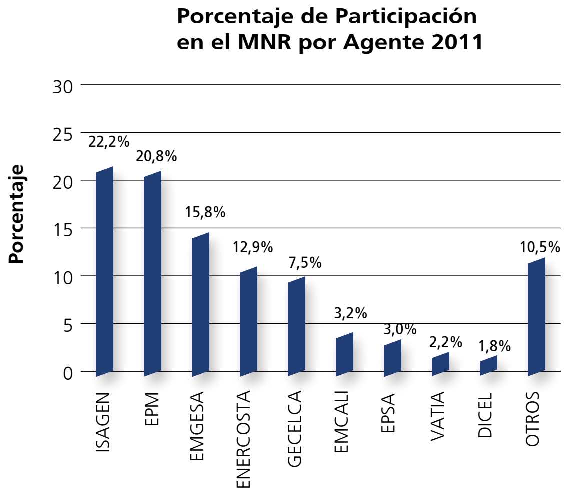
Non- Regulated Market (MNR for its Spanish Acronym) Activities

During 2011, in the average EMGESA served 787 MNR fronts, 15.7% of the market total in the country. Energy demand during the year, including the loss factor, reached 2,909 GWh, equivalent to 15.8% of the total national market



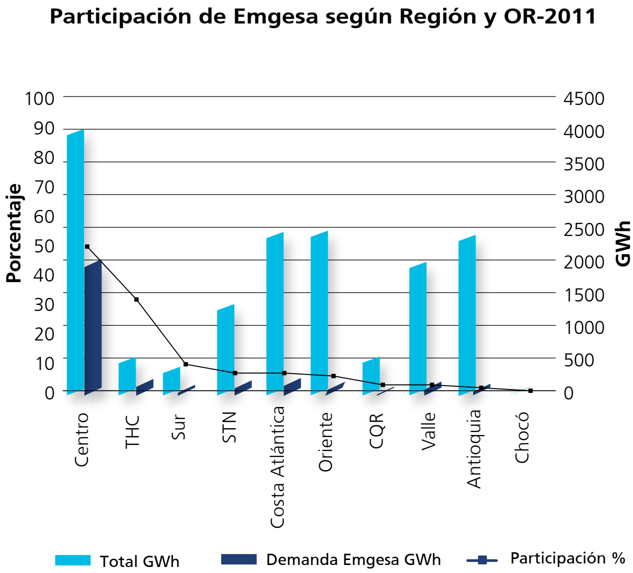
Nota: Todos los precios en pesos de Dic-10

EMGESA participation in the MNR



Fuente: NEON, XM. Datos ene11 a nov11.

EMGESA participation in the MNR by geographical area



Fuente: XM. Datos ene11 a nov11.

Regiones:

Centro: Codensa, Cundinamarca, Meta.
THC: Tolima, Huila, Caquetá.
Sur: Nariño, Cauca, Putumayo, Bajo Putumayo, Sibundoy, Municipal.
Oriente: Santander, N.Santander, Boyacá, Arauca, Casanare, Ruitoque.
CQR: Caldas, Quindío, Risaralda.
Valle: Cali, EPSA, Tuluá, Cartago.

The most representative EMGESA participation is in the Central and THC areas, reaching 49% in the central area and 27% in the THC area.

Communications with our non-regulated clients

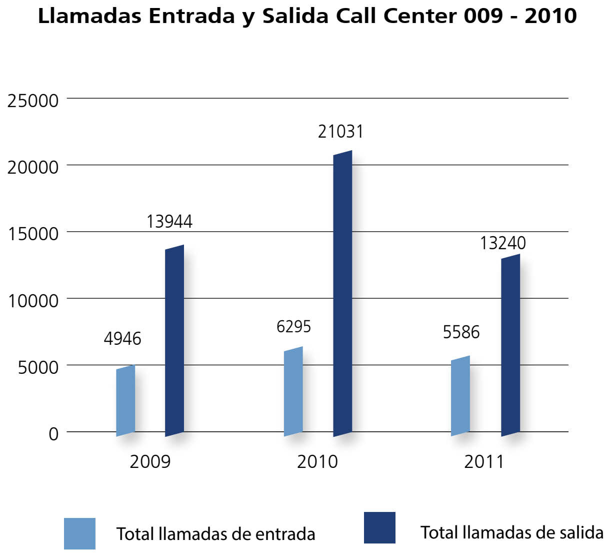
Az Comercial and Boletin Emlace

In order to strengthen communications channels with our clients, the Az Comercial and the physical bulletin are published, of which during 2011 four editions were published with contents related to commercial activities, the energy sector, regulatory issues, and progress of company projects of interest to the clients.

Call Center

Emlinea, the EMGESA customer service line, answered 5,586 calls during 2011 and made 13,240 calls, corresponding to confirmations regarding attendance to client events, predictive overdue invoice collection management, electrical bill due date changes, and regulatory changes.

The outgoing call reduction with respect to 2010 is the result of the SMS service implementation with clients, especially for overdue invoice collection campaigns.



Extranet

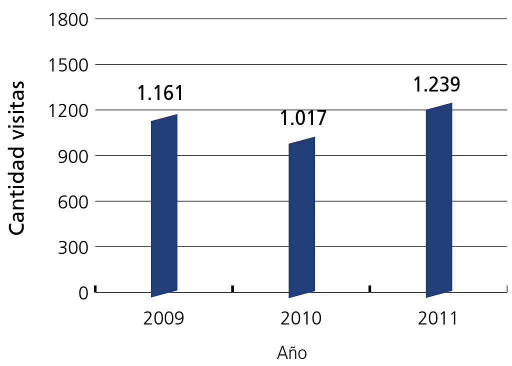
Valuable information is provided to clients with this mechanism, such as electricity consumption and invoice queries.

Energy and Businesses Report

During 2011, EMGESA worked on the weather report created in 2010 and developed the Energy and Businesses mini-site, which contains updated information on the country's climate situation, water flows, reservoir levels, and tendencies, as well as a weather forecast for the region. It additionally contains information on the evolution of the SIN demand and the stock exchange price.

Customer service.

1,239 visits were made by the Zone Commercial Coordinators in order to support MNR clients.



Events were held in order to strengthen commercial relations and provide information to facilitate negotiation processes. The main issues discussed were:

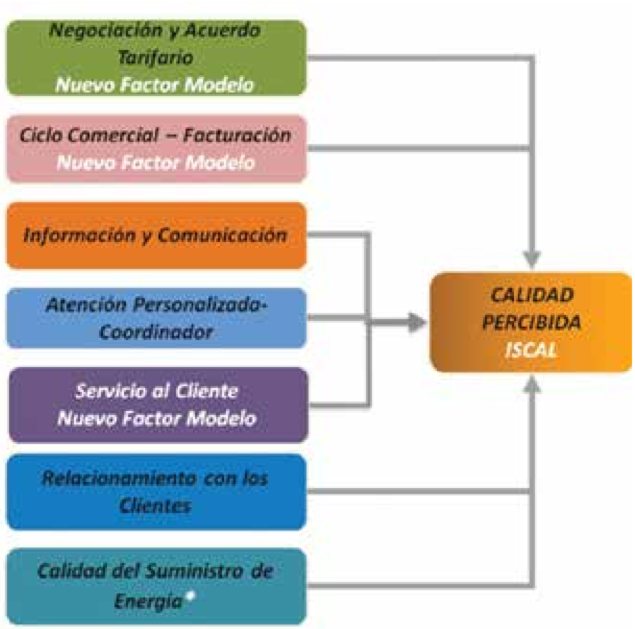
- Energy demand report.
- Hydrological situation.
- Market contracts.
- Regulatory changes regarding the solidarity contribution.
- General corporate information on ENEL and its global presence.
- El Quimbo project: investment and progress.

These events were carried out in Bogotá, Tunja, Bucaramanga, and Cartagena, attended by 60 approximately persons. Attendants considered them very satisfactory.

Satisfaction survey.

The Perceived Quality system is a tool allowing following market perception vis-à-vis the EMGESA products and services offer quality. The purpose of the measurement methodology design is guiding the organization in order to focus efforts and economic resources on operation aspects and actions being satisfaction-generators for the client and adding value to the product.

The satisfaction model defined for EMGESA evaluates the following quality aspects:



7 quality factors comprise the SCP-EMGESA satisfaction model.

Quality factors correspond to macro performance processes that model the business value chain for a specific client segment.

ISCAL shows the clients' satisfaction index versus service provision, taking into account the most important attributes and their weight.

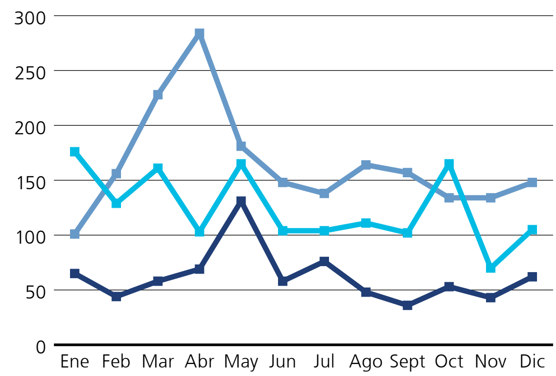
The ISCAL result obtained by EMGESA was 88.4% (84.2% in 2010), meaning that such clients rate their service satisfaction in the two highest scale positions: satisfied and very satisfied.

Commercial Operations

Overdue accounts and collection activities

Returned checks, collection, and overdue invoice processes were restructured in 2010, looking to optimize the overdue accounts and collection and follow-up processes. New service level agreements were reached with the Legal Manager in order to optimize response times in case of legal collection proceedings.

Manual Collection



The monthly payment metric dropped, going from 125 payments in the average during 2010 to 62 payments in the average in 2011, result of activities carried out with banks in order to adjust report sheets used for loading data into the commercial information system, this way reducing manual transaction captures and generating lower company collection risks.

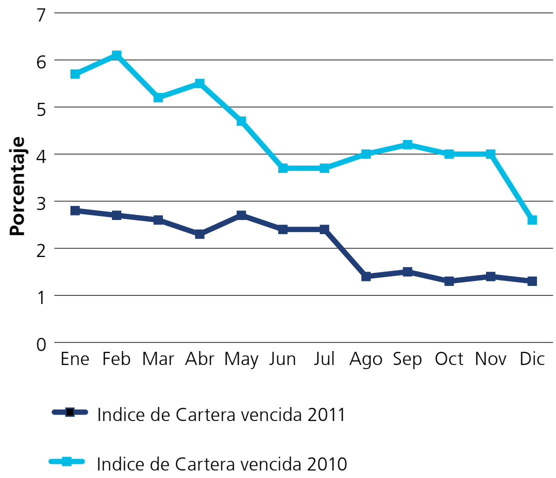
Stock write-offs were made during August for USD 1,005 M, for agents under liquidation or removed from the market, Electrolima, Gelecsa, Energen, Apri, Sucre, Aremari, and Electribol; the MNR included a $278 M write-off for Favidrio and Tintex.

Provisión de Cartera

Millones de pesos

Mercado	2009	Monto	2010	Monto	2011	Monto
Bolsa	4.432	86%	2.275	72%	1.235	68%
No Regulado	681	13,0%	666	21%	372	20%
Servicios Técnicos	24	0%	229	7%	209	12%
Total	**5.137**		**3.170**		**1.816**	

Overdue accounts



The annual average of overdue accounts dropped from 4.46% during 2010 to 2.1% in 2011, 2 percentage points less. For August-December of 2011, this percentage leveled at 1.4%, October and December seeing the lowest percentage of the last 5 years.

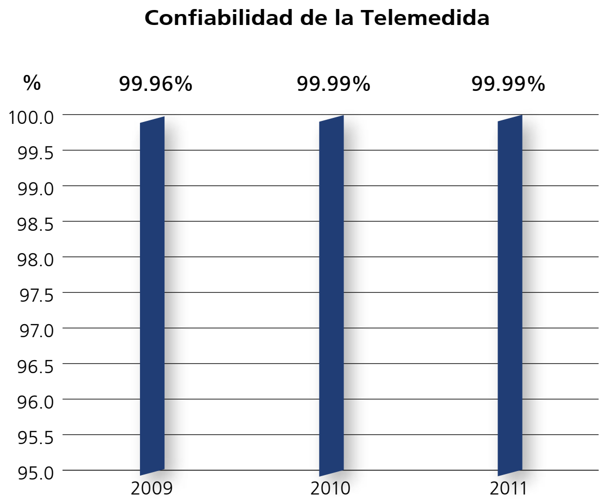
A Latam-wide collection audit was carried out during November, EMGESA having achieved the highest ranking versus our Peruvian and Chilean peers, all remarks included in the 2010 and 2011 audits having been resolved as of December 31 of 2011.

Tele-measurement Activities

In 2011, the measurement reliability metric (accuracy percentage between information provided to ASIC and amounts invoiced) remained unchanged, compared to the previous year. Results obtained are mainly the result of:

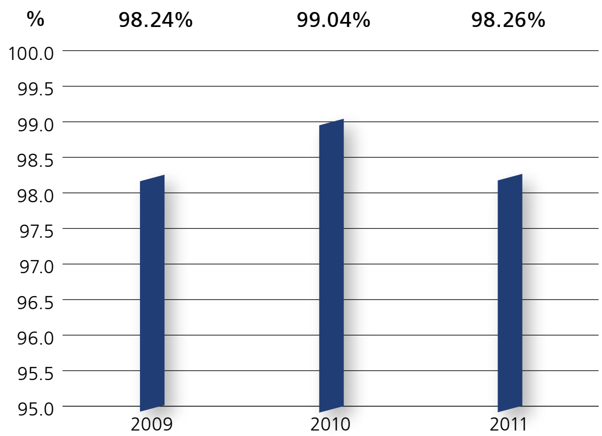
- Follow-up to consumption reported to XM of each border.
- Coordination, management, and timely intervention with zone commercial coordinators, grid operators, and suppliers to respond to end user needs.
- Consumption control and evaluation for each client according to parameters set forth according to their historical consumption.

Tele-measurement Realiability

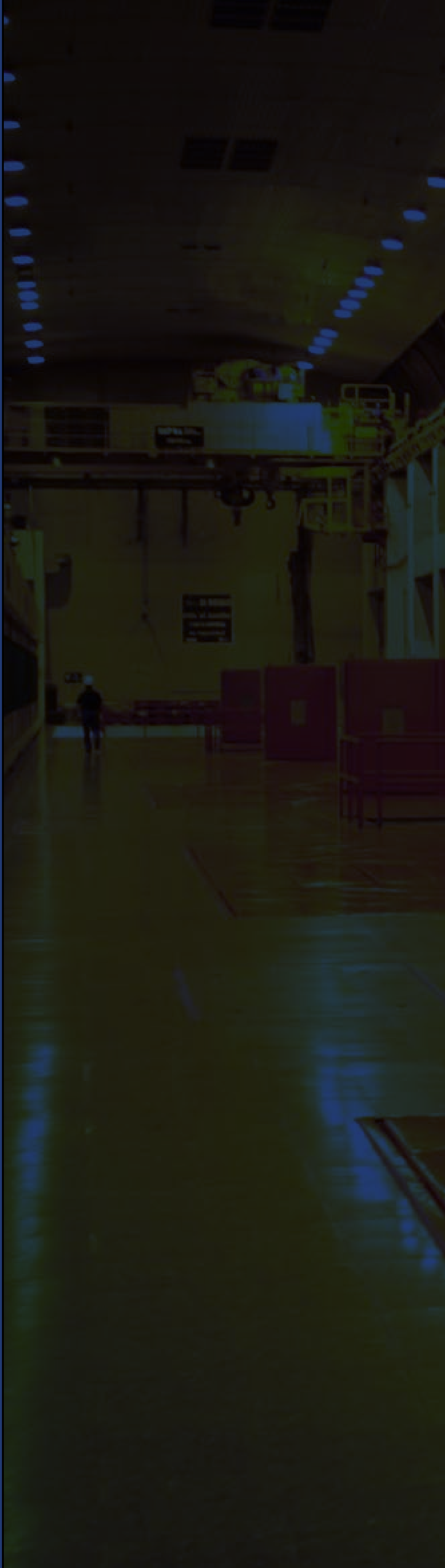


During the year, the tele-measurement effectiveness was affected by the rainy season, which resulted in an increase in client tele-measurement problems and in an increase in field visits for daily readings. There were problems between April and May affecting the last-mile communications platform on which the electricity meters' information is loaded.

Tele-measurement Effectiveness



Production Activities

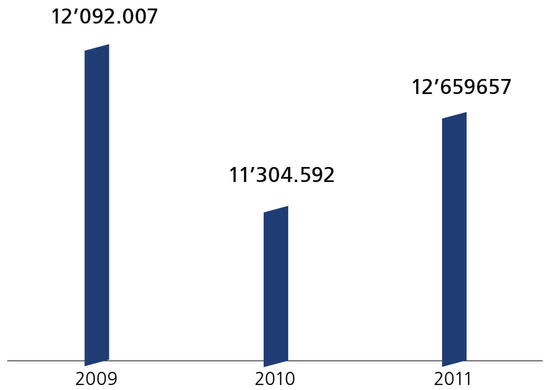


12,092 net GWh were generated during 2011, 7% more than in 2010. The hydraulic system participation was 96.18%, the steam system's 3.82%.

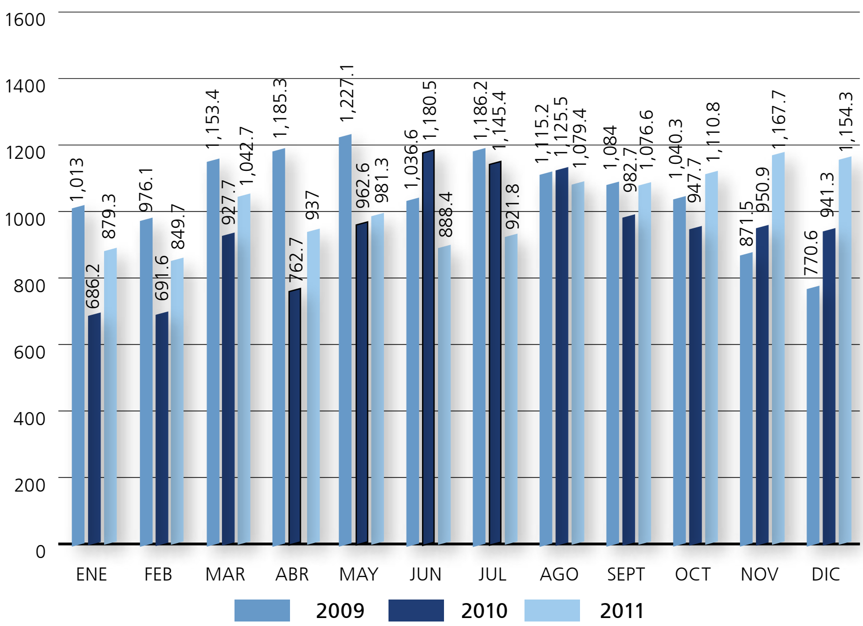
Steam station generation stands out during the year, considering the La Niña phenomenon resulting in historical values. The Guavio generation participation was 4,522 GWh-year, 2,603 GWh-year for Betania, and 3,783 GWh-year for Pagua, the latter reporting the highest historical generation levels in February, March, September, October, and December. This represents 90.31% of company production.

Smaller electrical generation stations produced 721 GWh-year, 20% more than in 2010, due to the La Niña phenomenon that caused increased Bogotá river flows of the order of 246% on the multi-annual historical, and the high availability of the units.

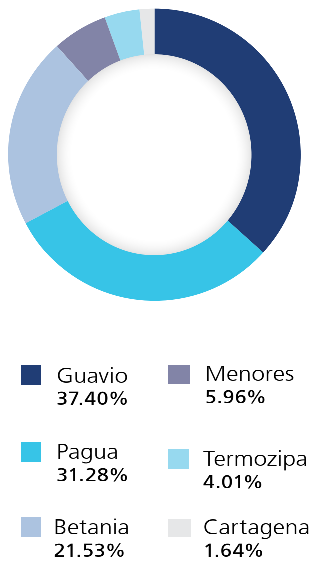
Generación Anual EMGESA (GWh)



Generación Mensual EMGESA (GWh)



Generación de EMGESA 2011 (%)



Participation in the National Interconnected System

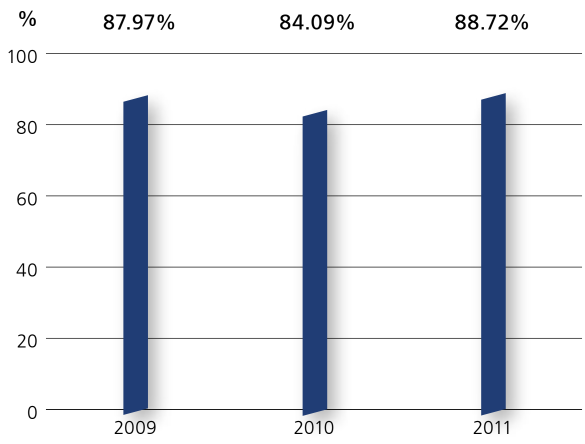
The EMGESA participation in the National Interconnected System (SIN) was 20.63%, 2.96% more than in 2010.

S.I.N	(%)	GWh
Otras SIN	79,37%	46,528.35
EMGESA	20,63%	12.092,007
TOTAL	**100%**	**58,620.36**

Management Indexes

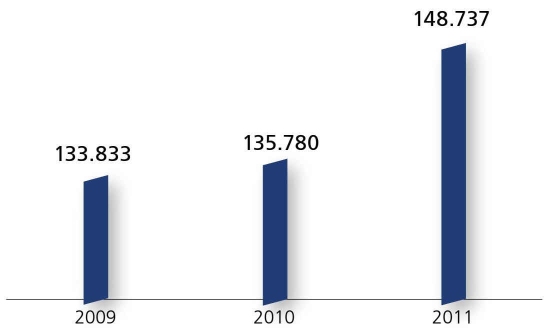
The EMGESA stations accumulated a 48.15% load factor and a 59.83% operation factor. The availability factor reached during the year was 90.73% for hydraulic units (including the smaller stations) and 77.54% for steam stations, with an 88.72% weighted availability, 4.6% more than 2010 mainly due to higher reliability, efficiency, and compliance with maintenance activities.

EMGESA availability evolution



Units operated 148,737 hours in total, 9.5% more than in 2010.

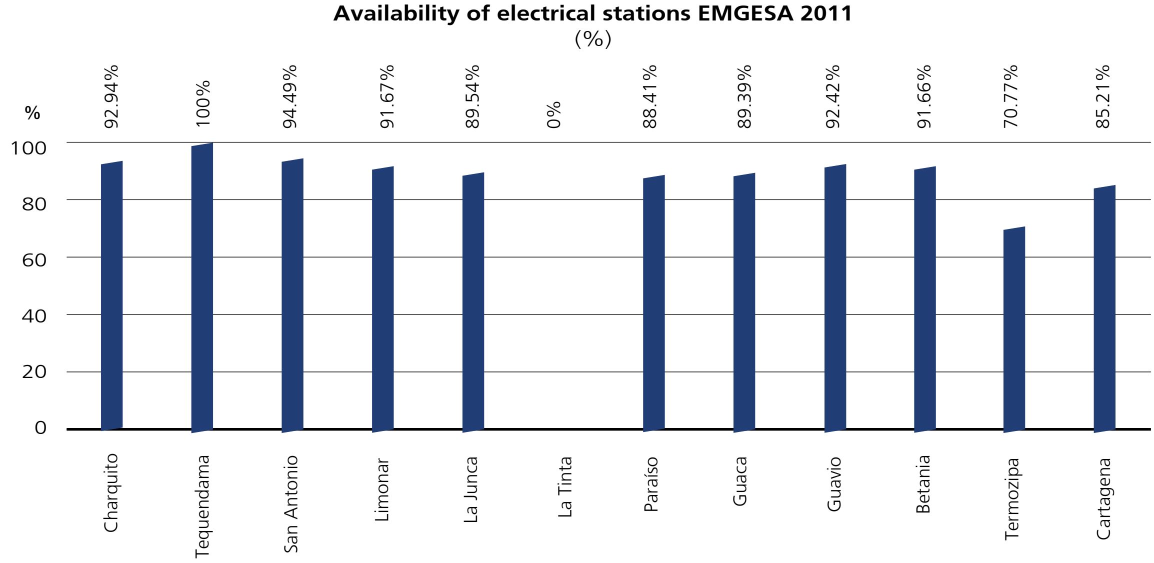
Operation hours of EMGESA units



Generation by production center

CADENA	(%)	GWh
GUAVIO	37,40%	4,522.17
PAGUA	31,28%	3,782,92
BETANIA	21,53%	2,603.45
MENORES	5,96%	721.10
TERMOZIPA	2,18%	263.78
CARTAGENA	1,64%	198.58
TOTAL	**100%**	**12,092.007**

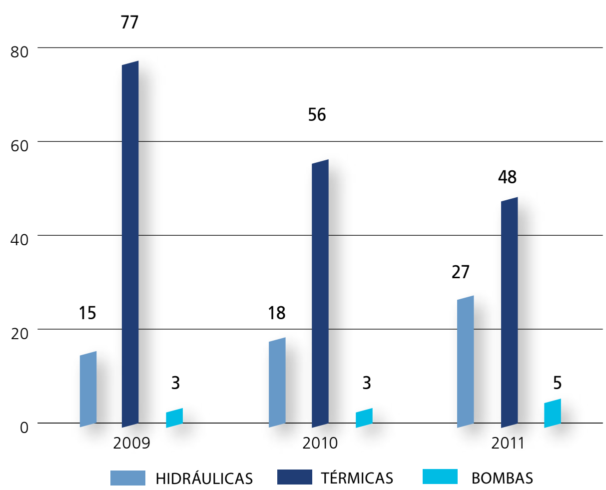
Availability of electrical stations



Events

There were 75 unit events in generation stations due to internal circumstances, 11 due to external circumstances. In pumping stations there were 5 internal events and 3 external events, for a total of 94 events.

Evolution of events due to internal circumstances



CENTRALES / BOMBAS	ACUMULADO		
	INTERNO	EXTERNO	TOTAL
Hidráulicas CND	23	2	25
Menores	4	3	7
Térmicas CND	48	6	54
Sub Total Centrales	75	11	86
Bombas	5	3	8
TOTAL EVENTOS	**80**	**14**	**94**

Maintenance

Termozipa

- In unit 2, from September until March 2012 work was done to improve efficiency, availability, and emissions in the unit, such as changing 80% of the boiler piping, thermal insulation repairs in air and gas ducts, coal crusher, and air system automation.
- In units 3, 4, and 5, electrostatic precipitators were customized, critical controls were changed, and adjustments were made to combustion systems in order to meet emissions control norms.

Cartagena

- The circulation water system piping was changed and the flanges and concrete recovered in units 1 and 2.
- The feed water system efficiency and operation was improved by changing valves in units 1 and 2 and the reserve valve.
- The hydrogen purity measurement reliability was improved in the 1 and 2 generator units by installing new metering equipment.
- The unit 1 and 2 compensators and hot wells were recovered.
- A new automatic and synchro-check synchronizer was installed in units 1 and 2.
- The 61 MW net effective capacity was recovered in unit 1 by changing the regeneration air preheater baskets that limited the unit to 55 MW.

Guavio

- Annual maintenance was done to all units.
- The machinery room power and power load switch in substation SF6, unit 5, was changed.
- A SF6 gas leak in unit 6 was repaired, for which shutting of the entire station was required during 8 hours.

Betania

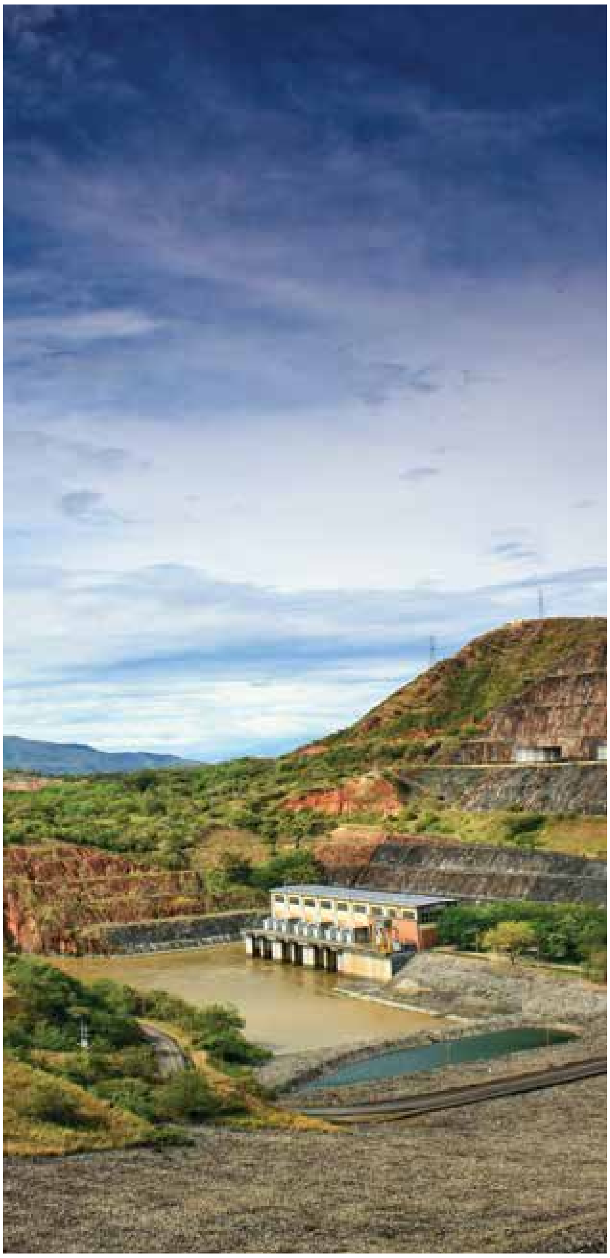
- Annual maintenance to the 3 units.
- Maintenance of high voltage lines and buses in the section between the machinery room and the substation in the Betania station for the 3 generation units, activity that had not been done before.
- Civil work in the spillway impact well.

Paraíso - Guaca

The chain was stopped during January in order to recover the load piping thickness since the pipes were worn at several sections.

The following work was done:

- 14 rotor blades were recovered from unit 2, as well as the spherical valve sleeve.
- The spherical valve maintenance seal was changed in the Guaca unit 2.
- The worn surface of the 3 units was recovered.
- Front grills were installed in the turbine well inlets, for greater maintenance personnel safety
- The bushing was changed due to continued problems with buckets 5 and 22 in the Guaca unit 2.
- Concrete was recovered in the central Paraiso settling tanks attacked by H2S, with Emaco, protecting them with Embeguard type epoxy paint.
- Due to a problem affecting the Paraiso unit 1, repairs were made to the coil insulation, the exciting and multi functional protection transformer was changed, and the stator coil was inverted



Smaller stations - Muña pumping station:

- All seal units were changed in butterfly valves, the discharge gate opening control was automated.
- Welds in the Muña 2 discharge ferrules were recovered.
- The Muña 3 unit 2 CCM was modernized.
- The Muña 3 13 Kv bus 2 PTs were replaced.
- Structural repair of the Alicachin 2 gate.

Charquito:

- Modernized the generator protection, automated the main bypass valve control, and commissioned the SCADA.

Tequendama:

- Modernized the unit 1 generator protection.
- Installed the vibration measurement system for the 4 units.

Limonar y San Antonio:

- Installation of water flow measurement systems in the load piping.

Special projects

In order to optimize the stations' availability, meet norms, and meet corporate goals, the following special projects were developed during the year.

Termozipa

- Optimize the gas air systems, changed the opacity measurement equipment and the preheater's piping; repaired the thermal insulation in the air and gas ducts, fine-tuned the classifiers, the crusher, and the coal diffusers.

Cartagena

- Commissioned the new water pretreatment plant for units 1 and 2; new online monitoring system of the water-vapor cycle of the 3 units.
- Modernized the motor control center electrical boards and the 480V ES3 and ES4 substation of units 1 and 2

.
- Installed a new traveling crane for the circulation of water inlet channel for units 1 and 2.
- Concluded modernization of the water-vapor cycle monitoring system.

Guavio

- The sedimentator of the Chivor river reaching the Guavio reservoir through the Chivor tunnel is under construction.

Betania

- Commissioned the vibration measurement and monitoring system in the 3 units, with online readings and the possibility of being monitored by the Bogotá mechanical division.
- Changed the two water pumps in the system with two some submersible pumps, improving reliability and reducing hazardous waste considering that the new system requires no lubrication.
- Modernized the auxiliary service switches in units 2 and 3, improving reliability and availability of generation units.
- The reservoir sedimentation is under study

Pagua

- Changed the stator coils in the 3 units of the Paraiso station and of units 2 and 3 of the Guaca station. Work for the Guaca unit 1 is pending for 2012.
- Under the reliability process the following was installed: Guaca, twin bus system for 125 VDC batteries; in the chain, new plc Versamax temperature monitors for stator control and an online vibration monitoring system for the main units.

Otros

- In the smaller Junca station, considering the failure rate of the unit 2 spherical valve maintenance seals and their low insulation history in the rotor coil, this unit was changed for unit 1, maintaining the energy output for the bay of unit 2. The change was concluded on October 12 of 2011.
- The most relevant activities were interconnection of the unit 1 and unit 2 bays including control and protection, inspection, electrical stator and rotor tests, recovery of the 13.8 kV cell, change of the output and neutral bus of the generator for flexible braids, change of a spherical valve, and maintenance to power transformers and speed regulators.

- Compliance with obligations under the agreement executed between EMGESA and the municipality of Colegio to improve the access road to the La Tinta – La Junca station, destroyed by the first rainy season.
- The work included ditches, sewers, and restoration work to the 115 kV Codensa station; work to the Bogotá river bed, processing CAR forest usage and use permits for the riverbed and for construction of embankments.

- In the Muña quarry, word progressed to 41% regarding grass applied to cover embankments according to AUTO OPSOA 379 of August 16 of 2011 from CAR.

- Demolition of the structure close to the Alicachin structure. As a conciliation step, EMGESA decided to make this work and demolish a structure approximately 100 years old in the neighborhood of the Muña pump house, as requested by the community.

- Depth soundings were made in the Sisga and Neusa reservoirs to establish areas and volumes or water stored at various fill levels.

- Conclusion of modernizing work in the energy measurement system, the management network, and the communications network of generation borders and auxiliary services.

- Recuperation of Toshiba poles with personnel from the Pagua chain.

- Intelligent lighting project for the Paraiso station applying energy-efficient principles and installing a revolutionary electronic lighting control system, dimmable with sensors and environment control designed to save 50% of the energy.

Environmental Activities

Environmental management plans

The following activities were carried out:

- Delivery of compliance reports to the environmental authorities and follow-up visits according to management plans of smaller stations, Guavio, and Cartagena.

- Update of contingency plans of generation stations and distribution to CLOPADs in the municipalities of the areas of influence.

- Vulnerability study for the San Antonio, Tequendama, and Limonar stations requested by the Mayor of the municipality of San Antonio del Tequendama.

- Implementation of a runoff utilization system for the Guavio station offices and installation of the Paraiso station meteorological station.

- Work and investments made by the Termozipa station to ensure compliance with the emissions norm, effective as of July of 2011

ISO 14001 Environmental Management System

The Environmental Management System implemented in all generation stations was audited according to Norm ISO 14001, version 2004. With a favorable result, the firm Bureau Veritas Certification confirmed compliance with such standard.

Environmental management

According to the company environmental policy and in development of activities carried out under the commitment with the environment contained in the Sustainability Plan, during 2011 the following initiatives were carried out:

Betania and Guavio reservoirs

Freshwater monitoring was carried out in the Betania station reservoir during high and low flow seasons, including physical-chemical monitoring in the Guavio station during the dry and rainy seasons.

Channels were maintained and concrete channels built in the Guavio station to control erosion and soil instability resulting from runoff and reservoir waves.
Vegetation planted and cleaning and maintenance journeys for neighboring municipalities according to the forest management program.

Amendment to the agreement executed in 2008 with Corporacion Autonoma Regional del Guavio and the Patrimonio Natural Foundation – Fondo para la Biodiversidad y las Areas Protegidas in continuance of the "Sustainable Conservation and Production Program for Protecting Water Resources, Biodiversity, and Environmental Services in the Area of Influence of the Guavio Reservoir".

Follow-up to the 33 hectares of the sustainable production system involving mixed cattle forage banks, agricultural-forest systems with coffee, protection of water sources and river corridors. The project includes soil reconversion in 15 additional hectares.

Fish Management

Fish regulation journeys were carried out in the reservoir, in coordination with INCODER, Corporacion Autonoma Regional del Alto Magdalena, the municipalities, and the community, sowing 36,0467 Magdalena river native alevins as follows: 302,467 bocachicos, 36,000 doradas, 18,000 mojarras anzuleras, and 4,000 guabinas. Attended meetings with the Betania reservoir Fish Ordainment Plan Follow-Up Committee.

Activities with the community and with institutions

Environmental training and socializing activities continued through environmental agreements, including workshops, environmental activities, and educational visits to the municipalities in the direct area of influence of productive centers. Management and participation with business groups and environmental authorities to analyze regulation projects in various issues such as ecologic flows, emission of offensive odors, PCB management, and guidelines on the use of water resources and effluents.

Online measurement of environmental variables

To measure the temperature of the discharge channel of the Cartagena station and particles contained in the Termozipa unit 5 emissions. The project seeks providing continuous and real-time control and monitoring in order to improve control and monitoring of critical environmental parameters.

Elimination of out of service infrastructure

The infrastructure of the old camps located in the Pueblo Viejo sector, municipality of Ubala, was demolished, subsequently doing landscaping work.

Environmental mitigation work in the Muña reservoir

EMGESA and EEB jointly continued with environmental mitigation activities in the Muña reservoir, according to obligations imposed by the authorities.

Such work includes the following activities:

- Permanent control of "buchon" growth, water quality monitoring activities, and monitoring and follow-up of mosquitoes (adult and larvae) according to the CAR Monitoring and Follow-Up Plan. The lowest capture levels were achieved during 2011 regarding consolidated historical records.

- Attendance to local committee meetings for prevention and care of disasters in the municipality of Sibate, during which the municipality was informed of the emergency company plan in its facilities.

- Quarterly fumigation and pest control in the neighborhood of the reservoir, vegetation clearing in the neighborhood of the Aguas Claras and Muña rivers. Meetings with industries in the neighborhood of the reservoir to promote coordinated work mechanisms for better effect of control programs.

- Inventory of birth/wildlife in the reservoir, identifying over 30 species including avefria, tingua, gallareta, garza blanca, mirla pati-anaranjada, tigua de pico verde, and others.

- Support and assistance in creation of the company SAS de Molino Papelero, comprised of family supporting mothers using buchon as raw material to prepare artisan paper. This is part of corporate responsibility projects carried out by EMGESA, EEB, and EAAB.

Morphological and environmental restoration of the Muña quarry

As a CAR requirement under the Quarry Environmental Management, Recovery, and Restoration Plan, activities were carried out to sow grass in embankments 1 and 2, intermediate 2-3, 9, and 10, covering 19,384.1 m^2.

This will ensure the quarry landscape stability and management and will respond to additional CAR requirements

Environmental mitigation work in the Tomine reservoir

The environmental management plan for the reservoir was implemented by developing the following activities:

- Conditions regarding co-financing, mechanical and manual buchon removal, and cutting, disposal, and handling of re-growth in Acacias were met.

- Water quality monitoring and inspection visits to environmental activities carried out by clubs and leaseholders in land properties close to the reservoir. Compliance regarding environmental requirements was confirmed, sending the results reports.

- Participation in the hydrological committee meetings, as convened by CAR.

- Inter-institutional activities with environmental authorities such as CAR, CORPOGUAVIO, and MAVDT and the municipalities of Guasca, Guatavita, and Sesquile for environmental improvement of the reservoir and participation in the creation and training of inter-institutional environmental education committees of the municipalities of Guasca, Guatavita, and Sesquile.

Bogotá River water concession

CAR was requested to extend the underground and surface water concession of the Bogotá, Tomine, and Muña rivers and El Rodeo, Obasa, Vitelma, Santa Marta, and La Junca streams granted to EMGESA for the Paga generation chain, extending it for 50 additional years. The request is made under the Bogotá clearing project carried out by EEAB, whose construction and operation could affect the chain operation.

Canoas Elevation Station

An agreement was executed by EEAB and EMGESA, whose purpose is joining efforts to guarantee construction of the Canoas Elevation Station, which in addition to its economic contributions for the station construction would take charge of its operation and maintenance, which in addition to guaranteeing and maintaining the flow granted by the environmental authority for the chain operation would generate positive effects on the river water quality, and as such on the Muña water, reducing amounts of organic matter, suspended solids, and nutrients.

Waste management

Some 72 tons of hazardous waste were delivered to authorized companies for disposal and recycling. Regarding hazardous waste generated in 2010, a 13% reduction was recorded as a result of major maintenance activities scheduled in generation stations.

Hazardous waste generators at each facility were registered before the competent authorities, preparing the 2010 generation report according to legal requirements.

Conventional waste increased by 36% with respect to 2010, due to larger quantities of personnel at the generation stations participating in maintenance activities.

Environmental Training

In development of the annual environmental training program for all company employees, reinforcement workshops were created for discussing issues such as rational use of resources, waste management, handling of chemical substances, environmental legislation, environmental issues, performance metrics, risk prevention, and environmental risk evaluation. The "I want to see you dressed in green" campaign continued, reinforcing the commitment personnel have with environmental issues, especially regarding the environmental calendar dates.

Biodiversity Management

In order to improve the environment of production centers, increase vegetation cover, and promote protection of forests and wildlife, reforest activities were carried out as follows: 10 hectares in the Guavio reservoir round, 1.5 hectares in land property of the Cartagena station, sewing of native species in the San Antonio, Tequendama, Betania, Limonar, and la Guaca stations. 5,742 trees were planted. Maintenance activities were carried out in areas affected in the Cartagena (pond and mangrove) stations and Betania (left Magdalena river margin), ensuring maintenance of areas reforested in the previous years.

Investigation and Technological Development Agreement

The final report of the agreement under which investigation activities were carried out to optimize biofilters for H2S in the Paraiso station control was submitted, prepared by Centro Internacional de Fisica CIF. Results show greater stability in the system's efficiency, reaching a 96% removal in the average. In addition, the system allows for continuous monitoring of biofilters and allows identifying specific operation conditions on a daily and continuous basis.

Transfers under Law 99

During 2011 and according to article 45 of law 99 of 1993, EMGESA transferred $43,742,262,542 to regional autonomous corporations and to municipalities in the hydrographical basin providing water for the reservoirs, or to those that in their jurisdiction have reservoirs or steam generation plants.

El Quimbo Hydroelectric Project

Environmental license

The following relevant facts are worth mentioning:

- According to Resolution 971 of May 27 of 2011, amendment to the environmental license authorizing construction of a road on the Magdalena river left margin and a bridge on the Paez river.
- Two changes related to the increase of concession flow levels, both at the inlet and at the outlet; new outlet point and a change in its location; request of new outlet points and water collection points; use of river flows for auxiliary dikes, embankments windows 1 and 2, machine room, buffer basin; roads to outlet points and loading tunnels.

Resolutions 1096 (MAVDT) and 1349 (CAM).

- On June 16 and 16, EMGESA was informed of Resolutions 1096 (MAVDT) and 1349 (CAM) from MAVDT applying preventive measures to project activities related to suspending extraction of materials and operation of the industrial area in the neighborhood of Domingo Arias, and land purchasing activities.
- From June until August 2011, EMGESA submitted to MAVDT supporting documentation and the request to lift preventive measures according to the above resolutions.
- At the end of August - beginning of September, the Ministry of the Environment made the second environmental follow-up visit regarding compliance with obligations contained in the Project Environmental License and in the Environmental Management Plan.
- On September 12, the MAVDT issued Resolution 1826 lifting the following preventive measures: suspension of activities related to extraction of materials and operation of the industrial area near Domingo Arias in the municipality of Paicol and those inside it, as applied under article 2 of Resolution 1096 of June 14 of 2011.
- On December 1, EMGESA was informed of Resolution 123 with which the National Environmental Licenses Authority suspends the restriction regarding land purchases set forth in article 1 of Resolution 1096 from the Ministry of the Environment.

Public benefit

On December of 2011, the deed-granting process reached 67.8% of the total area of purchase options delivered to owners.

On September 1 of 2011, through Resolution 328 the Ministry of Mines and Energy declared of public benefit and social interest the 11,079 ha required for the biotic restoration program development.

A request was filed before the Ministry of Mines and Energy to declare of public benefit land properties required for the resettlement program.

Permits

On January 12, EMGESA was informed of resolution SFOM 1 from INGEOMINAS, authorizing moving ahead the exploitation period and approving the Work Plan (PTO). This resolution was firm once the company had been notified. EMGESA was notified of the change to the environmental license according to Resolution 2766 of December 30 of 2010, allowing exploiting material sources once the mining title has been obtained and the PTO approved.

UPME (Mining-Energy Planning Unit)

On November 22, UPME opened a tender to select the S/E Quimbo and Alferez investor. Relevant dates:

Project presentation audience	November 29, 2011
Selection of the investor and auditor	March 15-30, 2012
Tender closing date	April 04, 2012.
Commissioning date	August 31, 2014

External XM audit

Two project progress reports were delivered regarding the schedule, the S curve, and relevant facts, to the XM System Administrator, audited by Sedic SA. The auditor established that, despite the project being delayed and based on its rescheduling, there are no conclusive circumstances affecting its commissioning date, as recorded before CREG.

Social-Environmental Management Plan

According to the MAVDT requirement in the environmental license, EMGESA continues performing the following activities and studies:

Environmental compliance reports

Delivery of the 3rd and 4th Environmental Compliance Reports to the Ministry of the Environment in March and September.

Subtraction of the Amazonia forest reserve area

Once the Ministry of the Environment and Sustainable Development approved integral compensation of 11,079.6 ha (subtraction of forest reserves and forest use), EMGESA submitted for MADS review the study developed by Fundacion Natura, which includes technical adjustments requested by the Ministry through Document 3563 of September 23 of 2010. CAM was also informed, explaining progress reached in changing the restoration pilot plant. As of the date of this report, final approval by the National Environmental Licenses Authority is pending.

Socioeconomic Census, Neighborhood Minutes

Development of the socioeconomic census of families and persons living or working in land properties required for the resettlement program of the communities of Escalereta and Balseadero, located in the area known as Llano de la Virgen (municipality of Altamira) and land properties Santiago and Palacios in vereda de Majo, municipality of Garzón. A census was also made in land properties required for construction of additional roads (municipalities of Gigante, Garzón and El Agrado).

Neighborhood Minutes were prepared for land properties required for building the irrigation district channel for towns to be resettled in land properties of Llano de la Virgen and Escalereta parte Alta.

Vulnerability study

The vulnerability study prepared by NGO Corporacion SUNA-HISCA was delivered to ANLA.

This study allows establishing the various vulnerability levels affecting the community living in the project's direct area of influence, as well as sensitivity levels regarding the project and its adaptation capacity.

It is a tool allowing prioritizing offsetting measures, psycho-social intervention, and the potential of the various capitals (human, physical, cultural, political, among others), identified in the target population.

Ethnographic study

The consultancy firm Etnografia made this study, addressed to resident and nonresident families in the project's area of influence. It allowed identifying particular aspects of each AID community in their various components (social, economic, cultural, political, and gender relationship), providing guidelines for project intervention.

Psycho-social assistance

Within the psycho-social system development framework, various activities were carried out with adult members and family heads, as well as with the Domingo Arias town, which was resettled to the Gigante municipality; all social services where resumed, especially regarding health.

Economic Impact Valuation Study

EMGESA delivered to MAVDT the economic valuation study regarding the project environmental impact, as required by Resolution 899 of 2009, which granted the environmental license.

The purpose of the study is preparing an economic valuation of the project impact and the effectiveness of environmental management steps carried out by EMGESA through its environmental management plan, regarding the cost-benefit ratio of those affected by flood areas or reservoir areas.

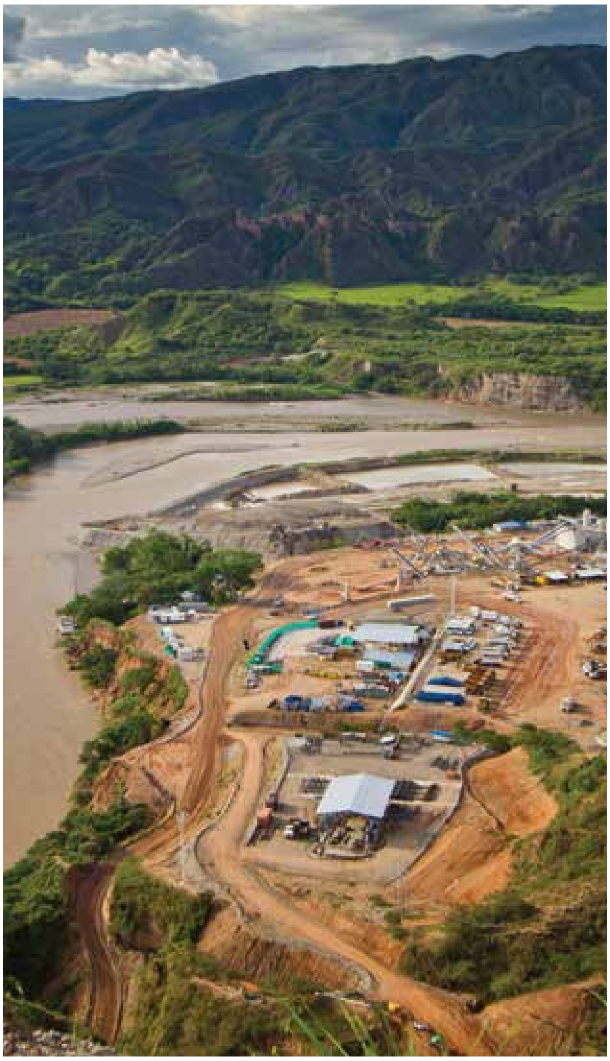
To establish this, two environmental assessment possible scenarios were evaluated, the first with a 90% effectiveness of offsetting measures taken, the second with 80%.

The study demonstrated that, in the two possible scenarios, the cost-benefit ratio for all in general is positive. This demonstrates that the PMA programs proposed by EMGESA and approved by the Ministry are in agreement with environmental offsetting activities regarding the project impact and that the company should continue keeping high standards regarding all PMA programs in order to ensure net environmental benefits.

Basic archaeology

An archaeological prospecting study was carried out in the work area, at the camps, in Domingo Arias, in the detour tunnel, and in the road on the left margin; prospecting activities were started in the future reservoir area.

Fortuitous findings were made during 2011 which, according to the law, were reported to the Colombian Anthropology and History Institute.



Definition of resettlement areas and reestablishment of productive activities

Discussions were carried out with the La Escaletera and Balseadero communities regarding resettlement areas and community equipment. The award was made through a ballot with productive land plots, to each beneficiary of the offsetting measure.

Follow-up was made to the four Domingo Arias resettled families regarding their productive activity reinitiating and development.

Detail engineering was hired with Codesarrollo for implementation and development of the Institutional Resettlement and Strengthening Program included in the Environmental Management Plan.

Institutional Strengthening Program

Regarding this program and in support to investment plans of municipalities in the direct area of influence of the project, 8 committees have been created for presentation of projects by the municipalities, of which 44 amounting to $11,000 million have been approved, benefiting over 70,000 persons. The projects feature consultancy services, housing construction, recreation and urbanism work, purchase of waste collection vehicles, provision of laboratories and equipment.

CODEIN SAS was hired to update territorial ordainment schemes of the project's AID municipalities and to prepare the Original Ordainment Plan.
A training agreement was developed with Escuela Superior de Administracion Publica - ESAP and with the Nation's Comptroller General in order to provide tools to communities and local leaders to create ombudsman offices and other public control instruments.

Program for handling and protecting the fish and fishing resource in the upper Magdalena River Basin in the AID

Through Univeridad del Tolima, EMGESA hired activities related to the fish evaluation and the fishing resource evaluation projects in order to obtain information on the structure and operation of the fish communities and of the fishing sector in the Magdalena river higher basin. During 2011, 5 samples were taken in 3 locations of the Magdalena river (Puerto Seco, Veracruz and Peña Alta), in the Páez river and in 4 tributaries: the Suaza river and the Guandinosa, Yaguilga, Ríoloro Garzón streams. As a result of this, 3 orders have been recorded (Characiforms, Siluriforms and Cyprinodontiforms), 9 families and 31 species.

In order to identify routes and areas used by migratory fish during the two annual reproductive migrations for the basin ("la subienda" and "la mitaca"), the project called "Branding and Recapturing Migratory Fishes in the Area of Influence of the El Quimbo Hydro-Electrical Project" was developed. The results will provide additional knowledge of activities and the use of migratory Colombian fish populations, identifying priority areas for such populations. At least 45 fishermen from the area participated in this activity.

Employment and Local Services Policy

EMGESA carried out social activities regarding this policy in each AID area, recording not qualified labor available in each area, providing a semi-qualified and qualified labor offer registration mechanism. Additionally, monthly follow-up and control committees were created to provide statistics and listen to community concerns. The training process for the various work contractors was started regarding safety, environment, and social responsibility.

Designs

As a supplement to basic engineering developed the previous year, the following activities and studies were carried out:

- Preparation of detail engineering according to the schedule for the execution of the detour tunnel work and its related work; spillway excavation, fill and excavation of auxiliary dyke, machine room excavation, Plinto Presa Principal excavation, bottom load and discharge tunnel excavation, access road, and other structures.

- Conclusion of the report on exploration and investigation of the section 3 area inside alternate roads.

- Environmental impact study of the road on the left Magdalena river margin.

- Revised location of access roads to windows 1 and 2 of the detour tunnel resulting from layout adjustments.

- Ongoing contracting process with EDF for the review of the dam instrumentation.

- Review of technical information delivered by Consortium ASC for dimensioning of the machinery room and the traveling cranes.

- Final approval of general dimensioning of the machinery room based on the Alstom turbine design.

- Conclusion of the maximum probable river level increase study at La Presa. The 2nd hydraulic model is being contracted, whose estimated term will be 6 months and will be carried out with the Buenos Aires national Water Institute.

- The Board of Consultants made visits Between January 24 and 28 of 2011 and between August 29 and September 2 of 2011, including a visit to the work site, in order to issue their opinion regarding the project general design.

The contractor has received detailed design drawings to build fronts associated to:

- Detour tunnel.

- Machine room embankment and spillway discharge channel.

- Spillway excavations up to marker 684.

- Low spillway area excavations.

- Machinery room excavations up to 561 m above sea level.

- Plinto Presa Principal excavations.

- Auxiliary dyke excavations and fill work.

- Load tunnel excavations.

- Bottom discharge tunnel excavations.

- Pre-cofferdam and cofferdam fill, including the fusible dyke.

The electrical installation, the machinery room grounding, the concrete drawing of the machinery room and the spillways, the main dam fill, the design of replacement roads and bridges, and the Laguna La Jagua relocation design are being approved.

Design changes were made to the machinery room location, in approximately 10 m towards the mountain. The new drawings delivered to the contractor already include this change.

Execution of main contracts

These contracts are in progress, the following activities standing out:

CEQ-01 - Construction of cans and water treatment systems.

Personnel camps are concluded, as well as technical and professional modules with all their services, so that the EMGESA personnel was moved on December of 2011.

The technical camps (offices) are 85% concluded, the estimated delivery date being February 2012.

The drinking water plant, the wastewater treatment plant, and the electricity supply to the camps have also been concluded. Construction of common, recreation, and mess hall areas continues.

CEQ-05 - Construction of detour tunnel access roads.

Material transportation, mixing, placement, and compacting work was completed at the end of the year for access roads to the tunnel windows and the surface water handling structures, for delivery to the main civil works contractor.

CEQ-03 and 204 – Line and S/E of contraction energy

Concluded construction of a 34.5 kV line 8.4 km long, fed by Electrohuila, and 3 power stations with the following characteristics: Faena substation, 6/7.5 MVA, Oficinas substation, 300 KVA, and EMGESA Substation, 800 kVA, which were called "energy for construction".

Once Surpetroil concluded connection allowing receiving electricity generated from the Hocha oil station, 5.25 MW are available with 2 distribution lines called Hochas 1 and 2 at 13.8 kV.

CEQ-21 - Construction of main civil works", detour tunnel

The vault excavation was concluded in the entire tunnel (488 m), joining the two work fronts (windows 1 and 2) on July 30 of 2011, including excavation, primary and secondary concrete, and bank excavation.

56% work progress of the tunnel lining

Concluded work on the tunnel inlet and outlet portal embankments, continuing with the installation of rebar and concrete in both structures.

Prepared the protection embankment for detour tunnel access portal.

Cofferdam work was started on the dry left margin, together with excavation of the fusible dyke and the dam outlet.

Left margin road

Clearing and excavation work, supply of metal structure of the bridge over the Paez river. The bridge foundation work started.

Machinery room

Embankment excavation started. Tendons were installed as part of the hill support system.

CEQ-70 - Design, manufacture, supply, direction, and commissioning of electromechanical equipment.

The following activities stand out:

- Delivery, review, and approval of the work schedule (revision E).
- Delivery, review, and approval of the contract equipment basic design report.
- Delivery, review, and approval of the safety plan, the labor health plan, the environmental plan, and the quality plan.
- Delivery and review of the imports manual.
- Performance and approval of the turbines reduced model tests at Grenoble, France.
- Development of the equipment detail engineering, with workshops in Bogota, Taubate, and São Paulo, Brazil, for traveling cranes, hydro-mechanical equipment, and transformers.
- Purchase of most materials required for manufacturing traveling cranes, gates, turbines, and generators.
- Started manufacture of traveling cranes and main girders in Bogotá, mobile elements in Zaragoza, Spain, and turbine parts, prior distributor, and generators, stator casings, in Taubate, Brazil.
- Issuance of Addendum No. 1 to include 3 optional items, 24.3 m traveling cranes, bottom discharge maintenance gate, and Toshiba transformers.

CEQ-203 - Detail engineering and advisory services

Main activities:

- Preparation of detail engineering according to the detour tunnel work execution schedule and ancillary work; spillway excavation, fill work, excavation of the auxiliary dyke, the machinery room, Plinto Presa Principal, bottom load and discharge tunnels, access roads, and other structures.
- Review and adjustments to volumes and detailed designs of the detour tunnel.
- Continued delivery of electrical installations, electrical grounding work in the machinery room, the machinery room and spillways concrete drawings, fill work at the main dam, design of alternate roads and bridges, design and relocation of the La Jagua pond.
- Revision of the new deliverables schedule adjusted by the consultant regarding the current CIO program and to the preliminary Alston program, revision 5.
- Continued work on studies and designs of alternate roads, including sections 1, 2, Balseadero; revision A until January of 2012.
- Final phase of geotechnical studies of alternate roads, except for the section 2 two bridges.
- Additional detour studies for various periods.
- Analysis of drainage alternatives based on the Board of Consultants' recommendations.

Other contracts

The fiber optics link between the worksite and the EMGESA offices in Bogotá is available since December 5, with a 13 Mbps bandwidth.

Quimbo Project financial burden control and management

Costs related to the debt incurred to execute the project (bond placement, legal assistance, risk rating, bond service, etc.), as well as interests during construction, are being activated.

An application was installed in the SAP system in 2011, allowing establishing the amount to be capitalized through individual control of each payment made for project execution, from the date of the document and with individual identification of the financing origin and the rate of interest. The application improves organization, transparency, and financial and tax support for the above costs.

Communications management Quimbo hydro-electrical project.

A communications plan was implemented in 2011, whose main purpose is assigning the responsibilities the project is executed under, in order to build respect and trust.

Institutional liaison

Contacts with local and departmental authorities were strengthened, sharing project progress regarding social, environmental, and technical issues.

Meetings were held with columnists and business group representatives in order to share project information and create direct communications with the company.

The program involving visits to the worksite was started, during which various interest groups were able to see the project progress. Some 12 visits had been made by the end of 2012.

Corporate events - Ground breaking ceremony.

The "Quimbo Hydroelectric Project Groundbreaking Event" took place in February, officially starting project construction. This event was attended by the Colombian President and leaders from the region, the government, internal personnel, and the media.

Generation of informative material

Several communications were distributed throughout the year to communities in the project's area of influence, including the Project Duties Guideline, controls and prohibitions during project construction, the Environmental Management Plan, the project pamphlet for the Controller's Office, and the update to the informative pamphlet regarding milestones and technical data.

Advertising

The guidelines plan was started in February, whose purpose is informing project benefits, highlighting social and environmental investment, informing job generation indexes and contributions to the country's energy development under the concept of "The Energy of This Generation" and "El Quimbo Reflects Everything That's Good".

Micro-site

The El Quimbo project micro-site was launched in September, hosted at the EMGESA webpage and providing relevant information for the various interest groups regarding social, environmental, and technical aspects.

Production of audiovisual material

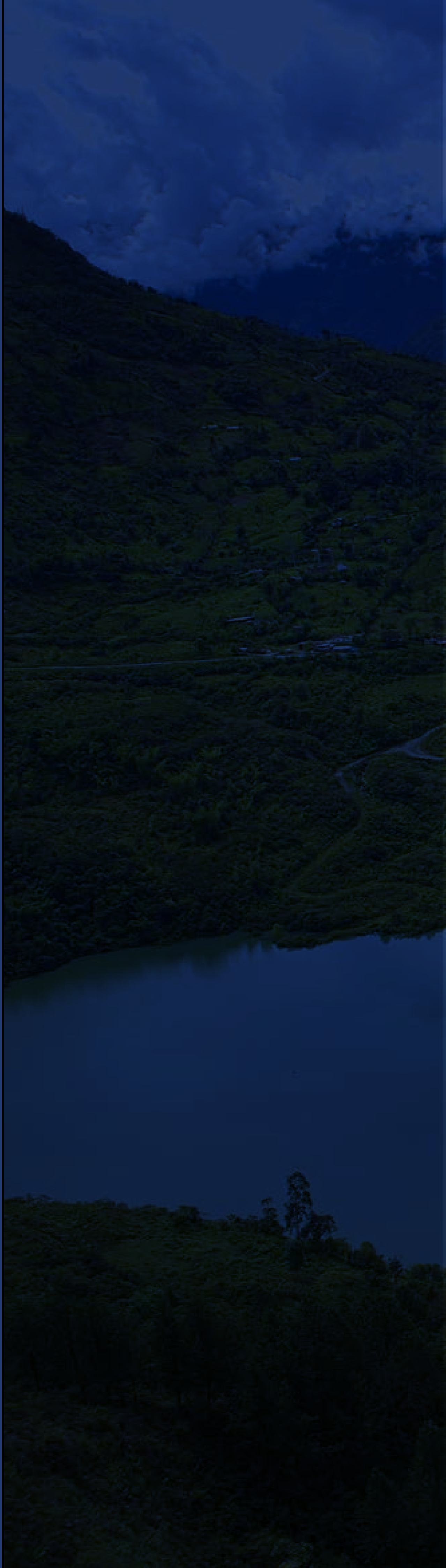
Three videos were produced on project management and positioning, describing its benefits and contributions to the Huila region.

External communications

The company provided more of its own information in Huila regarding the El Quimbo project progress, through 20 press releases during the year.

The project's electronic informative bulletin was launched, each month containing information of interest for everyone. Four editions were published during 2011.

Management of Expansion Projects



EMGESA continued developing its generation projects in order to meet its expansion plans.

Guaicaramo: This hydroelectric project considers the use of the Upia river intermediate basin by constructing a 111 m high dam in the Guaicaramo strait, on kilometer market 260, creating a 11,493 ha reservoir that will allow installing 467 MW with an annual average 2,761 GWh capacity. The project's feasibility has been concluded, the environmental impact study being in progress, which will be concluded on April of 2012 for subsequently applying for the environmental license.

Sumapaz: This hydroelectric project will be installed 20 km from Bogotá, in the departments of Cundinamarca and Tolima. It will use the water from the Sumapaz river by constructing 8 mini-stations with a 156.2 MW total installed capacity. The technical feasibility study and the environmental impact study are underway, the latter to be concluded in September of 2012.

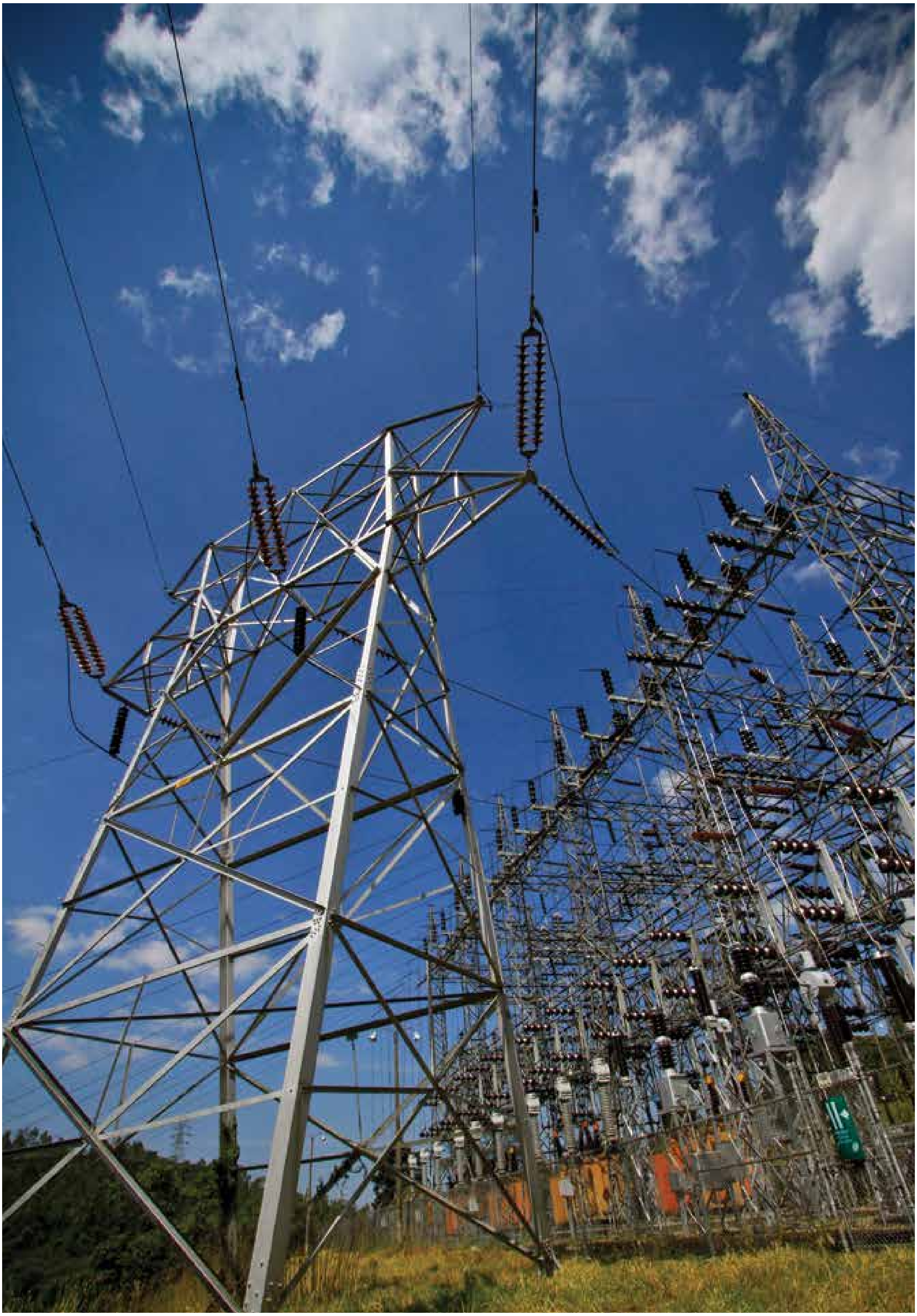
Oporapa: This hydroelectric project is located in the department of Huila, upstream the El Quimbo project. It uses the water of the Magdalena river; a 168 m dam is estimated with a flooded area of 1750 ha and a 271 MW capacity. The internal prefeasibility study is being contracted, to last 8 months and to be started in March of 2012.

Campohermoso: The project prefeasibility study was started on December of 2011. This project involves a 178 MW reservoir and estimated 1,067 GWh, located in the department of Boyaca, Colombia, using the water of the Lengupa river. The study is being prepared by HMV Ingenieros and will be concluded by mid 2012.

Wind power: This resource is currently being evaluated. In 2010 there were 6 measurement towers throughout the national territory; in 2011, 2 of them were relocated due to poor results. 3 additional towers were built in La Guajira and 6 additional locations have been identified in La Guajira.

Regulatory Activities


COS φ
CAP



During 2011, the electrical sector and the country in general were affected by the La Niña phenomenon, resulting in high rain levels which however did not seriously affect energy availability.

From the regulatory point of view, the electrical market activity focused on fine-tuning the rules for the 2nd Firm Energy Obligations Auction for 2015-2016, which was carried out at the end of December; the auction will be held during January of 2012 for generators with construction periods longer than those planned. Included in measures previously adopted are: i) definition of conditions to support OEFs with liquefied natural gas, ii) coordination of assignments with respect to the 2014-2015 period, iii) limitation on participation of used plants, iv) participation limitation of plants with variable costs in excess of the scarcity price, v) definition of information available for the auction, and vi) modification regarding participation for the GPPS plants.

The main regulatory activity milestones are the following: i) Resolution 152 of 2011 was issued, making the Bogotá river minor plants' capacity expansion possible, now being considered run-of-the-river plants, ii) opening of the process to select an investor to build the 230 KV Quimbo substation connecting the generation project with SIN, iii) issuance of the regulation defining the methodology to calculate firm energy for wind plants, iv) regulation defining the audit to the National Dispatch Center and to the Accounts Liquidator And Administrator, v) regulation applicable to international energy exchanges and reliability between Colombia and Panama, Resolution CREG 55 of 2011, allowing the company to participate in international electricity negotiations.

Included are commercial aspects related to issuance of the trading regulation, the change to the register, energy contracts, and several conditions regarding guaranties and advance payments to agents.

Regarding the natural gas regulation, the following is worth mentioning: i) issuance of the natural gas decree allowing guaranteeing supply in Colombia, which includes guidelines regarding gas trading, information, exports, and imports of this fuel, ii) based on the above decree, CREG issued the Natural Gas Trading Mechanism between 2012 and 2013, and iii) CREG prepared and delivered to agents liquefied natural gas studies, secondary market, and natural gas options, as a result of which the regulation associated to electricity generators was issued for those needing to support Firm Energy Obligations with imported natural gas. Also worth mentioning are natural gas transportation charges approved during 2011.

Regarding environmental regulations, the main milestone is the National Government Ministries' reorganization. The Ministry of the Environment was separated from the Ministry of Housing and the National Environmental Licenses Authority was created. During 2011, the Ministry of the Environment and Sustainable Development issued the final resolution to eliminate PCBs, currently under discussions with the agents. The main issues being discussed arise from the river resource management policy regarding issues such as effluents, water quality, and basin management. The Mining-Energy Planning Unit submitted to the agents' consideration the methodology to optimize the basins. Additionally, issues related to forest management were discussed, such as temporary and final subtraction, handling of hazardous waste, and offensive odors.

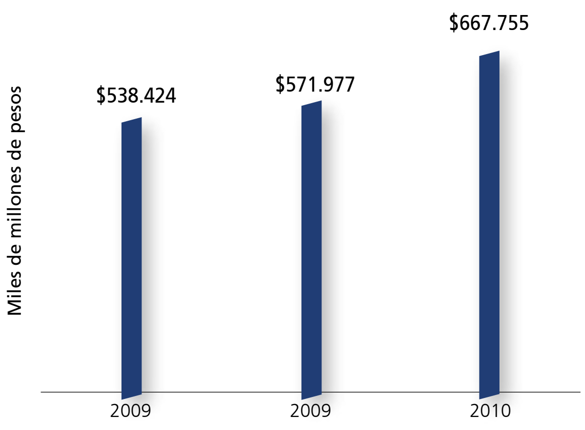
Financial Management


ALSTOM
ALSTOM
ALSTOM
ABB
GENERADOR

The EMGESA operational revenues reached $1,899,158 M, of which $1,894,428 M were provided by the energy generation and trading business, $4,729 M being other associated revenues. Total operational revenues increased 0.66% with respect to 2010. Despite various positive factors during 2011, such as greater generation by the EMGESA plants with respect to the previous year, the energy stock activities and the greater revenues on account of system generation through AGC sales and the lower energy prices resulting from the rainy season that affected the country during most of the year, affected the company revenues. However, it should be noted that, as a result of the commercial policy of previous years, sales under contracts in 2011 represented close to 70% of the total, providing stability to revenues in spite of lower prices.

Sales costs increased to $765,450 M, a 14.4% reduction with respect to the previous year, mainly the result of a reduction in energy purchases due to the high levels of own-generation and the lower values of fuel purchases. Administrative expenses increased 34.5%, closing the year at $29,210 M, due to the increase in the company payroll in the business area and filling of vacancies existing since 2010.

During 2011, the company net profits were $667,755 M, a 16.75% growth with respect to the previous year, result of lower cost of sales as explained above. This result represents an ROI of 8.8% over total assets and 12.27% over total equity.



As of December 31 of 2011, total company assets were $8,265,856 M, available cash and short-term investments in total being $511,652 M, a 6.93% and 66.77% increase, respectively, with respect to the previous year, mainly explained as follows: 1) greater advance payments to suppliers and contractors of the El Quimbo project, 2) greater cash balances due to project pre-financing resources secured at the beginning of the year by issuing international bonds, and 3) greater fuel inventories to support the reliability charge of steam plants.

Regarding indebtedness, as of December 31 of 2011 EMGESA reported financial debts - inclusive of short-term interests - of $2,247,485 M, a 28.34% increase with respect to the previous year, due to the issuance of international bonds, denominated in pesos and payable in American dollars, for $736,760 M (equivalent to US $400,000,000) in January of 2011.

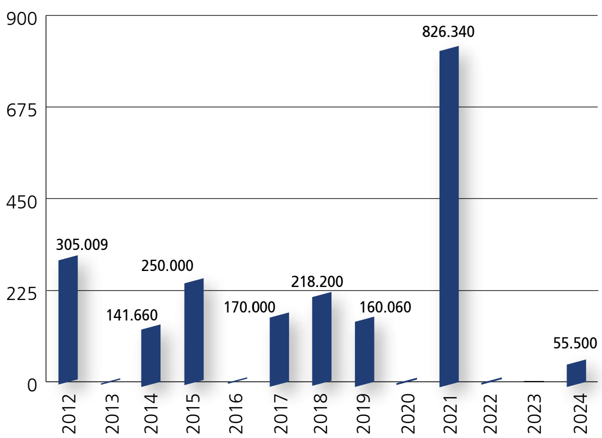
On December 31 of 2011, financial debts were represented by $1,085,000 in bonds issued in the local capital market, $736,760 M in bonds issued in the international capital market, and a Club Deal credit with local banks for $305,009 M.

The company net financial debt went from $1,393,206 M in late 2010 to $1,615,117 M in late 2011, a 15.93% increase mainly the result of the greater balance of the year's financial debt from issuance of international bonds, despite the 66.77% increase in available cash.

During 2011, the company continued with its policy to minimize the income statement's exposure to exchange variations, with which at the end of the year 100% of the company debt was denominated in pesos. 85.66% of the total debt was long-term; regarding the reference interest rate, 44.36% of the debt was indexed to the PCI, 16.67% to the DTF, and the remaining 38.98% being a fixed rate.

The average year debt cost was 8.97% effective annual, mainly the result of the increase in inflation levels, in the average greater than those of 2010, indicator respect to which most of the debt was indexed, as mentioned above. The debt's mean term went from 4.61 to 6.5 years.

Following are our scheduled maturities as of December 31, 2011.



The company pension liabilities at the end of 2011 were $74,239 M.

Dividends

During January, EMGESA paid 52% of dividends declared by the General Shareholders Assembly on October 29 of 2010, for a total of $227,904 M corresponding to distributable profits for January-September of 2010, on account of the September 30 of 2010 accounting closing and the release of the surplus legal reserve. 48% of dividends declared for this same time, and a portion of the surplus legal reserve, had been drawn in December of 2010, for $ 211,501 M.

On March 24 of 2011, during its ordinary meeting the General Shareholders Assembly approved a profits distribution for the 3-month period between October 1 and December 31 of 2011, for a total of $155,324 M, which were paid in December of 2011 and January of 2012.

Issuance and maturity of securities

On January 20, EMGESA successfully placed its first bond issuance in the international capital market, for $736,760 M, equivalent to US 400 M, with a 10-year term. Bonds issued by the company, denominated in pesos and payable in dollars, have a rate of return and a fixed coupon rate of 8.75%. With this issuance, EMGESA became the first Colombian corporate issuer in making a peso issuance in the international capital market, successfully achieving total demand of over US $1,250 M, equivalent to 3.6 times the amount offered initially, from North American, European, and Latin American investors. Such issuance is the result of the company financing sources diversification goal and the investors' base expansion.

The operation is part of the El Quimbo hydroelectric station financial structure, having allowed securing pre-financing resources for project needs for 2011 and part of 2012 and refinancing of other financial obligations.

During November, with its own funds EMGESA paid $310,000 M of its financial debt. On November 7, commercial papers issued on November of 2010 were paid, for $70,000 M. On November 10, the partial payment considered in the 6th anniversary of the Betania Bonds was made, equivalent to 60% of the issuance's outstanding amount, for a total of $240,000 M.

Financial optimization operations

In order to optimize cash operations between EMGESA and CODENSA, during 2011 EMGESA received from CODENSA advance payments on account of energy purchases, under market conditions, for $336,500 M, which the company used for its working capital needs.

These operations reflect the two companies' integrated financial management and bring benefits for both inasmuch as EMGESA obtains cheaper financing and CODENSA obtains better return on investment for its liquidity surplus. The EMGESA portfolio was in the average 54 pbd above the Reference Bank Indicator.

Current Ratings

The Fitch Rating Colombia SA SCV Technical Rating Committee confirmed the "AAA" rating for the EMGESA corporate debt and all its current bond issuances (the highest credit rating given), in which risk factors are practically inexistent. This rating took into account the company investment plans in construction and commissioning of the El Quimbo hydroelectric station for the following years, and its respective financing. It also confirmed the "F1+" rating for the company commercial papers issuance of $600,000 M, given to obligations that offer the highest timely payment certainty, in which short-term liquidity, protection factors, and access to alternate resource sources are excellent.

The international bonds issuance was preceded by the public announcement of the BBB- (investment grade) EMGESA international rating by Fitch Rating Colombia SA SCV and Standard & Poor's, a level above the Republic of Colombia at the time the rating was announced on January 13 of 2011. The BBB- rating applies to its debt in local and foreign currency and applies both to the company and the issuance of international bonds placed in January of 2011. The EMGESA rating demonstrates the company's strong competitive position, its diversified generation assets portfolio, and its successful commercial and business strategy. This rating also reflects the EMGESA conservative profile and the operational support the company receives from its controlling companies through transfer of know-how, experience, and good practices.

Tax management

The Colombian statutory auditor area supported various company processes, including structuring of the agreement for the construction of the Canoas Elevator Station with EAAB - which aims to guarantee and maintain the flow of water pumped to the Muña reservoir - and the audit made by Price Waterhouse Coopers to the legal stability contract corresponding to compliance with contractual obligations for the 2008, 2009, and 2010 terms. The result of the audit was satisfactory.

On January of 2011, the fiscal auditor's area assumed control of tax litigations, designing the necessary procedures to perform the necessary work.

An analysis was made of the various alternatives considered in fiscal and customs regulations in order to identify the most efficient fiscal structure for the import of the el Quimbo hydroelectric project equipment.

Planning and Report Project (P&R)

The Planning and Report Project involves implementing a tool with which ENEL will consolidate the financial figures of all global affiliates. This tool works with an extractor that takes accounting information from the SIE financial system. Once such information has been extracted, conversion adjustments are made to report the ENEL financial statements. The project implementation started on March of 2010, two parallel projects having been carried out during June and October; it was finally commissioned in November of 2010.

The P&R consolidation system was stabilized at the beginning of 2011, together with the Control Manager consolidating the business management information in the same system. Also during this time, the financial statement information was conciliated according to international Chilean norms with the Spain financial state under international norms.

NIIF adaptation in Colombia

According to Law 1314 of 2009, the Public Accounting Technical Council was created in Colombia, which during 2012 should deliver a bill whose purpose is bringing the country accounting up to international standards.

In the review made on the impact of international standards in Colombia, the above Council and the Superintendence of Companies created committees in the financial and real sectors, the latter in which EMGESA participates.

Certification of payment processes quality

The Quality Management System was implemented according to ISO 9001:2008, which concluded with the certification audit made by Bureau Veritas on November 2011, giving excellent results since no remarks were made. The Payment Management Process was audited, the result also being satisfactory. Having this certification ensures that processes will follow quality standards, leading to greater internal and external client satisfaction, productivity increase, and process accountability and efficiency.

Internal control

In 2011 the Internal Control Unit made changes to some processes in the SOX scope internal control model, including new controls and processes, in order to customize the model according to current operational conditions and the need to hedge risks resulting from new transactions, in general focused on strengthening internal controls.

The Unit coordinated self-evaluation of the SOX Internal Control model for the 1st and 2nd halves of the year, using the "MIC" tool and obtaining favorable results and an adequate internal control certification.

For the first half of the year, the Internal Corporate Audit and the External Audit contracted with Ernst & Young reviewed company relevant processes through design and operational tests according to generally accepted audit norms and procedures. As a result of this, improvement opportunities were found for which action plans were generated. At the end of the year they had been implemented by the various areas in order to obtain an external certification without significant control deficiencies.

General services and equity management

The Administrative Manager improved general compliance of its services to 86%, versus 75% for 2010. Significant progress was made regarding documentary normalization of the area his processes and services, almost 90% of them having been concluded.

The Customer Service Model was consolidated during the year, with improvements made to the service channel and report automation in the SAP BW platform. A resource optimizing project was started, called "Overhead", providing continuity to some service rationalizing initiatives and generating new ones, improving processes for 2011 and the following years.

Equity

Regarding equity defense actions, EMGESA took steps to defend land properties held by third parties in the Betania Hydroelectric station towards the end of 2011, evicting some of them.

Maintenance and civil works

Maintenance was improved and work and remodeling done at the Cartagena steam station and at the corporate headquarters, in approximately 400 m² for 72 work posts.

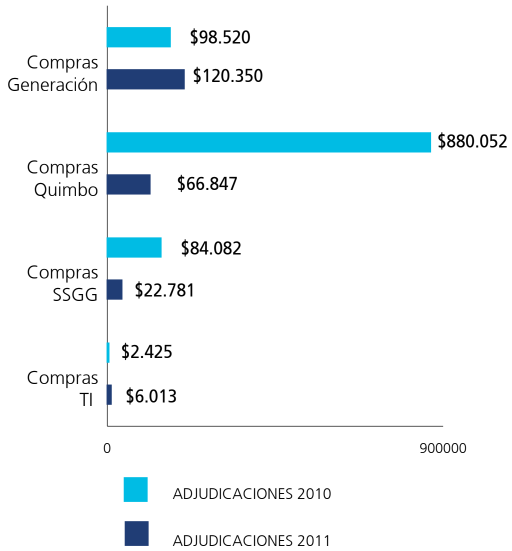
General services

The personal transportation service to generation stations was improved, optimizing some routes and diagnosing documentary management regarding the company's physical archive, in order to improve the service.

Supply Management

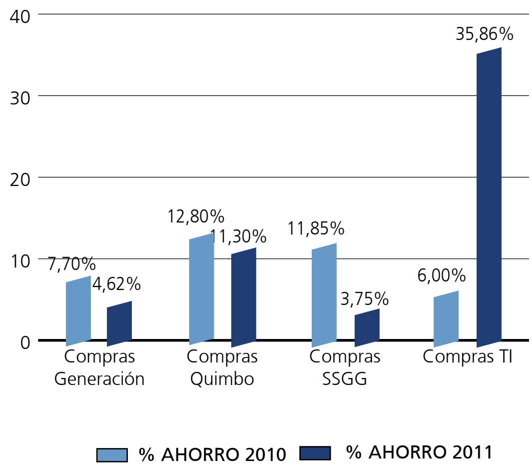
Awards:

Awards were made for $215,993 M, a 20% reduction with respect to the previous year.



Savings Activities:

$18,580 M were saved regarding reference prices, equivalent to 7.93%.



Inventories:

Material inventories valuated in EMGESA at 2011 year end are $6,2328 M.

Number of suppliers:

There are 7,293 active companies in the EMGESA vendors register, a 28% increase with respect to 2010.

Main Activities

- Implementation of the labor safety and health rating before awards to vendors providing high safety risk services, through an external audit process that seeks meeting the "Zero accidents" goal.
- Implementation of a new automated purchasing planning process. The tool will allow the users to know and follow up their planned purchasing processes, also to identify processes providing synergy to the various areas, this way optimizing the purchasing processes.
- Implementation of the digital signature certification project guaranteeing authenticity, completeness, and legal security for tender processes through electronic means.

Purchasing Activities

- 13 electronic auctions were held, which allow streamlining the tender and award process. $4,637 M were awarded with this mechanism, 2.15% of the total awarded.
- Work was done to promote generation expansion plans in Colombia, through the following projects: environmental impact study, phase 1, and the Sumapaz hydroelectric project technical feasibility study.
- Environmental impact study, Guaicaramo hydroelectric project.
- Prefeasibility study, Campohermoso hydroelectric project

- Evaluation of exploitable coal reserves through open pit mining in mining concessions and review of mining aspects in the La Margarita mining project.
- Potential participation study in distribution and/or trading of natural gas in Colombia. Connection study of the 350 MW Termosinifana steam station.
- Tender process for contracting the Oporapa hydroelectric project prefeasibility study started.

Vendor Management:

The company has voluntarily decided to keep a committed and proactive attitude regarding sustainability. To support this initiative, the "ENDESA Sustainability Plan" was developed, one of its purposes being strengthening our commitment with society and our desire to be the sector's reference point through excellence in supply processes and management of our relations with vendors and contractors.

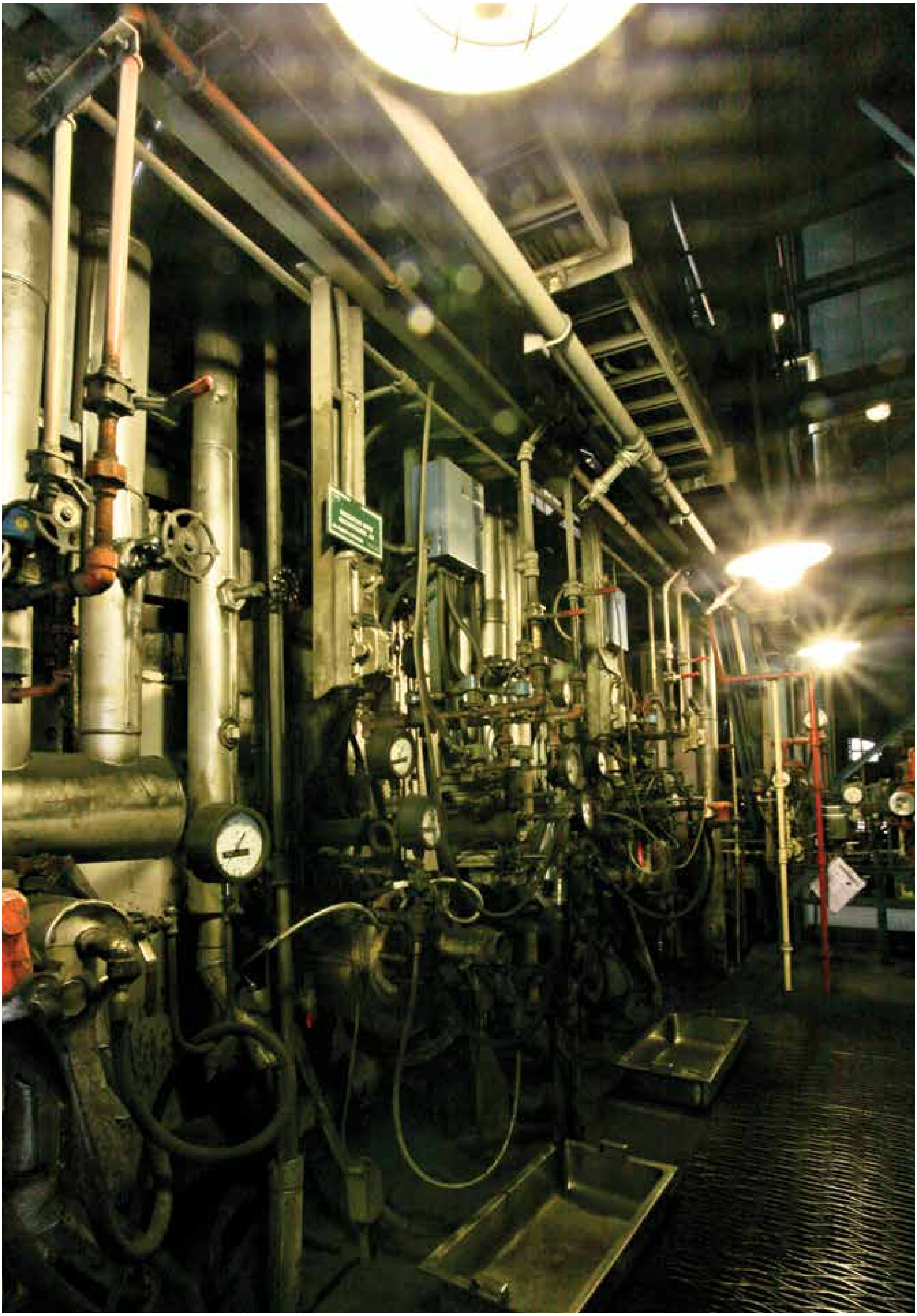
To achieve this, Supplies focused efforts on making sure its vendors and contractors will meet the following requirements:

- Quality Management System, according to Norm ISO 9001: 2008.
- Safety and Occupational Health Management System according to OHSAS 18001: 2007.
- Environmental Management System according to ISO 14001:2004.
- Participation in the World Pact.
- Code of ethics) with that of ENDESA.

Logistics management, quality, and COMEX

More than 1400 SKUs - stock keeping units = references were catalogued, including material stored in warehouses and not included in SIE2000 as "material under custody", currently in the stations' warehouses.

Legal Activities



In line with development, promotion, and generation of energy alternatives contributing to offset weather changes and efficiency in transportation systems, the legal manager provided the necessary support to structure the "e-bike to work" project, which promotes the use of electrical bicycles by company workers.

Within the ENDESA group corporate reorganization framework, ENDESA Servicios SL executed an agreement with Enel Energy Europe SRL – EEE for administration of the Telecommunications and Systems Activity Branch administration. Considering that EEE subrogated in all rights and obligations resulting from such activity, the Legal Manager structured, developed, and formalized the necessary documents and concepts for the EMGESA Systems and Telecommunications contracts to follow the new group organization.

Active support was provided with internal resources to expansion projects proposed by the company, including the most relevant, which include expansions, tenders, energy sales in the wholesale market, social responsibility, and innovation agreements, and all contracts required for its dealings and continuous improvement.

Good Corporate Governance prepared and implemented the "General Shareholders Assembly Internal Regulation" and took the necessary steps to dematerialize company shares. In April of 2011, it carried out the Country Code Survey, prepared by the Colombian Financial Superintendence.

From the regulatory point of view, it actively participated in the various regulatory propositions made by CREG, including the Regulated Organized Market.

Regarding litigations, of the 13 final rulings 10 were favorable, accordingly and according to the demands 55,777 EUR having been saved. There were significant changes in favorability indexes regarding rulings related to flooding downstream the Betania reservoir, in which EMGESA was the plaintiff. Wn 2010 only 12% of rulings were favorable, 69% in 2011.

Regarding accounts receivable, collection activities progressed, including outstanding amounts from companies under creditors agreements.

Legal support was provided to the El Quimbo project contracting processes, also providing assistance in the following environmental aspects:

- Processing changes to the environmental license, as required for continuous project execution upon regular or additional use of natural resources being required.
- Necessary steps to lift measures imposed by the Ministry of the Environment, Housing, and Territorial Development and by Corporacion Autonoma Regional del Alto Magdalena, CAM.
- Implementation of compensations imposed by the project environmental license, preparing the necessary legal instruments.

EMGESA and EEAB executed the Inter-Institutional Agreement, whose purpose is joining efforts to build the Canoas lifting station that will allow improving the Bogotá river water and will guarantee its availability to generate electrical power in a large sector of the country.

Law 964

According to article 46 of Law 964 of 2005, general-purpose financial statements and other relevant reports have no errors or inaccuracies regarding company equity or operations. According to its article 47, there are no significant deficiencies regarding internal controls and operation preventing the company from entering, processing, summarizing, and properly submitting its financial information. There are no fraud cases subject to affecting the quality of financial information, nor changes in its evaluation methodology.

Intellectual property and copyrights

According to article 47 of Law 222 of 1995, amended by article 1 of Law 603 of 2000, as of December 31 of 2011 the company had met all rules regarding industrial property and copyrights.

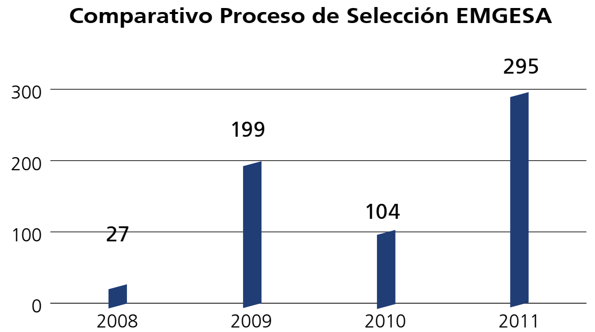
Human Resource Activities


EG
U
R
ID
AD

Development and Selection Division

Selection Process

A 94% selection process and effectiveness average was achieved, an increase with respect to previous years, as follows: 90% in 2010, 70% in 2009, and 54% in 2008. A 99% permanence index was achieved regarding candidates entered in 2011.



EMGESA	Clases de Contrato		
	Directos	Estudiantes/ Aprendices	Temporal
2008	10	11	6
2009	41	39	119
2010	41	41	22
2011	74	80	141

Internal Selection

12% of vacancies were filled internally, providing opportunities to company employees.

EMGESA	VACANTES CUBIERTAS	
	Nivel Interno	Nivel Externo
2008	5	5
2009	5	36
2010	15	26
2011	9	65

There were 9 internal promotions, all candidates receiving feedback regarding their strengths and opportunities for improvement.

Equal opportunities regarding gender for disabled persons

The goal for women hires compared to external hires was 30.52% for 2011, actual hires having been 25%.

The company hired 1 disabled person.

Organizational climate development process

Information was disclosed regarding the climate survey carried out in December of 2011, to all workers. Action plans per area were established.

The best evaluated categories involved issues such as commitment 99%, optimism regarding the future 88%, information sources through leaders 84%, merits 64%, clarity of the unit's objectives 90%, evaluation usefulness 84%, and confidence in the administration 84%.

Critical positions

10 critical positions were identified in support areas, through a methodology identifying positions contributing to the core business. These positions directly impact performance of strategic goals.

1. Método inductivo de análisis con agrupación de las variables por:

- Tiempo de formación / especialización.
- Costo de formación / especialización.
- Costos por búsqueda en el mercado.
- Curva de aprendizaje (complejidad del cargo).
- Disponibilidad en el mercado (externa e interna).
- Grado de contribución a la estrategia (objetivos estratégicos y responsabilidad por resultados).

2. Adicionalmente, entrega información en relación a:

- Qué hace el cargo y para qué lo hace.
- Qué tipo de gestión tiene el cargo (liderazgo, negociación, otras)

3. Finalmente se lista "potenciales candidatos" a sucesores de las posiciones identificadas como críticas.

Performance management

The Performance Management System evaluation tool continued being used. It allows superiors to evaluate individual goals at results level, and employee performance through leadership indexes, so that based on such information improvement actions will be implemented.

Potential management

Potential evaluation is the basis for development and management of employee commitment, in the mid- and long-terms. Its purpose is projecting persons and integrating them into future scenarios so that they will foresee and support its evolution, with emphasis on persons with high growth potential. It establishes scenarios that will guarantee succession in critical positions, including persons with high growth potential.

Leaders program

The program features methodologies implemented by the company in previous years, such as management abilities, coaching, mentoring, and workshops. It now involves participation by 42 leaders.

Quality of Life Division

EMGESA is intent in implementing a management model focused on positively shaping the quality of life of its workers, with the use of tools that allow promoting greater balance in personal, family, and labor life integration.

The following programs were developed in 2011:

Quality of life programs

The second phase of the Life Quality Norm was implemented in 2011, setting forth new balance scenarios for the workers' working and personal life.

Retirement preparation plan

Preparation at the financial, occupational, and emotional levels of retirement life for those nearing retirement and for those that, regardless of age, are interested in making preparations for that time of life.

Recognition at home

Those having excelled in any area, project, or activity receive a letter signed by the Country General Manager recognizing their work.

Work at home

There are 50 registered employees working at home one day of the week, technically and physically able to perform their tasks.

Flexible shifts

Addressed to all direct EMGESA personnel (indefinite term contracts), provided previously approved by their immediate superiors. The program was started in April 18 of 2011 with previously-established shifts. Follow-up is periodically done.

Certification Process, Familiarly Responsible Company

678 surveys were carried out with 114 employees, in order to obtain information on expectations regarding the balance between labor and personal life.

Loans and subsidies

The company made loans for $5,258 M for housing, vehicles, higher education, training, dental services, and domestic problems.

Loans granted were the following:

Línea de crédito	Nº. de créditos otorgados	Valor Préstamo
Training	23	171,341,683
Vehicle	79	1,949,845,450
Higher education	75	321,977,637
Dental services	1	2,876,000
Home problems	2	12,457,129
Housing, collective workers labor agreement	24	1,504,226,160
Integral housing	12	1,295,553,640
TOTAL	216	5,258,277,699

Health plans

Medical service to relatives

Provided to relatives of active and retired workers through Cafesalud. There are 166 participating workers, approximate annual costs being $ 317.

Integral prepaid medicine:

There are 434 participating employees, including employees and relatives. The annual cost is approximately $781 M, EMGESA paying 50% of the monthly rate.

Excellence scholarship

These scholarships are awarded each year to reward the best student (employee son/daughter) with ICFES grades among the best 20% at a national level, according to the SABER tests.

Training

The training and development plan includes activities to strengthen occupational health and industrial safety, technical and management skills, and techniques, special projects, management systems, organizational culture, and innovation, as an element of competitiveness and business knowledge, among others.

According to results from evaluations made by participants, training was rated 4.3/5.0.

Labor skill certification program in the generation business

98 generation workers were evaluated and 140 work certificates were issued, 4 of them being non-competent yet.

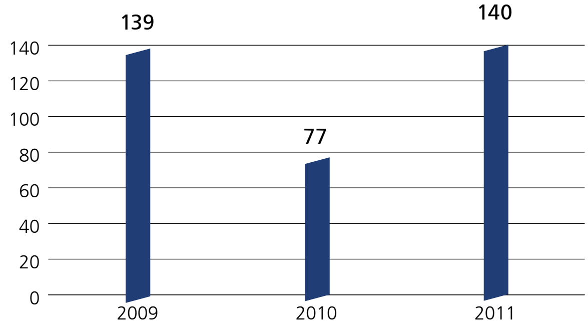
The above is distributed as follows, by station:

- Bogotá River stations: 77 certifications in 15 norms and 3 titles.
- Betania station: 30 certifications in 12 norms and 3 titles.
- Guavio station: 33 certification in 13 norms and 3 titles.

The Maintenance Section approved 9 new norms for the group of mechanics of hydraulic generation stations, with which the first 3 mechanics of the Paraiso station could be certified.

3 new electrical maintenance workers were certified (Guavio and Guasca-Paraiso), concluding the 7 norms in the title, an additional 6 in station operation (Guavio, Betania, Bogotá river).

Nº de Certificaciones en Generación



Innovation Division

The EMGESA IDEO innovation system looks to consolidate the "Open Innovation" model that will allow hiring more workers, collaborating companies, suppliers, universities, and investigation centers in development of innovations that seek improving the companies and the national electrical system.

Following are some of the main achievements:

Culture

- Consolidation of the "Fraternidad PHI" innovation leaders' group, comprising 9 EMGESA workers. Thanks to this, 56 ideas were recorded, participation having been achieved in 10 projects. They supported the disclosure process regarding creativity and innovation issues, strategic planning, and others.
- Training was given to strengthen creativity, provide tools, and discover innovation abilities.
- The company internally reported activities, issues regarding innovation, and results of the I+D+i projects.

Results of the system

- 48 propositions were recorded in the system, as submitted by employees regarding various issues of strategic importance for the company.
- 40 Idea Committees were created, which evaluated 53 initiatives that were considered innovative, and continuous improvements propositions, the remaining being treated as suggestions.
- 3 projects presented by 8 workers were submitted and approved by the Innovation Committee.
- A technical cooperation agreement was executed with Universidad Javeriana.
- Technical cooperation agreements with Universidad Nacional de Colombia, Universidad de los Andes, and Centro Internacional de Fisica - valid until late 2011 - were extended for 5 additional years.
- The National Department of Science, Technology, and Innovation- Colciencias approved financing and execution of the "Strengthening of Innovation Skills" project, funding $225 M of its execution. The project is focused on consolidating management and implementing the innovation model with suppliers and collaborating companies.

I+D+i projects

- Resources close to $1,150 M are committed for 2012, for development of investigation, development, and innovation projects.
- The EMGESA-Colciencias alliance allowed for the 4th invitation to identify and develop I+D+i projects formulated by investigation groups and centers. 11 of the 72 projects presented by 28 universities and investigation centers were selected, in 6 different lines of investigation.
- Contributions for this initiative were $1000 M from Colciencias, 800 M from universities, and 1500 M from the ENDESA group.

PRL, quality and collaborating companies

The Safety and Health at Work World Day journey was held during April 25-29, with activities such as controls of the cardiovascular risk program, active pauses, bone-muscle evaluation and diagnosis, physiological-therapeutic assistance, influenza vaccines, addiction prevention campaigns, self-care campaign, human papilloma virus vaccine, and the nutrition prevention campaign, supported by personnel from the various administrative areas.

Workers' health

All target personnel from all company areas participated in the active pauses program, implementing new strategies and improving the workers' motivation.

The labor medicine procedure was implemented, standardizing the flow of information to enforce medical recommendations or limitations regarding company workers.

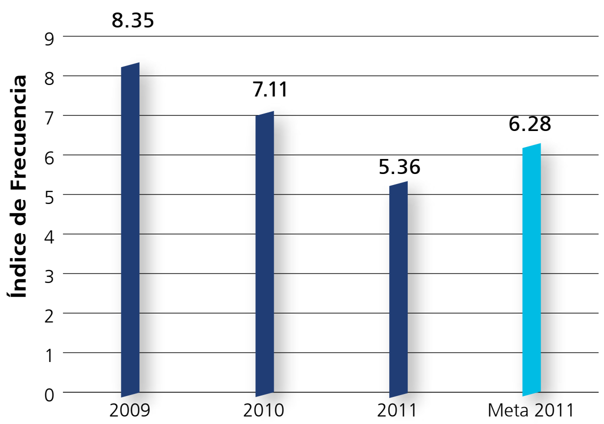
Emergency plans

A national drill was carried out on October 5, company workers evacuating their workstations. Evacuation tubes were installed in floors 6 and 8 of the Calle 82 building.

Metrics

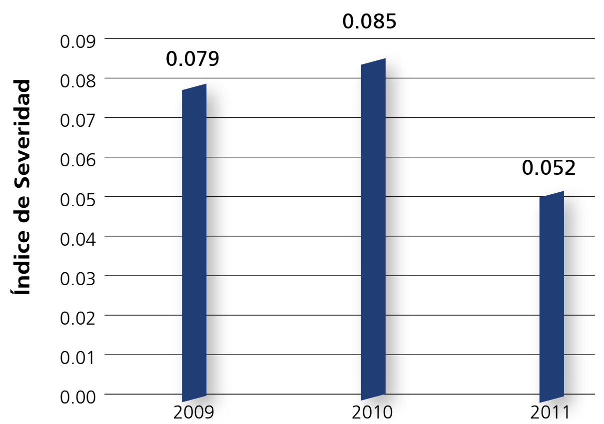
Own personnel plus contractors' personnel:

Frequency index:

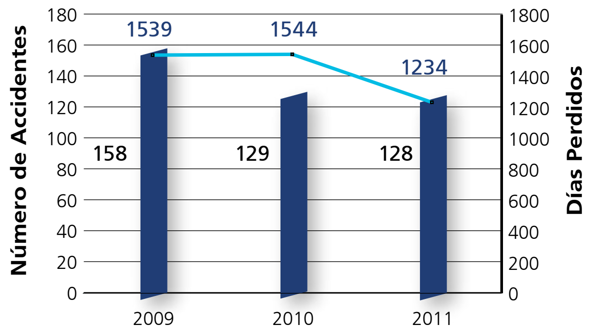


The accumulated frequency index as of December 31 showed a 15 % improvement with respect to the 2011 goal.

Severity index:



Accidents recorded



Quality and processes

Operational Excellence, one of the main challenges the organization faces, includes elements related to the business line productivity. Programs required for its achievement were developed in 2011, including the following:

- *Do more with less*, project that seeks optimizing the most critical HR functions by prioritizing training, selection, and hiring processes in order to improve internal customer service and reduce response times.
- Normalizing the customer service process and the Planning and Control Manager's processes.
- Assistance in the definition of ANS for collaborating companies.
- Creation of the incentives plan for internal auditors: 37 joint audits were made to environmental management systems, safety and occupational health, and quality. 56 auditors participated.

The quality management system certificate was obtained according to ISO 9001: 2008 for the Liquidity Surplus Management Process.

Contractors' labor-management

Contractor information:

Descripción	EMGESA
Number of workers	3,110
Number of contracts	155
Number of contractors	122

Corporate Colabora Project

Preparation of the new contractors information management model was started, at the Latin American level, called Colabora. Its purpose is centralizing all information from company contractors; it operates on the SAP platform and will allow collaborating companies to load information and make online queries.

Personnel management

At the end of the year, the company had 497 direct workers, of which 88.53% have indefinite term contracts. Regarding previous years, the company payroll has remained stable. According to the payment system, workers are itemized as follows: 189 integral, 302 under the collective workers labor agreement. The company had 17 apprentices and 17 university trainees.

New collective workers labor agreement

With the new EMGESA collective workers labor agreement, on July 8 the agreement between the Company and Sindicato de Trabajadores de la Industria de la Electricidad de Colombia union was formalized, valid until December of 2014.
This process was the result of ongoing conversations and mutual respect, in addition to their commitment to reach results in benefit of the workers.

The workers' benefits under this agreement are salary increases, education subsidies, day care centers, meals, deceased worker subsidy, no housing loan interests, longer credit terms, new vehicle loans with no interests and for up to $20,000,000, collective workers labor agreement bonus, bonus for the worker's and its family's recreation, and others.

Information campaign regarding the Code of Ethics and the TCC Plan in Colombia

The Code of Ethics and the Zero-Tolerance Plan on Corruption is the company commitment with the 10th principle of the World Pact promoted by the United Nations, according to which "The company undertakes to fight corruption in all its forms, including extortion and bribery".

ENDESA adopted these norms from its parent company Enel to establish commitments with values and behaviors for the ENDESA employees in Colombia in order to be honest, transparent, and just while performing their duties.

Once the EMGESA Board of Directors approved these norms, the transmission, information, and training campaign was started by the HR and Organizations Manager, applicable to all company personnel.

Internal Work Regulation

EMGESA adopted its new internal work regulation according to legal guidelines.

This document, which contains guidelines the company and its workers should follow under work contracts, among others includes hiring conditions, work shifts at the various company headquarters, permits and licenses, prohibitions, sanctions, and conditions regarding labor harassment.

The document was officially published on November of 2011.

Payment project

The payroll settlement process was implemented in March of 2011 under the technological platform supported in the SAP environment. The most relevant project milestones are:

- 10-month implementation phase, time optimized according to project complexities.
- Development of unit tests and commissioning (December, January, February, and March, involving significant efforts by the team.
- High level of difficulty regarding parameters, considering the Colombian specific issues at labor, tax, and social security levels.
- Payroll correspondence between the previous and the new system was 100%.
- Commissioning had no effects on payroll calculations.
- The personnel payroll assigned to private roles was commissioned on May of 2011.

Internal processes satisfaction study

During the last 3 years, the "Payroll Settlement" process has been considered the one with the highest level of satisfaction in the Internal Client Service Survey.

Organizational structure

In order to align the organizational structure with the business strategy and the ENDESA organizational model at a global level, changes were made to the organizational structure as follows:

Quimbo Project

Implementation of the project's organizational structure according to guidelines in the ENDESA organizational document.

General Services and Patrimonio Colombia

According to the functional and organizational model defined for the General Services and Equity functions in all ENDESA, the "General Colombia Services" and Patrimonio Colombia areas have been created in the Colombia Organization.

Structure customizing according to the ENDESA model. The company organizational structure and flow organizational charts were updated according to new organization and position units included in the ENDESA functional deployment model.

Strategic projects and planning

The "Strategic Projects and Planning" area template was defined and its organizational structure implemented.

Enel's management model

The organization model was updated in Nostrum with the position's classification information, according to the Enel management model.

Communications Activities

External communications, means of communication

EMGESA continued strengthening its open, frank, and timely communications policy, strengthening its position among the media and consolidating it as a reliable and effective source of information.

Most activities were focused on disclosing operations in reservoirs and company financial and management projects and results, strengthening communications with the Huila media.

2,076 news was released, some 4 each day, of which 1,276 were positive, representing a 44% increase with respect to the previous year. 76 negative news was generated, mainly related to reservoir handling during the rainy season.

Internal communications

Enterate e-bulletin

239 bulletins were distributed, containing 956 facts that made the news regarding business and corporate areas.

Corporate mail

Corporate guidelines were distributed using this means, seeking the workers' action or informing them on relevant issues. Some 60 messages were published during the year.

Corporate bulletin boards

Located in 9 generation stations. Each week some 9 notes are published, for a total of 486 notes in the year.

Conectados Magazine

This is the means of information for employees and their families. 4 quarterly issues were published, their main aspects being quality of life, sustainability, protection of life, act safely, and Christmas Route.

Escuchate Endesa

The radio program was broadcasted in September, looking to provide the workers with information regarding company activities. 3 main newscasts are broadcasted every 2 weeks, with participants from various groups of interest. 8 programs were broadcasted in 2011.

Internal communications campaigns

3 campaigns were promoted, leveraged in creativity and emotiveness.

"I want to see you dressed in green"

The main focus of this campaign is the rational and efficient use of resources. It was featured in the International Environment Day.

IDEO

The innovation campaign was focused on consolidating and promoting various initiatives encouraging innovative culture inside the organization. The innovation rooms were renovated in 2011 and support was provided for the first day of the Innovation, Ideoland.

Act safely

The campaign seeks to consolidate a culture of safety inside the company and in its collaborating companies. 30 structures were delivered to 12 collaborating companies for publication of posters with messages related to self-care, health, and protection of life.

Hands with Energy

This new campaign is focused on informing the workers of the importance of being an active part of the various corporate actions promoted by the company.

The "Adopt an Angel" initiative was supported in December, which seeks to deliver Christmas gifts to various social foundations. 407 gifts were collected.

Be Social

This campaign seeks informing social responsibility actions with communities in the various areas of influence and inviting the workers to familiarize themselves with the manner in which collective construction processes are developed.

Blue Ecosystem

The purpose of this campaign is providing information on main challenges and the 3 strategic axes defined. A special section was created in the Enterate bulletin to provide strategy information.

Corporate projection

Participation in events and sponsorships

The company sponsored 34 events related to sector issues such as hydraulic energy, hydrology, regulation, the environment, corporate social responsibility, and sustainable development.

Company directors and workers participated in the 22 public acts, focused on issues inherent to the business such as wholesale market, hydraulic generation, steam generation, give limits in electrical engineering, infrastructure, and environmental management, among others.

Internal events and meetings with workers

Some 35 internal events were carried out in order to strengthen knowledge and the workers' appropriation regarding issues such as knowledge of the business and its processes, sustainability, RSE, innovation, and in general regarding plans contributing to achieving the company strategic goals.

The Jornadas Endesa were held in the last quarter under the "Growing to Be One" concept.

The event, attended by over 1500 workers, included information on annual results, recognition to special programs. Information was provided regarding future goals.

Audiovisual material

13 programs were prepared to support company management and to disclose its relevant processes.

Production of information material

135 notes were prepared for groups of interest, including the annual 2011 notes, the 2011 Sustainability Report, safety and risk prevention instructions for own and contractor employees, and advertising pamphlets and ads.

Social Management

Company activities are developed according to strategic education and local development guidelines applicable to social activities carried out with committees in the municipalities of the various areas of influence.

Education Strategic Line

Support program for local basic infrastructure

- Contributions were made to improve the four rural schools affected by the rainy season:
- Under an agreement with the municipality of El Colegio, economic resources were provided to build the school roof in Marsella.
- Educational materials were delivered to support toddlers in Mambita, municipality of Ubala.
- Tables and chairs were delivered for the Inerudema school mess hall.
- Two tents were delivered to the San Pablo school.

Environmental education program

This program was developed in 13 schools in the municipalities of San Antonio del Tequendama, Tocancipá, Sibaté and El Colegio under an agreement with environmental NGOs, to support the PRAES environmental school projects.

A pilot education program was started with 40 families of Arracachal, Cusio and Chicaque in the municipality of San Antonio del Tequendama, in order to implement sustainable agricultural practices.

Local Development Strategic Line

Contributions were made to commemorate the Peasants' Day in the municipalities of Campoalegre, Huila; Gachalá and Gama in Guavio, and to commemorate the Cattle Farmers and Environmental fair in Mambita.

Other programs and activities

ENDESA Colombia expeditions

These expeditions included visits to the social territory. Four expeditions were made, which included 120 company workers, who had the chance of knowing and interacting directly with those participating in social programs in Sibate and in some municipalities of Tequendama and Gualiva.

3rd Social Management Encounter

This event, held in October, had more than 100 participants. One central aspect was the technical formation program. The "Be Social Campaign" was promoted. Experiences with ENDESA companies in Chile, Peru, Brazil, and Colombia in the Education line were shared.

Programs executed with the ENDESA Colombia Foundation

The company social activities are supplemented with activities carried out through the ENDESA Colombia Foundation.

Technical training program

The ENDESA Colombia foundation executed a cooperation agreement with Universidad Distrital Francisco José de Caldas to train 100 youngsters in energy distribution and trading techniques.

Flexible education models

Under an alliance with the FUCAI Foundation, the intervention model was created to improve the quality of education, providing training to teachers and supporting institutional improvement processes.

Agreement with the Central Magdalena Peace Development Program

Under the local development strategic line, a cooperation agreement was executed with Corporación Programa Desarrollo Para la Paz del Magdalena Centro PDPMC in order to promote creation of the Escuela EFHECTO - Escuela de Fortalecimiento Hacia la Excelencia Comunitaria Total, in the municipalities of Yacopí and Caparrapí in the province of Río Negro.

Productive projects

Twin-purpose cattle productive projects were continued, developed in the municipality of Gama; renewal of coffee crops in the municipalities of San Antonio de Tequendama, El Colegio, Viotá, Ubalá, Gachalá and Gama, and production and trading of aromatic herbs in the municipalities of San Antonio del Tequendama and El Colegio, in order to generate revenues for peasants through good agricultural practices, sustainable with the environment and offering guarantees for their sale.

Alliances

Work continued under the alliance with Corporación Colegio del Cuerpo, thanks to which the project "Cuerpo Habitat" was formalized, which includes 45 children from neighborhoods in the Cartagena station area: Arroz Barato, Maparapa and Puerta de Hierro. Support was given to 17 workshops attended by 250 students from the San Francisco de Asís school.

Support was given to the Juan Felipe Gómez Escobar foundation. School elements were provided to the workshop on logistics, hotels, and tourism for the new complex that will serve 10,800 users in the city of Cartagena.

Sustainability

United Nations' Global Pact

In March of 2011, EMGESA formalized its participation in the Women Empowerment Principles World Pact, whose purpose is empowering women to fully participate in all sectors and at all levels of the economic activity.

Sustainability Report

The company published the 7th version of its Sustainability Report, informing its groups of interest of activities and progress made regarding the 7 commitments in the Company Sustainability Policy, based on the report that includes more than 150 metrics of the GRI Global Reporting Initiative.

Activities of the Environmental and Sustainable Development Committee – COMADES

Initiatives and programs included in the Columbia Sustainability Plan 2009-2012 continued. Some of the projects developed are:

- Electric Mobility - Connected with the Planet.
- Voluntary corporate activities: Hands with Energy.
- Implementation of the Penal Risk Prevention Model.
- Information of company standards regarding environmental, health and safety issues and the United Nations' Global Pact to collaborating companies and suppliers.

Bosque Endesa

This initiative was started in September of 2011, planting 10,000 trees in Hacienda Canoas in the municipality of Soacha.

This makes the ENDESA companies in Colombia the first ones in the sector to protect a forest, in their own land, as a carbon sump. All company reforest initiatives were centralized in this environmental park, estimated at 10,000 trees/year.

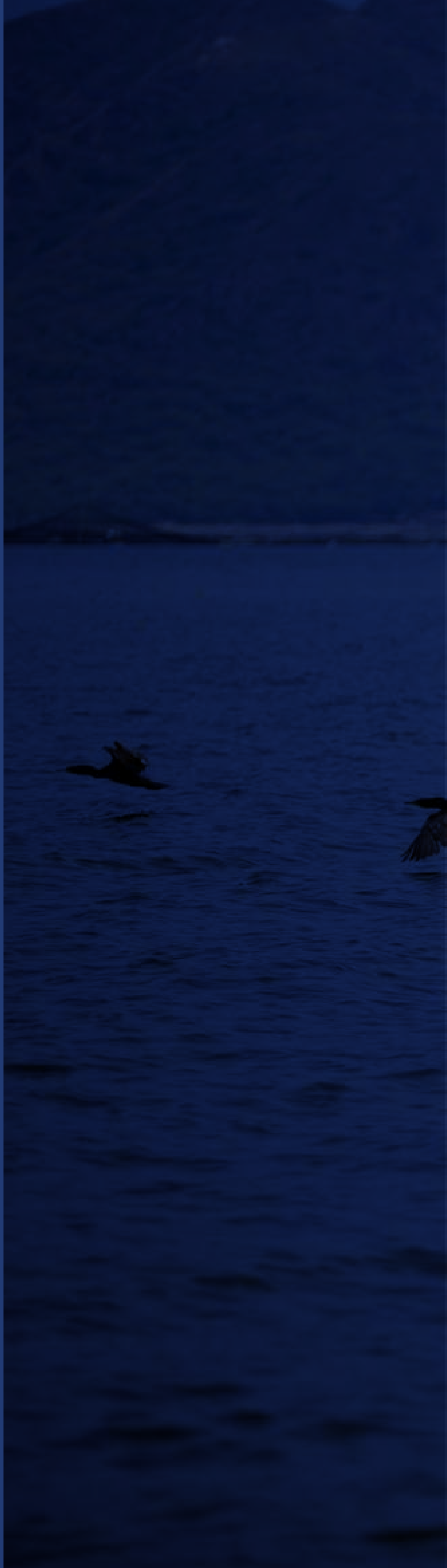
Diploma curse in Corporate Social Responsibility for vendors and contractors

Meetings were held with some 20 strategic vendors to encourage them to participate in the RSE diploma course offered by Universidad Externado de Colombia and the local network of the United Nations' World Pact.

Sustainability perception surveys

A pilot was carried out with some 50 suppliers and contractors in order to know what they think of company performance regarding key sustainability issues. This tool will continue to be used in 2012.

IT and Telecommunications Activities



The ICT function management and operation model was consolidated during 2011. The model focuses its strategy on 3 main areas:

1. Development of an IT plan according to the needs of each business process.
2. Reinforcement of the relationship with the various business areas to develop projects according to growth, operational excellence, and compliance with legal norms.
3. Optimization of IT infrastructure and service under security and reliability parameters.

Main initiatives developed

Consolidation of technological infrastructure in CPD Spain

All database and application servers were migrated. Testing and production environments were made independent (100% progress).

Modernization of the Eglobal7 micro IT platform.

Its purpose is increasing efficiency in work and information security according to the environmental commitment, Green IT (34% progress).

IP telephony

Both for the Guavio station and for the EMGESA control center (100% progress).

SCADA system modernization

Hardware and software modernization work was started in order to support company growth and meet the new energy quality regulation and any future regulations (25% progress).

SIVI project

Implementation of a SIVI-SAVO advanced operational surveillance system for generating stations (80% progress).

Modernization of the major client invoicing system

The new system is based on the SAP-ISU platform, which seeks providing flexibility and dynamism to processes (7% progress).

Energy pool

This tool allows accessing information regarding transactions in the energy pool spot market, as well as relevant commercial information.

Colabora Project

Focused on integral management of collaborating companies (41% progress).

GRC Project

Focused on proper function segregation in accessing the SAP financial system (70% progress).

MRP Project

Support to purchase planning processes in supply areas.

Quimbo Project

The S I E 2000A system will provide control and accountability from the logical, financial, and budget points of view for investments and deferred expenses incurred during project execution.

IT security projects

Such as closing vulnerabilities, renewal of IPS equipment, support to perimeter security equipment changes, and follow-up of security incidents.

Financial Statements

Bogotá, D.C., Colombia
14 February 2012

Auditor's Report

To the Shareholders of Emgesa S.A. E.S.P.

I have audited the attached unconsolidated financial statements of Emgesa S.A. E.S.P. comprising the balance sheet ending 31 December 2011 and related profit and loss, changes in equity, changes in financial position and cash flow statements for the year ending on said date, and the summary of significant accounting policies and other explanatory notes. The financial statements ending 31 December 2010 for the quarter ending on said date and 30 September 2010, for the nine-month period accumulated on said date, submitted for comparative purposes, were audited by another auditor, who issued a clean audit report on 17 February 2011 and 5 October 5 2010, respectively.

Management is responsible for the preparation and correct presentation of financial statements in accordance with generally accepted accounting principles in Colombia; also responsible for designing, implementing and maintaining internal control relevant to the preparation and correct presentation of financial statements free of material misstatement, due either to fraud or error; selecting and applying appropriate accounting policies; and setting reasonable accounting estimates.

My responsibility is to express an opinion over said financial statements based on my audit. I obtained the necessary information to fulfill my duties and perform my tests in accordance with auditing standards generally accepted in Colombia. Those standards require that an audit be planned and performed in order to obtain reasonable assurance to whether the financial statements are free of material misstatement.

An audit includes developing procedures in order to obtain evidence supporting the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including risk assessment of material misstatement in the financial statements. In the process of assessing these risks, the auditor considers internal control relevant to the preparation and presentation of financial statements in order to design audit procedures that are appropriate according to the circumstances. It also includes assessing the accounting principles adopted and significant estimates made by management, as well as overall presentation of financial statements. I consider that my audit provides reasonable grounds for my opinion.

In my opinion, the attached financial statements reasonably present, in all material respects, the financial position of Emgesa S.A. E.S.P. ending 31 December 2011, the results of its operations, changes in financial position and cash flows for the year ending on said date in accordance with generally accepted accounting principles in Colombia, promulgated by Government.

Furthermore, based on the scope of my audit, I am not aware of situations indicative of failure to fulfill the following obligations of the Company: 1) keeping minutes, shareholder and accounting registry books, according to law and accounting technique, 2) carrying out operations pursuant to Shareholder Meeting and Board Meeting statutes and decisions, and to rules on comprehensive social security, 3) keeping correspondence and records of accounts, and 4) adopting internal control measures and measures of conservation and custody of Company assets or third party assets in its possession. Additionally, there is agreement between the attached financial statements and accounting information contained in the management report prepared by the Directors of the Company.

Ángela Jaimes Delgado.
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530

EMGESA S.A. E.S.P.
Unconsolidated Balance Sheets

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
		(Thousands of pesos)	
Assets			
Current Assets:			
Cash and cash equivalents *(Note 3)*	**$ 511,652,031**	$ 306,803,477	$ 105,795,185
Accounts receivable, net *(Note 4)*	**278,095,69**	188,815,089	252,992,919
Affiliates *(Note 5)*	**131,318,92**	133,274,744	136,689,476
Inventories, net *(Note 7)*	**39,538,48**	20,291,536	26,566,485
Prepaid expenses	**6,452,36**	5,633,320	8,341,409
Total current assets	**967,057,49**	654,818,166	530,385,474
Long-term investments, net *(Note 6)*	**8,525,63**	8,421,791	8,329,971
Accounts receivable, net *(Note 4)*	**12,119,85**	11,240,651	10,153,712
Affiliates *(Note 5)*	**768.272**	171.990	117.015
Inventories, net *(Note 7)*	**21,704,16**	20,441,268	20,609,368
Property, plant and equipment, net *(Note 8)*	**5,037,811,10**	4,909,765,339	4,846,897,634
Deferred charges, net *(Note 9)*	**83,894,12**	35,264,705	24,797,977
Deferred tax *(Note 18)*	**71,960,34**	73,905,034	73,607,634
Intangible, net *(Note 10)*	**53,364,19**	54,302,071	54,811,764
Other assets *(Note 11)*	**4,194,95**	2,892,621	1,437,727
Valuations *(Note 12)*	**2,004,455,42**	2,009,648,656	2,009,723,398
Total assets	**$ 8,265,855,565**	$ 7,780,872,292	$ 7,580,871,674
Liabilities and equity			
Current liabilities:			
Financial obligations *(Note 13)*	**$ 425,724,861**	$ 361,152,457	$ 201,096,827
Accounts Payable *(Note 14)*	**119,140,96**	98,309,172	88,315,544
Affiliates *(Note 5)*	**93,312,92**	558,459,905	79,243,598
Labor obligations *(Note 15)*	**9,604,20**	9,399,314	8,350,857
Retirement pensions *(Note 16)*	**10,260,43**	11,111,230	12,655,393
Estimated liabilities and provisions *(Note 17)*	**20,775,63**	25,598,510	14,383,062
Taxes, fees and charges *(Note 18)*	**154,434,54**	115,031,508	50,738,739
Bond premium amortization	**776.881**	4,274,084	4,274,084
Total current liabilities	**834,030,45**	1,183,336,180	459,058,104
Financial obligations *(Note 13)*	**1,821,760,00**	1,390,009,053	1,630,009,053
Retirement pensions *(Note 16)*	**63,978,80**	70,601,522	70,562,577
Bond premium amortization	**1,618,50**	1,812,520	2,881,041
Taxes, fees and charges *(Note 18)*	**98,427,95**	-	-
Revenue received in advance	**1,754,52**	907.383	-
Estimated liabilities and provisions *(Note 17)*	**1,224,18**	1,526,202	1,526,202
Shareholder Equity *(Note 19)*			
Subscribed and paid-in capital	**655,222,31**	655,222,313	655,222,313
Premium in stock placement	**113,255,81**	113,255,816	113,255,816
Legal reserve	**327,611,15**	327,611,156	350,363,087
Occasional reserves	**178.127**	178.127	178.127
Equity revaluation	**1,674,583,27**	1,871,439,181	1,871,439,181
Surplus valuations	**2,004,455,42**	2,009,648,656	2,009,723,398
Net income for the period	**667,755,03**	155,324,183	416,652,775
Total equity	**5,443,061,14**	5,132,679,432	5,416,834,697
Total liabilities and equity	**$ 8,265,855,565**	$ 7,780,872,292	$ 7,580,871,674
Memorandum accounts *(Note 20)*	**$ 2,722,077,621**	$ 3,025,737,807	$ 2,126,615,845

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Díaz Legal Representative	Alba Lucía Salcedo Rueda Public Accountant Tarjeta Profesional 40562–T	Ángela Jaimes Delgado Auditor Professional ID 62183-T Appointed by Ernst & Young Audit Ltda TR-530 (See my report date 14 February 2012)

EMGESA S.A. E.S.P.
Unconsolidated Income Statements

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Operating Revenue *(Note 21)*	**$ 1,899,157,992**	$ 455,201,12	$ 1,431,577,64
Cost of sales *(Note 22)*	**(765,450,443)**	(184,971,884	(709,289,062
Gross profit	**1,133,707,549**	270,229,23	722,288,58
Administrative expenses *(Note 23)*	**(29,210,429)**	(7,677,047	(14,112,937
Operating profit	**1,104,497,120**	262,552,18	708,175,64
Other expenses (revenue):			
Financial, Net *(Note 24)*	**(142,378,638)**	(32,152,102	(92,590,050
Miscellaneous, net *(Note 25)*	**6,931,662**	(483,390	1,259,18
Profit before taxes	**969,050,144**	229,916,69	616,844,77
Income tax *(Note 18)*	**(301,295,111)**	(74,592,514	(200,192,001
Current	**(301,866,788)**	(74,889,914	(201,059,174
Deferred	**571.677**	297.40	867.17
Net profit for the year / period	**667,755,033**	155,324,18	416,652,77
Preferential dividend per share	**$ 215.06**	$ 52.9	$ 149.4
Net profit per share	**$ 4,453.90**	$ 1,035.5	$ 2,776.9

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Díaz
Legal Representative

Alba Lucía Salcedo Rueda
Public Accountant
Tarjeta Profesional 40562–

Ángela Jaimes Delgado
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530
(See my report date 14 February 2012)


emgesa

EMGESA S.A. E.S.P.

Unconsolidated Statements of Changes in Equity

(Thousands of pesos)

	Subscribed and paid-in capital	Premium in Stock placement	Reserves	Equity Revaluation	Surplus valuations	Accrued profits	Total Shareholder Equity
Balances as of 31 December 2009	$ 1,100,000,000	$ 113,255,816	$ 296,698,790	$ 1,883,907,201	$ 2,010,692,874	$ 538,424,241	$ 5,942,978,922
Appropriations and transfers	-	-	53,842,424	-	-	(53,842,424)	-
Equity tax year 2010	-	-	-	(12,468,020)	-	-	(12,468,020)
Dividends declared	-	-	-	-	-	(484,581,817)	(484,581,817)
Equity Reduction	(444,777,687)	-	-	-	-	-	(444,777,687)
Profit for the period	-	-	-	-	-	416,652,775	416,652,775
Valuation long-term investments	-	-	-	-	139.972	-	139.972
Valuation of fixed assets	-	-	-	-	(1,109,448)	-	(1,109,448)
Balances as of 30 September 2010	655,222,313	113,255,816	350,541,214	1,871,439,181	2,009,723,398	416,652,775	5,416,834,697
Appropriations and transfers	-	-	(22,751,931)	-	-	22,751,931	-
Dividends declared	-	-	-	-	-	(439,404,706)	(439,404,706)
Profit for the period	-	-	-	-	-	155,324,183	155,324,183
Valuation long-term investments	-	-	-	-	24.058	-	24.058
Valuation of fixed assets	-	-	-	-	(98,800)	-	(98,800)
Balances as of 31 December 2010	**655,222,313**	**113,255,816**	**327,789,283**	**1,871,439,181**	**2,009,648,656**	**155,324,183**	**5,132,679,432**
Equity tax year 2011	**-**	**-**	**-**	**(196,855,905)**	**-**	**-**	**(196,855,905)**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**(155,324,183)**	**(155,324,183)**

EMGESA S.A. E.S.P.

Unconsolidated Statements of Changes in Equity

Profit for the year	-	-	-	-	-	667,755,033	667,755,033
Valuation long-term investments	-	-	-	-	(132,371)	-	(132,371)
Valuation of fixed assets	-	-	-	-	(5,060,859)	-	(5,060,859)
Balances as of 31 December 2011	$ 655,222,313	$ 113,255,816	$ 327,789,283	$ 1,674,583,276	$ 2,004,455,426	$ 667,755,033	$ 5,443,061,147

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Díaz
Legal Representative

Alba Lucia Salcedo Rueda
Public Accountant
Tarjeta Profesional 40562–

Ángela Jaimes Delgado
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530
(See my report date 14 February 2012)

EMGESA S.A. E.S.P.

Unconsolidated Statements of Changes in Financial Position

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Financial resources provisioned:			
Net income for the year / period	**$ 667,755,033**	$ 155,324,183	$ 416,652,775
Items not affecting working capital:			
Depreciation	**146,064,429**	22,196,036	115,506,721
Amortization of intangibles	**4,283,899**	664.045	2,025,982
Prior years deferred tax	**2,516,369**	-	-
Amortization of deferred charges	**1,385,983**	374.563	1,904,979
Net loss on sale of property, plant and equipment	**633.945**	276.315	1,947,518
Provision for inventories	**749.909**	218.842	1,356,191
Current deferred tax	**(571,677)**	(297,400)	(867,173)
Income from equity method	**(103,848)**	(91,821)	1.422
Provision for pensions	-	38.945	968.964
Recovery of provisions for investments	-	-	(89,100)
Total provisioned by operations	**822,714,042**	178,703,708	539,408,279
Decrease in deferred charges	**-**	-	481.505
Decrease in debtors	**(1,475,486)**	(54,975)	223.237
Decrease in other assets	**(1,302,331)**	-	-
Revenue received in advance	**-**	907.383	-
Net decrease in other assets	**-**	-	2,332,819
Total working capital provisioned	**819,936,225**	179,556,116	542,445,840
Financial resources applied:			
Increase (decrease) in financial obligations	**431,750,947**	(240,000,000)	-
Reclassification of equity tax payable	**98,427,952**	-	-
Recovery Quimbo yields	**18,598,973**	-	-
Loss on Forward valuation	**1,847,053**	-	-
Increased revenue received in advance	**847.137**	-	-
Purchase of property, plant and equipment	**(274,744,135)**	(85,340,056)	(30,463,908)
Registration equity tax	**(196,855,905)**	-	(12,468,020)
Dividends declared	**(155,324,183)**	(227,904,034)	-
International bond interest Quimbo	**(51,600,226)**	-	-
Reclassification of dividends payable	**-**	-	(21)
Decrease (increase) in inventories	**(2,012,807)**	(1,137,683)	(1,328,254)
Increase in deferred charges	**(18,861,204)**	(10,841,291)	-
Increase (decrease) in pension liabilities	**(6,622,716)**	-	-
Purchase of intangibles	**(3,346,021)**	(154,352)	(383,582)
Increase (decrease) in accrued liabilities and provisions	**(302,017)**	-	(229,621)
Transfer premium on ordinary bonds	**(194,015)**	(1,068,520)	(3,205,562)
Decrease (increase) in other assets	-	(1,454,894)	-
Reclassification of dividends payable in short term	-	(211,500,670)	(484,581,796)
Equity reduction	-	-	(444,777,687)
Total working capital used	**(158,391,167)**	(779,401,500)	(977,438,453)
(Increase) decrease in working capital	**$ 661,545,058**	$ (599,845,384)	$ (434,992,611)

EMGESA S.A. E.S.P.
Statements of Changes in Financial Position (Continued)

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Net working capital changes:			
Cash and cash equivalents	**$ 204,848,554**	$ 201,008,292	$ (542,988,755)
Investments	**-**	-	-
Debtors	**89,280,604**	(64,177,830)	26,477,226
Accounts receivable affiliates	**(1,955,822)**	(3,414,732)	5,191,421
Inventories	**19,246,947**	(6,274,949)	606.280
Prepaid expenses	**819.045**	(2,708,089)	2,074,641
Financial obligations	**(64,572,404)**	(160,055,630)	29,238,431
Accounts Payable	**(20,831,791)**	(9,993,628)	12,901,841
Accounts payable affiliates	**465,146,981**	(479,216,307)	(69,042,859)
Labor and comprehensive social security obligations	**(204,890)**	(1,048,457)	60.866
Retirement pensions and fringe benefits	**850.796**	1,544,163	(235,089)
Estimated liabilities and provisions	**4,822,873**	(11,215,448)	139,412,923
Levies and taxes payable	**(39,403,038)**	(64,292,769)	(38,689,537)
Premium bond amortization	**3,497,203**	-	-
Increase (decrease) in working capital	**$ 661,545,058**	$ (599,845,384)	$ (434,992,611)

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Díaz
Legal Representative

Alba Lucia Salcedo Rueda
Public Accountant
Tarjeta Profesional 40562–

Ángela Jaimes Delgado
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530
(See my report date 14 February 2012)

EMGESA S.A. E.S.P.
Unconsolidated Cash Flow Statements

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Operational activities			
Profit for the year / period	**$ 667,755,033**	$ 155,324,183	$ 416,652,775
Adjustments to reconcile net profit for the year to net cash provisioned (used in) operational activity			
Depreciation and amortization	**151,734,312**	23,234,644	119,437,682
Receivables write-offs	**1,311,943**	2,866,383	-
receivables allowance recovery	**(538,622)**	(8,333)	(189,396)
receivables Allowance	**744.105**	138.539	1,329,123
Scrap recovery	**(294,406)**	-	(217,724)
(Gain) loss on actuarial calculation	**(2,052,873)**	1,731,052	-
Recreation benefit recovery	**(2,339,610)**	-	-
Bond premium amortization	**(3,691,218)**	(1,068,521)	(3,205,563)
Deferred tax debit	**(571,677)**	(297,400)	(867,173)
Deferred tax debit previous years	**2,516,369**	-	-
Recovery of provisions for costs and expenses	**(5,810,751)**	-	-
Provision for inventories	**749.909**	218.842	1,356,191
Provision for pensions	**13,573,398**	-	-
Loss on sale of property, plant and equipment	**633.945**	276.315	1,947,518
Income (loss) from equity method	**(103,848)**	(91,821)	1.422
Net change in operating assets and liabilities			
Debtors	**(92,445,506)**	63,454,327	(32,585,137)
Prepaid expenses	**(819,045)**	2,708,089	(2,074,641)
Inventories	**(20,965,348)**	6,224,208	(1,716,810)
Affiliates	**(328,115,482)**	-	-
Other assets	**(1,302,331)**	(1,454,894)	2,332,819
Accounts Payable	**326,445,186**	173,614,801	(5,141,003)
Tax levies and fees	**(9,810,939)**	(674,251)	(136,393)
Pension liabilities (payments)	**(16,654,427)**	(3,236,270)	1,204,053
Labor obligations	**204.890**	1,048,456	(60,866)
Estimated liabilities and provisions	**685.861**	76,182,469	(100,905,714)
Dividends payable	-	(227,904,304)	-
Revenue received in advance	**847.137**	907.383	-
Net cash provided by operational activities	**681,686,005**	273,193,897	397,161,163
Investment activities			
Purchase of property, plant and equipment	**(274,744,135)**	(85,340,056)	(30,463,908)
Dividends declared	**(155,324,183)**	-	-
International bond interest Quimbo	**(51,600,226)**	-	-
Purchases of deferred charges	**(18,861,204)**	(10,841,291)	481.505
Purchase of intangibles	**(3,346,021)**	(154,352)	(383,582)
Net cash used in investment activities	**(503,875,769)**	(96,335,699)	(30,365,985)

EMGESA S.A. E.S.P.
Unconsolidated statements of cash flows

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
		(Thousands of pesos)	
Financial Activities			
Equity Reduction	**-**	-	(444,777,687)
Affiliate Resources	**-**	386,000,000	282,112,788
Payment of bonds	**(310,000,000)**	(184,394,492)	(65,097,467)
payment of loans to affiliates	**(134,903,687)**	(70,404,866)	(220,830,788)
Increased financial obligations and payment of interest, net	**806,323,351**	104,450,122	35,859,037
Equity tax payment	**(49,213,976)**	-	(12,468,020)
Recovery yields Quimbo	**18,598,973**	-	-
Loss on Forward valuation	**1,847,053**	-	-
Payment of dividends	**(305,613,396)**	(211,500,670)	(484,581,796)
Net cash (used) in financial activities	**27,038,318**	$ 24,150,094	(909,783,933)
Net increase in cash and cash equivalents	**204,848,554**	201,008,292	(542,988,755)
Cash and cash equivalents at beginning of year	**306,803,477**	105,795,185	648,783,940
Cash and cash equivalents at end of year	**$ 511,652,031**	$ 306,803,477	$ 105,795,185

See attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been correctly drawn from the books of the Company.

Lucio Rubio Díaz
Legal Representative

Alba Lucia Salcedo Rueda
Public Accountant
Tarjeta Profesional 40562–

Ángela Jaimes Delgado
Auditor
Professional ID 62183-T
Appointed by Ernst & Young Audit Ltda TR-530
(See my report date 14 February 2012)

EMGESA S.A. E.S.P.
Notes to the Unconsolidated Financial Statements

As of 31 December 2011.

(All values are expressed in thousands of COP, except sums in foreign currency, exchange rates, number and face value of shares and par value of the share).

1. Critical Accounting Policies and Practices

Reporting entity

Emgesa S.A. E.S.P. (hereinafter "the Company") is a business corporation organized as a public utility, regulated by Law 142 of 1994.

Purpose - The Company's main objective is the generation and sale of electric power under the terms of Laws 142 and 143 of 1994 and rules which regulate, add to, amend or abolish them. In developing its main purpose, the Company may acquire power generation plants and design, build, operate, maintain and commercially exploit power generating plants, carrying out necessary actions to preserve the environment and good community relations within the area influence of their projects; and perform work, designs and electrical engineering consulting and market products for the benefit of its customers. The Company, when pursuing its primary corporate purpose, may pursue all activities related to exploration, development, research, marketing, storage, transportation, and distribution of minerals and stone material. The term of the Company is indefinite.

Project "The Quimbo" **–** The Quimbo Hydroelectric Project approved by resolution 899 of 15 May 2009 and 1628 of 21 August 2009 holds mandatory an "abandonment and final restoration plan" within the environmental licensing process. The Company estimates the operational phase of the Quimbo project in December 2014.

Upon completion of the bidding process, the two major contracts were formalized for the civil works construction project, mounting and commissioning of the electromechanical equipment.

During 2011, amongst all the civil works, progress was made on different fronts; the most important being works on the diversion tunnel. Likewise, excavation went ahead for the powerhouse, spillway, and cargo tunnels. Meanwhile, basic and detailed engineering tasks were performed on electromechanical equipment.

The land declared for public use includes a total area of 16,276.36 hectares of which 11,039.40 hectares have been registered in deeds, corresponding to 67% of those required in the reservoir, construction, site restoration and resettlement area.

Consistent with the requirements of the environmental license, studies and activities related to the submittal of Environmental Compliance Reports (ECR) have been carried out, as well as filing of studies for the restoration plan, vulnerability, ethnography, economic valuation study of environmental impacts, archaeological survey in the work zone among others; disclosure and communication of the employment policy and support via trust funds to the investment plans of the AID municipalities.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

The Company holds a current performance bond issued in the amount of USD 20 million with an expiration date of 8 June 2012, which was submitted to the Energy and Gas Regulatory Commission (CREG); its conditions and amounts are maintained taking into account that the System Administrator (XM), by means of an external audit, performed a progress review of the project in October 2011, whose results found no evidence which would allow for an affectation on the date of commissioning thereof, as registered before the CREG.

Basis of Presentation

The attached financial statements have been prepared in accordance with generally accepted accounting principles in Colombia, as amended by the Superintendence of Public Utilities, which eliminated as of 1 January 2006 the application of an inflation adjustment system for accounting purposes, for privately-owned public utility companies.

The Company records its operations in accordance with the accounting guidelines for public utility companies issued by the Superintendence of Public Utilities.

Accounting Period

The Company has defined by statute the cut-off date of its accounting period in a yearly basis, as of 31 December, for the preparation and disclosure of general-purpose financial statements.

The duly authorized bylaws empower the Board to determine any cut-off dates it deems necessary. Board Meeting No. 352 held 30 August 2010 ordered the administration to place a cut-off date in financial statements as of 30 September 2010, in order to submit said statements for consideration and approval by the Extraordinary Shareholder Meeting and a dividend distribution.

The attached financial statements for the periods ending 31 December 2011, 31 December 2010 and 30 September 2010, correspond to 12-month, 3-month and 9-month periods, respectively.

Currency

According to law, the currency used by the Company is the Colombian peso (COP).

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

1. Critical Accounting Policies and Practices (continued)

Materiality Principle Criteria

An economic fact is material when by its nature, amount and circumstances surrounding it, knowing about it or not, can significantly influence the economic decisions of users of said information. Financial statements breakdown specific items pursuant to law or those who represent 5% or more of total assets, current assets, current liabilities, working capital, equity and revenue, as appropriate. Also, lesser amounts are described when they are considered that they can contribute to a better interpretation of financial information.

Foreign Currency Transactions

Foreign currency transactions are accounted for at the applicable rates in effect at the time of the transaction. At the close of each term, receivables or payables in foreign currency are updated to the market exchange rate certified by the Financial Superintendence of Colombia ($ 1942.70, $ 1799.89 and $ 1913.98 per U.S. dollar as of 31 December 2011, 31 December 2010 and 30 September 2010, respectively). Exchange differences are charged to the corresponding asset or liability and to result, income or expense, as appropriate.

Cash and Cash Equivalents

Cash and cash equivalents include funds in cash, banks, and savings accounts. Available equivalents are investments in fixed income instruments, highly liquid short-term instruments, which are stated at market value and are valued by the accrual of yields. Additionally, other investments are recorded held at cost plus accrued interest and adjustments, not to exceed its market value.

Equity Investments by the Cost Method

Equity investments recognized under the cost method are recorded at cost adjusted for inflation (inflation adjustments recorded as of 31 December 2005) and are valued at intrinsic value, recorded as greater or lesser value in the valuations account, the difference between the adjusted cost and the intrinsic value of the investment.

Term Investment in Affiliates

Investments in affiliate companies in which the Company (or its parent) directly owns more than 50% of equity, are accounted for by the equity method and are in accordance with equity, recognizing the difference as a provision or as a valuation thereof.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

1. Critical Accounting Policies and Practices (continued)

Financial Instruments

The Company conducts operations using derivatives in order to hedge against unfavorable exchange rates.

Forwards opened by the Company serve the purpose to cover payments in foreign currency for investment projects primarily for the purchase of equipment for the hydroelectric project "Quimbo" wherein said forwards are adjusted monthly to market value and the resulting adjustment is capitalized towards the ongoing project to the deferred account.

Considering the volatility that could affect the disbursement dates and dollar amounts payable to equipment suppliers, the Company states that its hedging strategy will be a roll-over type, which is defined as follows:

- Consists in adjusting the amounts and hedge dates, to the extent that the estimated payment dates are modified. Adjustments may be made through new hirings, early retirements or adjustments to existing contracts. This strategy seeks to achieve maximum effectiveness when hedging exchange rates.

- In the case of Company insurance policy acquisitions, this adjustment is recorded directly in the income statement.

- Re cash and cash equivalents, current forward valuations are acknowledged at the close of each period.

Inventories

These are recorded at average cost or net realizable value, whichever the lowest. Since these inventories were acquired in developing the core business of the Company, they are recorded as current assets and deterioration or obsolescence conditions are analyzed based on technical concepts.

Provision for Debtors

Provisioning for doubtful customer account collection was established in accordance with the policies established by the Company, which defines a doubtful collection provision on 100% of debts over 360 days past due.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

1. Critical Accounting Policies and Practices (continued)

Property, Plant and Equipment, Net

These are carried at cost adjusted for inflation (inflation adjustments recorded as of 31 December 2005) and subject to straight-line depreciation according to the following annual depreciation rates:

Concept	Depreciation rates *(Average Rates)*	Asset life *(Year Average)*
Construction and buildings	1.39%	72
Plants, pipelines and tunnels	1.40%	71
Machinery and equipment	5.13%	20
Networks, lines and cables	6.67%	15
Communication Equipment	7.35%	14
Furniture, fixtures and office equipment	10.67%	9
Computer equipment	20.00%	5
Transport equipment, traction and elevation	20.75%	5

Major improvements to assets are capitalized, and maintenance costs which do not prolong life or enhance productivity and efficiency of assets are expensed as incurred.

Deferred Charges, Net

The Company records as deferred charges: (a) costs incurred in obtaining financial obligations, which are straight line amortized over the life of the loan, (b) costs incurred in the merger proceedings of Central Hidroelectrica de Betania S.A. E.S.P. (acquiring company) and Emgesa S.A. E.S.P. (company absorbed), which are straight line amortized over a period of 5 years, (c) pre-feasibility studies on projects which are amortized once their production phase begins and d) legal stability contract for the Quimbo project for $ 9,612,891, amortized over 20 years.

Intangible assets, Net

These relate mainly to: (a) The acquisition cost of water rights from the Chingaza and Rio Blanco projects. Straight-line amortization is carried out over a 50-year period and (b) Expenses incurred in software licenses, which are amortized over 3 years by the straight line method.

Valuations

Property, plant and equipment - Corresponds to differences between the replacement value as determined by appraisals of recognized technical value and net book value of property, plant and equipment. Valuations of property, plant and equipment are recorded in separate accounts within assets and as a surplus valuation in equity, which is not subject to distribution. The devaluation of property, plant and equipment are recorded directly in the income statement as an expense in the period.

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

1. Critical Accounting Policies and Practices (continued)

Valuations (continued)

Equity investments using the cost method - Corresponds to differences between the cost of investment and its intrinsic value. Valuations of investments are accounted for in separate accounts within assets and as a surplus valuation in equity, which is not subject to distribution. The losses on investments are recorded as a lesser value of said valuation and as a valuation surplus in equity, without prejudice that the net balance might be of a different nature.

Labor Obligations

Labor laws provide for the payment of deferred compensation to certain employees at the date of their retirement from the Company. The amount received by each employee depends on the date of admission, type of contract and salary. Moreover, in certain cases, 12% annual interest is set on the amounts accruing to each employee. If removal is unjustified, the employee is entitled to receive payments which vary according to length of service and salary.

The Company makes periodic contributions to workman compensation and comprehensive social security: health, occupational hazards and pensions, deposits made in private funds or the Social Security Institute (Colombia) which assumes these obligations in full.

Furthermore, said legislation establishes the obligations that companies have in paying retirement pensions to employees who meet certain age requirements and length of service. The pension liability is determined by actuarial study set under parameters provided by Government. The retirement pension obligation includes the effects of the application corresponding to the new mortality rates authorized by the Financial Superintendence Decree 1555 of 30 July 2010 and represents the present value of all future allowances that the Company shall pay to those employees who met or will meet certain legal requirements as to age, length of service and others.

Taxes, Levies and Fees

The provision for income tax is calculated at the official rate of 33% using accrual accounting and is determined based on the commercial profit in order to properly relate revenue of the period with its costs and expenses and recorded for the amount of estimated liabilities.

The effect of temporary differences that involve the payment of more or less tax in the current year, is recorded as a deferred tax debit or credit, respectively, provided there is a reasonable expectation that such differences will reverse in the future and also to assets, which at said time could generate sufficient taxable income. The income tax is shown net after deducting advance payments and withholding taxes in favor.

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

1. Critical Accounting Policies and Practices (continued)

Taxes, Levies and Fees (continued)

Deferred tax assets resulting from the temporary difference arising from the elimination of inflation adjustments as of 1 January 2006, is amortized over the fixed asset life for which they were generated; additionally, deferred tax is acknowledged for other temporary differences between book and tax balances.

Equity Tax

Law 1370 of December 2009 established a new equity (wealth) tax for taxable year 2011, with a rate of 2.4% for taxpayers with fiscal equity in excess of COP 3 billion and less than COP 5 billion, and 4.8% for taxpayers with assets equal to or in excess of COP 5 billion.

Subsequently, Decree 4825 of December 2010 established a surcharge on equity tax of 25% for taxpayers with assets equal to or in excess of COP 3 billion.

This tax is due on assets owned at 1 January 2011 and its payment is made in eight equal installments between 2011 and 2014.

In accordance with what formally established Law 1111 of 2006, the Company records said equity tax charged to equity revaluation.

Revenue, Costs and Expense acknowledgement

Block sales and unregulated market are acknowledged within the period when services are rendered; in accordance with CREG resolution 131 of 1998, in order to be considered an unregulated user, an average monthly power demand for six months of more than of 0.1 MW, or 55 MWh-month is required.

Likewise, said user must also be represented by a power sales and marketing entity, the latter being responsible for registering said user before the Wholesale Energy Market.

The energy market in the exchange is used for issuing energy not committed to contracts. In this market, acknowledgement occurs when generators daily and hourly are bidding prices for the availability of energy available to the system.

The revenue estimates are determined based on information available that reflects the actual consumer situation, valued at the selling price pursuant to current rates.

Costs and expenses are recorded based on accrual. The cost of said energy is included in cost of sales.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

1. Critical Accounting Policies and Practices (continued)

Bond Issue premium

Corresponds to the higher value received by the issue of ordinary bonds by the Company as a result of a positive rate differential between the bond face value and the rate offered on the issue date in February 2006. Amortized since March 2006, equivalent in time to the life of the bonds.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that could affect the reported amounts of assets, liabilities and profits and losses. The current values or market values may differ from those estimates. Management believes that the estimates and assumptions used were adequate.

Net Earnings per Share

Is determined based on net income for the year divided by the number of shares outstanding. The calculation of net income per share includes the review of preferential dividends for 20,952,601 shares as of 31 December 2011 for Empresa de Energia de Bogota (Bogota Power Company) S.A. E.S.P. The preferential dividends are valued at USD 0.1107 per share.

Memorandum Accounts

Contingent rights and responsibilities are recorded as memorandum accounts, mainly differences between book and tax figures.

Cash Flow Statements

The cash flow statements have been prepared according to the indirect method. Cash and cash equivalents presented in non-consolidated cash flow statements correspond to available cash and current investments.

2. Assets and Liabilities in Foreign Currency

Basic rules and regulations in Colombia allow free trading of foreign currencies through banks and other financial institutions according to free market exchange rates. However, most foreign exchange transactions require compliance with certain legal requirements.

Summary of assets and liabilities in foreign currencies:

	As of 31 December 2011	As of December 2010	As of 30 September 2010
		(In U.S. Dollars)	
Cash and cash equivalents	**$ 10,843,000**	$ 2,750,000	$ 953.000
Accounts Payable *(Note 14)*	**(1,860,816)**	(2,496,952)	(507,683)
Net asset position	**$ 8,982,184**	$ 253.048	$ 445.317

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

3. Cash and Cash Equivalents

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Domestic banks - Deposits *(1)*	**$ 460,217,123**	$ 294,727,709	$ 66,101,759
Domestic banks - Checking *(1)*	**40,974,843**	10,371,754	24,113,213
Investments in fixed income liquidity funds *(2)*	**10,449,242**	1,696,145	15,568,554
Cash	**10.823**	7.869	11.659
	$ 511,652,031	$ 306,803,477	$ 105,795,185

(1) During January 2011, an international bond issue of $736,760,000 was performed, said transaction generating a commission of $ 2,579,402, representing a cash revenue of $ 734,180,598.

During December 2011, a factoring operation with Banco Santander Colombia for $ 45 million took place on Codensa S.A. ESP receivables; further prompt payment operations were carried out with Empresas Publicas de Medellín in the amount of $ 9,293,447 and Empresa de Energia de Cundinamarca for $ 3,568,622.

Cash and cash equivalents presents a restriction because of a San Esteban de Caloto (Cauca) judicial lien *(Note 5)* on bank accounts listed below for $ 4,500,000.

Financial Institution	Account #	Date Debit / Freeze	Lien Amount
Banco AV Villas	059-00802-9	15/12/2011	$ 900,000
Helm Bank	13017053	19/12/2011	492.739
Helm Bank	13017053	20/12/2011	244.507
Helm Bank	13017053	21/12/2011	162.754
Citibank	5062119804	23/12/2011	900.000
Banco Davivienda	4300152016	27/12/2011	900.000
Banco Santander	40019978	28/12/2011	900.000
			$ 4,500,000

(2) The balance of cash management fixed-income investments are as follows:

	Average Interest Rate	Amount	Average Interest Rate	Amount	Average Interest Rate	Amount
	As of 31 December 2011		As of 31 December 2010		As of 30 September 2010	
Cash Deposits	**4.05%**	**$ 7.000**	3.07%	$ 7.000	3.50%	$ 13,007,000
Trusts	**4.15%**	**8,222,956**	2.43%	1,464,502	2.23%	2,550,677
Forwards *(Note 27)*		**2,219,286**		224.643		10.877
		$ 10,449,242		$ 1,696,145		$ 15,568,554

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

4. Receivables, Net

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Power utility customers (1)	**$ 166,403,361**	$ 160,958,133	$ 231,308,259
Progress and advance payments (2)	**89,726,560**	13,268,160	5,319,265
Other debtors (3)	**16,946,365**	11,375,450	16,223,978
Loans to employees	**15,614,201**	14,056,809	12,657,634
Advance tax and credit balances	**5,746,106**	5,744,913	5,744,913
Deposits delivered	**46.863**	26.643	3.127
	294,483,456	205,430,108	271,257,176
Less - provision for debtors	**(4,267,908)**	(5,374,368)	(8,110,545)
	290,215,548	200,055,740	263,146,631
Less – non current portion	**(12,119,855)**	(11,240,651)	(10,153,712)
Total current debtors (*Note 7*)	**$ 278,095,693**	$ 188,815,089	$ 252,992,919

(1) The variation in power utility customers between 31 December 2010 and 30 September 2010 is mainly due to power utility prepayments received in December 2010 in the amount of $ 44,634,267 and write-offs of $ 2,866,383.

(2) As of 31 December 2011, advance payments correspond to:

a. Advance payments for Project Quimbo detailed below:

Item	As of 31 December 2011
Works:	
Consortium Impregilo - OHL	$ 45,838,889
Proyecont Ltd.	1,226,511
Others	678.726
	47,744,126
Premises:	8,994,970
Equipment:	
Alstom Brazil Energy and Transport	11,447,281
Alstom SA Colombia	6,733,635
Schader Camargo Ingenieros	6,008,602
	24,189,518
Others	306.916
Travel advances	116.360
	$ 81,351,890

b. Advances for the purchase of goods and services as follows:

Third party	
Surpetroil SAS	$ 6,044,588
Hitachi de Venezuela CA	1,299,884
Others	1,030,198
	8,374,670
	$ 89,726,560

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

4. Receivables, net (continued)

(3) As of 31 December 2011, they correspond to:

a. Receivable billed to Generali Colombia in the amount of $ 3,707,860 for the compensation of Termocartagena turbine damage and mitigation expenses for the loss.

b. On 13 December 2011 the municipality of San Esteban de Caloto (Cauca), as part of a tax collection process (Industry and Trade tax) irregularly decreed a lien on certain sums of money, credits and others which Emgesa S.A. E.S.P. had in checking accounts of up to nine hundred million pesos ($ 900,000,000). The injunction became effective in five (5) financial institutions, thus amounting to four thousand five hundred million COP ($ 4,500,000). To counter the move, the Company concurrently with the filing of exceptions against the order for payment, sent legal bond meeting the requirements set out by the Territorial Authority.

c. As of 31 December 2011, the receivable billed to the Finance Ministry re payments made by the Company as part of the sentence against Bethany in existing processes on the date of the stock purchase contract for $ 4,587,436.

d. As of 31 December 2011 accounts receivable billed to former employees worth $ 891.543 are included, as well as other receivables in the amount of $ 3,259,526.

Provisions for debtors are as follows:

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Beginning Balance	**$ 5,374,368**	$ 8,110,545	$ 6,970,818
Recovery of provisions	**(538,622)**	(8,333)	(189,396)
Write-off	**(1,311,943)**	(2,866,383)	-
Adjustment to provision – profit/loss	**744.105**	138.539	1,329,123
Ending Balance	**$ (4,267,908)**	$ (5,374,368)	$ (8,110,545)

The debtor provision comprises: (a) client accounts receivable provision with more than 360 days past due as of 31 December 2011, and (b) provision of other accounts receivable as of 31 December 2011, in the amount of $ 2,453,110.

Housing loans for workers and other loans are agreed to through collective agreements or Company policy and have agreed upon annual interest rates of 7% and 0%, respectively.

5. AFFILIATES

Operations entered into directly or indirectly with affiliates are recorded in Affiliate accounts.

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

5. Affiliates (continued)

The following shows receivable and payable balances in detail to affiliates:

	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Accounts receivable:			
Codensa S.A. E.S.P. (1)	**$ 130,093,832**	$ 132,178,812	$ 135,647,623
Empresa de Energia de Cundinamarca S.A. E.S.P.	**1,150,162**	758.160	833.516
Sociedad Portuaria Central Cartagena S.A.	**843.200**	218.292	117.331
Empresa de Energia de Bogotá S.A. E.S.P.	**-**	175.814	28.938
Compañía Americana de Multiservicios Ltda.	**-**	1.436	1.146
Endesa Latinoamerica	**-**	114.220	114.219
Empresa Nacional de Electricidad	**-**	-	63.718
	132,087,194	133,446,734	136,806,491
Non current portion Sociedad Portuaria Central Cartagena	**(768,272)**	(171,990)	(117,015)
	$ 131,318,922	$ 133,274,744	$ 136,689,476
Accounts payable:			
Empresa e Energia De Bogotá S.A. E.S.P. (3)	**$ 39,727,231**	$ 227,422,561	$ 31.015
Endesa Chile (3)	**20,725,242**	-	-
Endesa Latinoamerica (3)	**16,663,824**	-	-
Codensa S.A. E.S.P. (2)	**15,537,115**	329,248,719	78,389,389
Empresa de Energia de Cundinamarca S.A. E.S.P.	**466.510**	243.507	267.354
Endesa Servicios	**146.432**	-	-
Ict Servicios Informáticos	**30.785**	65.321	-
Sociedad Portuaria Central Cartagena S.A.	**15.785**	109.180	-
Compañía Americana de Multiservicios Ltda.	**-**	1,175,442	261.759
Synapsis de Colombia Ltda.	**-**	195.175	287.215
Ingendesa S.A.	**-**	-	6.866
	$ 93,312,924	$ 558,459,905	$ 79,243,598

(1) Mainly accounts receivable from power sales.

(2) As of 31 December 2011, advances for $ 336.500 million COP were received from Codensa S.A. E.S.P. on account of energy purchases at an annual rate of 5.12%

(3) As of 31 December 2011, mainly relates to unpaid dividends declared for the quarter from 30 September to 31 December 2010.

The following is the effect on transaction results with affiliates, shareholders and the Board.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

5. Affiliates (continued)

Company	Transaction description	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Quarter (1 January to 30 September 2010)
Revenue:				
Codensa S.A. E.S.P.	Sale of power	**$ 677,030,071**	$ 131,267,012	$ 396,588,044
Codensa S.A. E.S.P.	Use contract	**2,803,339**	-	-
Codensa S.A. E.S.P.	Technical services/others	**369.339**	88.519	265.845
EEC S.A. E.S.P.	Tolls	**-**	313.673	-
EEC S.A. E.S.P.	Sale of power	**-**	-	15,167,359
Synapsis Colombia Ltda.	Technical Services	**-**	126.759	-
EEC S.A. E.S.P.	Sale of power	**32,622,417**	648.360	-
CAM Ltda.	Meters and telemetry	**9.555**	3.526	66.550
Synapsis Colombia Ltda.	Others	**-**	-	444
SPCCCartagena S.A.	Operation and interests	**125.181**	43.965	563
		$ 712,959,902	$ 132,491,814	$ 412,088,805
Expenses:				
Codensa S.A. E.S.P.	Energy transport	**$ (84,726,686)**	$ (19,906,788)	$ (55,568,505)
Codensa S.A. E.S.P.	Financial expenses	**(2,173,805)**	(688,337)	(3,708,770)
Codensa S.A. E.S.P.	Use contract	**(3,337,533)**	(421,308)	(6,740)
Codensa S.A. E.S.P	power and lighting	**(503,395)**	(79,524)	(401,762)
Codensa S.A. E.S.P	Others	**(587,037)**	Oo -	(908,764)
Codensa S.A. E.S.P.	Equipment leasing	**-**	-	(64,115)
EEC S.A. E.S.P.	Tolls	**(1,565,276)**	-	-
Synapsis Colombia Ltda.	Technical Services	**(42,808)**	-	(1,406,377)
Synapsis Colombia Ltda.	Communication services	**-**	-	(704,058)
CAM Ltda.	Technical Services	**(291,003)**	(497,306)	(1,395,949)
CAM Ltda.	Equipment leasing	**-**	-	(32,935)
SPCC S.A.	Management and operation	**(528,000)**	(307,000)	-
ICT Servicios Informáticos Ltda.	Computer Services	**(92,373)**	(6,775)	-
EEC S.A. E.S.P.	Tolls	**-**	-	(981,971)
Endesa Servicios	Computer Services	**(22,774)**	-	
Board of Directors	Fees	**(191,159)**	(70,982)	(161,205)
		(94,061,849)	(21,978,020)	(65,341,151)
Net effect on profit/loss		**$ 618,898,053**	$ 110,513,794	$ 346,747,654

6. Term Investments, Net

The balance of equity investments accounted for under the cost method is composed as follows:

	% Participation	As of 31 December 2011	As of 31 December 2010	As of 30 September 2010
Electrificadora del Caribe S.A. ESP. (a)	**0.22%**	**$ 8,324,408**	$ 8,324,408	$ 8,324,408
Sociedad Portuaria Central Cartagena S.A. (b)	**94.95%**	**201.175**	97.327	5.507
Termocartagena S.A. ESP. (now Vista Capital S.A. En Liquidación)	**0.00%**	**56**	56	56
		$ 8,525,639	$ 8,421,791	$ 8,329,971

(a) The value of investment in Electrificadora del Caribe S.A E.S.P shows variation due to the use of the intrinsic value method.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

6. Term Investments, Net (continued)

(b) The value of investment in the Sociedad Portuaria Central Cartagena S.A. is increased by the application of the equity method, generating a profit for 2011 of $ 103.848, and for the year 2010 of $ 91.819.

By 2011 a variation in the equity of Sociedad Portuaria Central Cartagena S.A. appeared, because valuation was generated in $ 2.754.

Valuations and devaluations registered in investments are:

Company	Number of Shares	Class	Acquisition Cost	Intrinsic Value per share as of December 31, 2011	As of December 31, 2011 Valuation (devaluation)	As of December 31, 2010 Valuation (devaluation)	As of September 30, 2010 Valuation (devaluation)
Electrificadora del Caribe S.A. E.S.P.	109,353,394	Common	8,324,408	$ 40.54	**$ (3,891,222)**	$ (3,756,097)	$ (3,780,155)
Sociedad Central Cartagena S.A.	55.071	Common	5.507	3702.993	**2.754**	-	-
Termocartagena S.A. E.S.P. (now Vista Capital S.A. En Liquidación)	22	Common	56		**(56)**	(56)	(56)
					$ (3,888,524)	$ (3,756,153)	$ (3,780,211)

7. Inventories, Net

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Inventory of other fuels	**$ 23,942,824**	$ 12,332,544	$ 15,230,496
Stores - Parts (1)	**22,454,075**	20,441,268	20,609,368
Carbon inventory	**15,595,659**	7,958,992	11,335,989
	61,992,558	40,732,804	47,175,853
Less - Provision for inventories	**(749,909)**	-	-
	$ 61,242,649	$ 40,732,804	$ 47,175,853
Less - current portion	**(39,538,483)**	(20,291,536)	(26,566,485)
	$ 21,704,166	$ 20,441,268	$ 20,609,368

(1) Mainly parts to be used in repairs and / or maintenance of plants according to the maintenance plan defined by Management.

8. Property, Plant and Equipment, Net

As of 31 December 2011, the following are property, plant and equipment values:

	Cost	Accumulated Depreciation	Net value
Plants, pipelines and tunnels (2)	**$ 7,022,334,318**	**$ (2,419,366,124)**	**$ 4,602,968,194**
Construction in progress	**218,306,487**	**-**	**218,306,487**
Land (1)	**141,587,685**	**-**	**141,587,685**
Construction and buildings	**71,632,744**	**(23,160,376)**	**48,472,368**
Machinery and equipment	**34,050,205**	**(21,568,926)**	**12,481,279**
Communication and computer equipment	**24,913,580**	**(20,026,400)**	**4,887,180**
Furniture, fixtures and office equipment	**9,116,688**	**(4,417,065)**	**4,699,623**
Transport equipment, traction and elevation	**6,273,293**	**(4,436,624)**	**1,836,669**
Machinery, plant and equipment in assembly	**2,571,615**	**-**	**2,571,615**
Networks, lines and cables	**544.970**	**(544,970)**	**-**
	$ 7,531,331,585	**$ (2,493,520,485)**	**$ 5,037,811,100**

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

8. Property, Plant and Equipment, Net (continued)

(1) Includes land purchases made during 2011, for the Quimbo project in the amount of $ 42,477,939, financing expense of $ 6,043,887 for project Quimbo and other land purchases for other facilities in the amount of $ 1,819,605.

(2) Quimbo project construction in the amount of $ 145,856,723

As of 31 December and 30 September 2010, the following are property, plant and equipment values:

	As of December 31, 2010			As of September 30, 2010		
	Cost	Accumulated Depreciation	Net value	Cost	Accumulated Depreciation	Net value
Plants, pipelines and tunnels (2)	$ 6,966,076,346	$ (2,292,256,348)	$ 4,673,819,998	$ 6,942,573,05	$ (2,273,411,311	$ 4,669,161,74
Land (1)	91,247,147	-	91,247,147	71,622,03	(21,790,841	49,831,19
Construction in progress	73,266,721	-	73,266,721	57,952,35		57,952,35
Construction and buildings	69,150,968	(21,424,091)	47,726,877	48,511,89		48,511,89
Machinery and equipment	30,811,548	(20,225,488)	10,586,060	30,059,82	(19,910,784	10,149,03
Communication and computer equipment	24,559,682	(18,318,622)	6,241,060	24,197,80	(17,890,622	6,307,18
Furniture, fixtures and office equipment	7,250,076	(3,906,160)	3,343,916	6,771,48	(3,797,958	2,973,53
Transport equipment, traction and elevation	6,983,556	(4,866,128)	2,117,428	5,920,33	(5,019,173	901.15
Machinery, plant and equipment in assembly	1,416,132	-	1,416,132	1,109,54		1,109,54
Networks, lines and cables	544.970	(544,970)	-	544.97	(544,970	
	$ 7,271,307,146	$ (2,361,541,807)	$ 4,909,765,339	$ 7,189,263,29	$ (2,342,365,659	$ 4,846,897,63

(1) In December 2010, the increase in land item, corresponds mainly to land acquired for the Quimbo project in the amount of $ 38.238.

(2) Management in 2010 hired a specialized engineering firm (INGETEC SA) for assessing remaining asset lives of Central Cartagena. As a result of the study: a) remaining asset lives of operating assets were updated, b) a reduction in yearly depreciation expense was recorded retroactive to 1 January 2010 in the amount of $ 18,572 million, as the total expenditure for annual depreciation for this plant without reassessment of asset lives was $ 22.351 million and after the change, amounts to $ 3.779 million.

9. Deferred Charges, Net

		As of December 31, 2011		As of December 31, 2010		As of September 30, 2010
Other deferred charges (2)	$	**45,642,517**	$	14,908,355	$	5,488,783
Studies and Projects (1)		**37,706,692**		19,360,223		18,131,312
Expenses and financial charges		**443.760**		827.323		986.351

(1) Applies to deferred assets re studies and projects in the amount of $ 6,063,364 for the Cartagena plants, alternative energy $ 1,732,140, $ 6,022,066 Guaicaramo, Sumapaz $1,487,590 and other minor hydraulic power plant projects for $ 7,352,216; amortization begins when the production stage starts.

Among the studies and projects are insurance policies for Quimbo project in the amount of $ 8,195,200, costs of obtaining the international bond for the same project in the amount of $ 5,434,000, title deeds and legalization of properties worth $ 1,212,057 and other expenses amounting to $ 208.059 .

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

9. Deferred Charges, Net (continued)

(2) Mainly:

a. Expenses incurred in the merger process between Emgesa S.A. E.S.P. (entity absorbed) and Central Hidroelectrica Betania S.A. E.S.P. (acquiring company). As of 31 December 2011 and 2010 net cost is $ 1,023,591 and $ 2,388,379, respectively, including the legal registration before a notary of the merged entity, fees and legalization of land, among others, is straight line amortized over a period of five years, which began in October 2007.

b. As of 31 December 2011, includes financial costs associated with the Quimbo project worth $ 31,154,200, namely: financial interests of international bond $ 51,600,220, financial returns $ 18,598,973 and forward profits for the Quimbo project in the amount of $ 1,847,053.

c. Legal stability premium - Quimbo Project - in the amount of $ 9,612,891 as a result of entering a contract between the Nation (Ministry of Mines and Energy) and the Company, executed 20 December 2010. The Company has not begun amortizing until project Quimbo initiates.

d. The conversion project for Central Cartagena in the amount of $ 866.680, will begin amortization when projects initiate.

10. Intangibles, Net

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Rights to use water in Chingaza (1)	**$ 65,364,594**	$ 65,364,594	$ 65,364,594
Software	**8,828,172**	8,000,619	8,041,838
Licenses	**2,095,061**	1,305,075	1,109,504
Other intangible assets	**663.059**	663.059	663.059
	76,950,886	75,333,347	75,178,995
Less - accumulated depreciation	**(23,586,693)**	(21,031,276)	(20,367,231)
	$ 53,364,193	$ 54,302,071	$ 54,811,764

(1) Emgesa S.A. E.S.P. recognized as intangible assets those expenditures for the use of the largest useful water flow from the Chingaza and Rio Blanco projects. Amortization is carried out by the straight-line method over a period of 50 years.

11. Other Assets

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Tomine Trust management (1)	**$ 1,901,284**	$ 2,020,931	$ 453.825
Muña Trust management (1)	**259.117**	323.150	368.195
Tesalia Trust Administration of (2)	**589.615**	-	-
Gigante Trust Management (2)	**220.875**	-	-
Garzon Trust Management (2)	**795.353**	-	-
Agrado Trust Management (2)	**108.196**	-	-
Paicol Trust Management (2)	**576**	-	-
Alta Mira Trust Administration (2)	**39.068**	-	-
Proyecol Trust Management (2)	**1.000**	-	-
Works and improvements to property (3)	**279.868**	548.540	615.707
	$ 4,194,952	$ 2,892.621	$ 1.437,727

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

11. Other Assets (continued)

(1) Trusts set up to carry out reclamation works on the Muña and Tominé reservoirs with funds from the Bogota water utility, Bogotá Power Company and Emgesa S.A. E.S.P. The Company adjusted monthly values of these trusts based on the monthly statements received. In December 2010 it received pledges of $ 1,900,000 for reclamation works on the Tominé reservoirs

(2) By 2011, as a product of project Quimbo, trusts were established in several municipalities of Huila in the amount of $ 1,754,683. They are intended to manage the resources that will be contributed by the trustor (the Company) in order to fulfill the purpose of the trust agreement. Hence, deposits and withdrawals of resources are managed by the Company.

The contract is valid for one year, renewable for the same term until the parties agree to liquidate; this will happen when the Company meets the financial commitments agreed to with the municipalities.

The disbursement process follows these steps:

- A Project Committee has been established responsible for approving approved investment initiatives.
- Once the investment initiative is approved, Quimbo supplies will initiate the hiring process.
- The project will manage the amount of resources to transfer to each sub-account according to the disbursement schedule for approved projects.
- The project will approve disbursement to contractors according to the guidelines set corporately for this purpose.

(3) Works and improvements to property correspond to the adjustments made on floors 5 and 6 of the building where the support areas of the Company are found.

12. Valuations

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Property, plant and equipment:			
Plants, pipelines and tunnels	**$ 1,997,804,913**	$ 2,001,754,958	$ 2,001,754,958
Land	**3,516,313**	4,077,545	4,077,545
Construction and buildings	**3,484,172**	3,484,172	3,484,172
Transport equipment, traction and elevation	**1,280,816**	1,830,398	1,929,198
Communication and computer equipment	**925.215**	925.215	925.215
Furniture, fixtures and office equipment	**634.820**	634.820	634.820
Networks, lines and cables	**361.705**	361.705	361.705
Machinery and equipment	**335.996**	335.996	335.996
	2,008,343,950	2,013,404,809	2,013,503,609
Investments in other companies *(Note 6)*	**(3,888,524)**	(3,756,153)	(3,780,211)
	$ 2,004,455,426	$ 2,009,648,656	$ 2,009,723,398

According to Regulatory Decree 2649 of 1993, the Company must make a technical appraisal of property, plant and equipment at least every three years and record valuations and / or resulting devaluations. The final technical appraisal of fixed assets to market value was made in the third quarter of 2009 by the Real Estate Association of Bogota.

Appreciation (depreciation) on investments corresponds to intrinsic value settings of shares held by Compañía en la Electrificadora del Caribe S.A. E.S.P. and Termocartagena S.A. E.S.P. (now Vista Capital S.A. En Liquidación) (See Note 4).

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

12. Valuations (continued)

As of December 31, 2011 and December 31, 2010 this is the value of valuations, devaluations or provisions recorded for each asset class:

Asset Class	Book Value 31/12/2011	Commercial Value 31/12/2009	Valuation 31/12/2011	Valuation 31/12/2010	Valuation adjustment
Plants, pipelines and tunnels (2)	**$ 4,602,968,194**	$ 6,782,399,655	**$ 1,997,804,913**	$ 2,001,754,958	$ 3,950,045
Land (1)	**141,587,685**	61,184,144	**3,516,313**	4,077,545	561.232
Construction and buildings	**48,472,368**	55,113,934	**3,484,172**	3,484,172	-
Machinery and equipment	**12,481,279**	9,388,664	**925.215**	925.215	-
Communication and computer equipment	**4,887,180**	8,080,359	**634.820**	634.820	-
Furniture, fixtures and office equipment	**4,699,623**	1,835,500	**335.996**	335.996	-
Transport equipment, traction and elevation (3)	**1,836,669**	3,363,897	**1,280,816**	1,830,398	549.582
Networks, lines and cables	**-**	373.468	**361.705**	361.705	-
	$ 4,816,932,998	$ 6,921,739,621	**$ 2,008,343,950**	$ 2,013,404,809	$ 5,060,859

Variation in valuation accounts relates to:

(1) Write-off for sale of land during 2010.
(2) Write-offs in operational assets due to part replacement in servicing performed.
(3) Write-off due to sale of 23 vehicles in administrative area.

13. Financial obligations

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Ordinary bonds and commercial papers outstanding (3)	**$ 1,821,760,000**	$ 1,395,000,000	$ 1,485,000,000
Bank loans in domestic currency (1)	**305,009,053**	305,009,053	305,009,053
Interest on domestic debt and bonds (2)	**120,715,808**	51,152,457	41,096,827
	2,247,484,861	1,751,161,510	1,831,105,880
Less - current portion	**(425,724,861)**	(361,152,457)	(201,096,827)
	$ 1,821,760,000	$ 1,390,009,053	$ 1,630,009,053

(1) Applies to:

Description	Performance	Maturity Date	Book Value
Bancolombia	DTF + 2.80% T.A.	August 12, 2012	**$ 22,598,999**
Bancolombia	DTF + 2.80% T.A.	April 12, 2012	**74,420,931**
BBVA Colombia	DTF + 2.80% T.A.	April 12, 2012	**82,506,228**
Davivienda	DTF + 2.80% T.A.	April 12, 2012	**31,548,435**
Santander	DTF + 2.80% T.A.	April 12, 2012	**93,934,460**
			$ 305,009,053

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

13. Financial Obligations (continued)

(2) Interest on domestic debt and bonds:

Description	Maturity	At 31 December 2011	At 31 December 2010	At 30 September 2010
Interest on bonds	During 2011	**$ 101,225,729**	$ 30,427,599	$ 25,758,091
Interest on bank loans	During 2011	**19,490,079**	20,724,858	15,338,736
		120,715,808	51,152,457	41,096,827
Bank loans in national currency		**305,009,053**	310,000,000	160,000,000
Current financial obligations		**$ 425,724,861**	$ 361,152,457	$ 201,096,827

(3) The Company has four current bond issues in the local market as of December 31, 2011, as follows:

Emgesa Third Bond Issue

Class Title	Ordinary Bonds
Financial Superintendence Approval:	Resolution No.0650 dated July 30, 2004
Total Amount Authorized Issuance	$ 250,000,000
Use of Funds:	Company working capital financing
Nominal value	Series A: $ 1,000 each bond
Term	10 years
First Batch - Feb/05	Series A $ 210,000,000
Second Batch - Feb/06	Series A $ 40,000,000
Bond Issuance premium second batch	$ 6,927.200
Underwriter	Deceval Inc.
Yield	Sub-series A-10 CPI + 5.04% E.A.
Rating	AAA (TripleA) Assigned by Duff & Phelps de Colombia SA S.C.V. (Now Fitch Ratings Colombia SA S.C.V.).

The bond issuance premium of the second lot corresponds to the greater value received through the ordinary bond issuance, as a consequence of the rate differential between the bond face rate and the bond issuance yield rate. As a result, the Company received $ 6,927,200 in 2006 which as of 31 December 2011, a total of $ 4,531,813 had been amortized and an unamortized balance remaining of $ 2,395,387, this value being amortized over 107 months, time equivalent to the life of the bonds.

Emgesa's Ordinary Bond Issuance Program

The Company has a Bond Issuance Program which allows it to perform successive issues of such securities under the global quota authorized and available, and during the period of validity thereof.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

13. Financial Obligations (continued)

Type of securities	Ordinary Bonds
Approval by Financial Superintendence	Resolution No. 1235 dated July 18, 2006
Global Amount Initially Approved	$ 700,000,000
Approval of quota expansion and placement extension:	Resolution No. 0833 dated June 16, 2009
First Increase to the Authorized Global Amount:	$ 1,200,000,000
Authorized Total global amount as of August 31, 2010:	$ 1,900,000,000
Balance issued as of December 31, 2011	$ 835 million (*)
Overall quota available as of December 31, 2011	$ 1,065,000,000
Expiration of the term of the program	June 2012
Underwriter	Deceval S.A.
Rating	AAA (Triple A) Fitch Ratings Colombia.

The Company has carried out three bond tranches under said program, as follows:

(*) Value of the First Tranche of the Program	$ 170 million (February 2007)
Nominal value	Series B: $ 10.000 each bond
Term	10 years
Yield	Sub-series B-10: CPI + 5.15% E.A.
Use of funds	Replacement of financial liabilities
(*) Value of the Second Tranche	$ 265 million (February 2009)
Nominal value	Series A: $ 10,000 each bond Series B: $ 10.000 each bond
Term	5, 10 and 15 years
Yield	Sub-series A-5: DTF T.A. + 1.47% Sub-series B-10: CPI + 5.78% E.A. Sub-series B-15: CPI + 6.09% E.A.
Use of funds	General purposes of the Company, including but not limited to the replacement of current financial obligations.
(*) Value of the Third Tranche	$ 400,000,000 (July 2009)
Nominal value	Series B: $ 10.000 each bond Series E: $ 10,000 each bond
Term	5, 9 and 12 years
Yield	Sub-series B-9: CPI + 5.90% E.A. Sub-series B-12: CPI + 6.10% E.A. Sub-series E-5: 9.27% Fixed Rate E.A.
Use of funds	$ 250,000,000 to pre-fund debt maturities of non-current. $ 150,000,000 for working capital.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

13. Financial Obligations (continued)

The Company has a current issue of bonds in the international market as well:

International global bonds in pesos

On January 20, 2011, the Company placed its first bond issue in the international capital market worth $ 736.76 million, equivalent to USD 400 million, for a term of 10 years. Bonds issued by the Company in COP and payable in USD, have a fixed rate coupon of 8.75%.

According to the *Offering Memorandum*, The Company pays the interest as necessary so that once withholding tax is applied (currently 14% Section 408 of the tax code), the bondholder receives 8.75%; meaning that the rate before discounting 14% withholding is 10.1744%

The operation is part of the financial structure of the Quimbo Hydroelectric Power plant which allowed pre-financing resources to be obtained for project needs for 2011 and part of 2012 and refinance other financial obligations.

Record format	144 A / Reg S
Total value of issuance in pesos	$ 736,760,000
Dollar equivalent	$ 400,000 converted to the current TRM January 20, 2011 ($ 1841.90)
Use of funds	Financing of new projects and refinancing Quimbo's other financial obligations, and other general purposes of the Company.
Nominal value	$ 5.000 each bond
Term	10 years, amortized at maturity.
Frequency of interest	Annual
Counting of days	365/365
Underwriter, Paying Agent, Calculation Agent and Transfer Agent	The Bank of New York Mellon
Yield	8.75% yearly(1)
International rating	BBB-(stable) by Fitch Ratings and Standard & Poor's

Cancellation

Emgesa Commercial Papers, in 2011

The Financial Superintendence of Colombia through Resolution No. 1954 dated December 17, 2009, authorized the entry in the RNVE and public offer of Commercial Papers issued by Emgesa for a total of $ 600,000,000. On November 19, 2010, the Company issued the first batch of Commercial Paper in the amount of $ 70,000,000 with the following conditions:

Value of the first batch	$ 70,000,000
Nominal value	Sub-Series C353: $ 10,000 each role
Term	353 days
Yield	Sub-Series C353: 4.20% E.A.
Use of funds	100% to pay liabilities Codensa Inc. E.S.P. (Company linked Emgesa SAESP), which were purchased for the refinancing of financial obligations.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

13. Financial Obligations (continued)

On November 7, 2011 amortization payment of the first batch of commercial paper issued in 2010 by the Company was held.

First Ordinary Bond Issuance by Central Hidroeléctrica de Betania S.A. E.S.P. (acquiring company)

Type of security	Ordinary Bonds
Financial Superintendence Approval:	Resolution No. 885 of 2004
Total Value Authorized Issuance	$ 400,000,000
Use of funds	Substitution of Financial Liabilities
Nominal value	Series B: $ 1,000 Bonus
Term	7 years, with amortization of 40% in year 6, and the remaining 60% at maturity.
First Batch - Nov/04	$ 300,000,000
Second Batch - Feb/06	$ 100,000,000
Bond issuance premium of second lot	$ 19,817,475
Underwriter	Deceval SA (TripleA)
Yield	Sub-series B 07: CPI + 6.29% T.V.
Rating	AAA Duff & Phelps de Colombia S.A. S.C.V. (Now Fitch Ratings Colombia SA S.C.V.).

On November 10, 2010 payment was made under the write-down for the sixth anniversary of the Bonds Bethany, or 40% ($ 160 million) of the amount unpaid and outstanding bond issues of the hydroelectric Bethany SA E.S.P. (acquiring company, now Emgesa S.A. ESP), as provided in the information leaflet of the issue.

On November 10, 2011 payment was made of the write-set for the maturity of the Bonds Bethany, equal to 60% ($ 240 million) remaining unpaid and outstanding amount of the bond issue Hydroelectric Bethany SA E.S.P. (Acquiring company, now Emgesa SAESP), as provided in the information leaflet of the issue.

The following is a summary of bonds and bank loans, at December 31, 2011:

Description	Yield	Issuance Date	Maturity Date	Book Value
3 rd. Issue first batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	**$ 210,000,000**
3 rd. Issue second batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	**40,000,000**
4 th. Issue first tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	**170,000,000**
5 th. Issue second tranche of the program	Sub-series A5: +1.47% DTF T.A	February 11, 2009	February 11, 2014	**49,440,000**
5 th. Issue second tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	**160,060,000**
5 th. Issue second tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	**55,500,000**
6 th. Issue third tranche of the program	Sub-series E5: 9.27% Fixed Rate E.A.	July 2, 2009	July 2, 2014	**$ 92,220,000**
6 th. Issue third tranche of the program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	**218,200,000**
6 th. Issue third tranche of the program	Sub-series B 12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	**89,580,000**
144-a / reg s global bond in COP	8.75% E.A. (1)	January 25, 2011	January 25, 2021	**736,760,000**
Total bonds non-current				**$ 1,821,760,000**

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

The installments of bonds and loans payable in local currency in the coming years are as follows:

Year	At December 31, 2011	Concept
2012	**$ 305,009,053**	Bank loans
2014	**141,660,000**	Local bonds issued
2015	**250,000,000**	Local bonds issued
2017	**170,000,000**	Local bonds issued
2018	**218,200,000**	Local bonds issued
2019	**160,060,000**	Local bonds issued
2021	**89,580,000**	Local bonds issued
2021	**736,760,000**	International bonds issued
2024	**55,500,000**	Local bonds issued
	$ 2,126,769,053	

The following is the detail of bonds and commercial paper issued as of 31 December 2010:

Description	Yield	Issuance Date	Due Date	Book value
Non Current				
3 rd. Issue first batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	$ 210,000,000
3 rd. Issue second batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
4 th. Issue first tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
5 th. Issue second tranche of the program	Sub-series A5: +1.47% DTF T.A	February 11, 2009	February 11, 2014	49,440,000
5 th. Issue second tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
5 th. Issue second tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	55,500,000
6 th. Issue third tranche of the program	Sub-series E5: 9.27% Fixed Rate E.A.	July 2, 2009	July 2, 2014	92,220,000
6 th. Issue third tranche of the program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
6 th. Issue third tranche of the program	Sub-series B 12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000
Non-current portion				1,085,000,000
Current:				
1 st. Bethany Bond Issue 1, Lot	Sub-series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2011	180,000,000
1 st. Bethany Bond Issue 2 ° Lot	Sub-series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2011	60,000,000
1st Lot Commercial Papers	Sub-Series C353: 4.20% E.A.	November 19, 2010	November 7, 2011	70,000,000
Bonds and commercial paper				310,000,000
Bonds and commercial paper debt				$ 1,395,000,000

The following is the detail of the bonds issued at September 30, 2010:

Description	Performance	Date of Placement	Due Date	Book value
Non Current				
1 st. Bethany Bond Issue 1, item (1)	Sub-series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2011	$ 180,000,000
1 st. Bethany Bond Issue 2 ° Lot (1)	Sub-series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2011	60,000,000
3 rd. Issue first batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2005	February 23, 2015	210,000,000
3 rd. Issue second batch	A10 Sub-series: CPI +5.04% E.A.	February 23, 2006	February 23, 2015	40,000,000
4 th. Issue first tranche of the program	Sub-series B10: CPI +5.15% E.A.	February 20, 2007	February 20, 2017	170,000,000
5 th. Issue second tranche of the program	Sub-series A5: +1.47% DTF T.A	February 11, 2009	February 11, 2014	49,440,000
5 th. Issue second tranche of the program	Sub-series B10: CPI +5.78% E.A.	February 11, 2009	February 11, 2019	160,060,000
5 th. Issue second tranche of the program	Sub-series B15: CPI +6.09% E.A.	February 11, 2009	February 11, 2024	$ 55,500,000
6 th. Issue third tranche of the program	Sub-series E5: 9.27% Fixed Rate E.A.	July 2, 2009	July 2, 2014	92,220,000
6 th. Issue third tranche of the program	Sub-series B9: CPI +5.90% E.A.	July 2, 2009	July 2, 2018	218,200,000
6 th. Issue third tranche of the program	Sub-series B 12: CPI +6.10% E.A.	July 2, 2009	July 2, 2021	89,580,000

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

Description	Performance	Date of Placement	Due Date	Book value
Non-current portion				1,325,000,000

13. Financial Obligations (continued)

Description	Yield	Issue Date	Due Date	Book value
Current				
1 st. Bethany Bond Issue 1, item (2)	Sub-series B 7: CPI +6.29% E.A.	November 10, 2004	November 10, 2010	120,000,000
1 st. Bethany Bond Issue 2 ° Lot (2)	Sub-series B 7: CPI +6.29% E.A.	February 15, 2006	November 10, 2010	40,000,000
Bonds and commercial paper				160,000,000
Bonds and commercial paper debt				$ 1,485,000,000

14. Accounts Payable

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010	
Suppliers	**$**	**67,721,148**	$	85,783,698	$	78,139,508
Contractors		**3,615,008**		4,779,117		913.773
Creditors		**47,804,807**		7,746,357		9,262,263
	$	**119,140,963**	$	98,309,172	$	88,315,544

15. Labor Obligations

Bonuses	**$**	**3,766,151**	$	3,567,944	$	2,581,914
Premiums		**2,057,084**		2,035,619		2,373,852
Vacation		**2,003,099**		2,155,730		2,102,157
Workman compensation		**1,588,642**		1,464,229		1,185,802
Interest on workman compensation		**189.228**		175.792		107.132
	$	**9,604,204**	$	9,399,314	$	8,350,857

As of December 31, 2011, 2010 and September 30, 2010, the number of active employees on the payroll was 497, 444 and 448, respectively.

The Company executed on September 21, 2005 a Collective Bargaining Agreement with – SINTRAELECOL (union), benefiting union-member employees, from 1 January 2004 to December 31, 2007, partially modified through Conventional Act 01 dated March 3, 2011, executed for a term of four years beginning 1 January 2011. As of 31 December 2011, 302 employees were members.

During 2011, an employee recreational benefit was paid in an amount of $ 2,619,000.

16. Pensions

	As of December 31, 2011		As of December 31, 2010		As of September 30, 2010	
Actuarial calculations of pensions and fringe benefits	**$**	**74,239,240**	$	81,712,752	$	83,217,970
Less - Current portion		**(10,260,434)**		(11,111,230)		(12,655,393)
Retirement pensions and fringe benefits to non-current	**$**	**63,978,806**	$	70,601,522	$	70,562,577

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

16. Pensions (continued)

Book entries during the period 1 January to 31 December 2011 and 31 December 2010 is comprised as follows:

	As of 31 December 2011	As of 31 December 2010
Beginning Balance	**$ 81,712,752**	$ 82,013,917
Increase (decrease) in non-current provision	**(6,622,176)**	1,007,909
Financial cost	**13,573,398**	6,363,346
Payments	**(10,032,251)**	(9,403,472)
Recovery actuarial gain	**(2,052,873)**	1,731,052
Recovery recreation benefit	**(2,339,610)**	-
	$ 74,239,240	$ 81,712,752

Number of retired employees	**312**	313
Number of active employees, with right to a pension	**2**	2
	314	315

As of 31 December 2011, including the effects of reduction rates, namely: Mortality table, (pre-retirement and retirement), authorized by the Superintendence.

Finance Decree 1555 dated 30 July 2010. (RV Mortality Table 2008), total and permanent disability, EISS.

As of December 31, 2011, the pension actuarial liability is fully amortized.

The value of the pension obligation at the end of each period is determined taking into account the actuarial assumptions, Colombian laws on pensions and the particular provisions for each company as to pensions and post-retirement benefits.

Financial assumptions are summarized in an annual 8.5% discount rate, an increase rate in pensions of 3.5% (DANE (National Statistics Office in Colombia) rate, according to Decree 2783 of 2001).

As of December 31, 2011, the Company hired a new actuary AON HEWWIT, external specialist, resulting in a lower value in pension liabilities in the amount of $ 7,473,512.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

17. Liabilities and Provisions

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Provision for costs and expenses	**$ 15,650,596**	$ 12,644,536	$ 12,433,384
Provision for fixed asset purchases	**4,825,942**	12,654,875	1,650,579
Provision for contingencies *(Note 17)*	**1,224,185**	1,526,202	1,526,202
Other provisions	**299.099**	299.099	299.099
	21,999,822	27,124,712	15,909,264
Less – non-current portion	**(1,224,185)**	(1,526,202)	(1,526,202)
Current portion	**$ 20,775,637**	$ 25,598,510	$ 14,383,062

18. Taxes, Levies and Fees

Income Tax – As of December 31, 2011, 2010 and September 30, 2010, the Company is subject to an income tax rate of 33% applicable on net income.

In accordance with Act 633 of 2000, power generating companies are not subject to the presumptive income system. Tax years open for tax review are 2003, 2009 and 2010. The income tax statement for the taxable year 2010 was filed on April 18, 2011.

Taxes, levies and fees are detailed below:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Income tax	**$ 97,847,040**	$ 103,792,950	$ 38,825,930
Current equity tax	**49,213,976**	-	-
Others	**7,373,530**	11,238,558	11,912,809
	$ 154,434,546	$ 115,031,508	$ 50,738,739

The equity tax to non-current corresponding to December 31, 2011, to December 31, 2010 and September 30, 2010, are detailed below:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Total equity tax	**$ 147,641,928**	$ -	$ -
Less current equity tax	**(49,213,976)**	-	-
	$ 98,427,952	$ -	$ -

The Company decided in 2011 for an alternative treatment of entering as a lower value of the equity revaluation account said pending portion owed in equity tax and surcharge in $ 196,855,905. The tax shall be paid in equal semester installments from 2011 to 2014. In previous years, the accounting treatment was taken as a lower value of the equity revaluation account within the accrual year.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

18. Taxes, Levies and Fees (continued)

The liability corresponding to income tax is shown net of advance payments applicable to tax, as detailed below:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Current income tax	**$ 301,866,788**	$ 275,949,088	$ 201,059,174
Advance payments in withholding tax	**(41,878,131)**	(39,507,898)	(29,585,004)
Advance payments of income tax due to self-withholding	**(162,141,617)**	(132,648,240)	(132,648,240)
	$ 97,847,040	$ 103,792,950	$ 38,825,930

The income tax expense breaks down as follows:

Current	**$ 301,866,788**	$ 74,889,914	$ 201,059,174
Deferred tax entries	**(571,677)**	(297,400)	(867,173)
	$ 301,295,111	$ 74,592,514	$ 200,192,001

The following is a summary of the main reconciling entries:

a) Differences between accounting income and taxable net income

	As of 31 December 2011	As of 31 December 2010
Profit before income tax	**$ 969,050,144**	$ 846,761,473
Effect of temporary differences on provisions	**7,230,561**	9,549,795
Non-deductible expenses	**14,439,665**	10,220,377
Depreciation - inflation adjustment	**(5,498,209)**	(6,020,787)
Untaxed income	**(23,565,495)**	(12,352,756)
Special deduction purchase real productive fixed assets	**(46,908,825)**	(11,959,910)
Net income	**914,747,841**	836,198,192
Windfall	**-**	11.165
Applicable rate	**33%**	33%
Current tax on income	**301,866,788**	275,945,404
Windfall tax	**-**	3.684
Deferred tax	**(571,677)**	(1,164,573)
Total income tax	**$ 301,295,111**	$ 274,784,515

b) Difference between book and tax equity

Book equity	**$ 5,443,061,147**	$ 5,132,679,432
Depreciation of inflation adjustment	**199,513,658**	205,429,147
Estimated liabilities and provisions	**27,796,914**	20,666,697
Deferred tax assets and others	**(72,156,009)**	(73,813,214)
Valuations	**(2,004,455,426)**	(2,009,648,656)
Tax Equity	**$ 3,593,760,284**	$ 3,275,313,406

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

18. Taxes, Levies and Fees (continued)

c) The breakdown of deferred tax assets as of December 31 is as follows:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Inflation adjustment 2006	**$ 65,840,899**	$ 67,868,062	$ 68,358,723
Provisions for costs and expenses	**3,319,368**	4,271,400	4,201,720
Provisions for labor obligations	**1,682,054**	1,498,602	1,038,352
Tax valuation for Tocancipá	**1,037,946**	-	-
Provision for accounts receivable	**195.767**	330.974	2.890
Industry and Trade tax provision	**7.145**	10.128	5.949
Forward valuation	**(122,837)**	(74,132)	-
	$ 71,960,342	$ 73,905,034	$ 73,607,634

Industry and trade tax - The industry and trade tax in municipalities adjacent to the generating plants, is calculated according to Law 56 of 1981.

Contribution to the environment - According to Law 99 of 1993, the Company is required to make transfers for basic sanitation projects and environmental improvements to the municipalities and autonomous regional corporations, equivalent to 6% of gross sales of power generation in hydraulic plants and 4% for thermal plants, according what CREG defines for block sale rates. Environmental contributions as of December 31, 2011 were $ 21,700,462 thousand COP.

Equity tax. For years 2007, 2008, 2009 and 2010, equity tax was paid in tax bracket having equity equal to or greater than $ 3,000,000 COP. The basis for calculating said tax corresponds to tax equity as of January 1, 2007 and a rate of 1.2%. This tax is accrued and paid at the beginning of each year.

Law 1370 of December 2009 established a new equity (wealth) tax for taxable year 2011, with a rate of 2.4% for taxpayers with fiscal equity in excess of $ 3,000,000 and less than $ 5,000,000, and 4.8% for taxpayers with equity less than $ 5,000,000. Subsequently, Decree 4825 of December 2010 established a surcharge on equity tax, which is 25% for taxpayers with equity equal to or in excess of $ 3,000,000.

This tax is accrued on equity owned as of 1 January 2011 and payment made in eight equal installments between 2011 and 2014.

Transfer Pricing - Independent consultants carry out transfer pricing study updates, required by tax provisions, tending to show that the operations with affiliates were made pursuant to market value during 2011. For this purpose the Company shall provide a disclosure statement and said study will be available by mid June 2012. Failure to comply may result in financial sanctions and increased income tax; however, management and their advisors are of the opinion that the study will be completed on time and will not produce significant changes to the basis for determining the income tax provision for 2011, as did happen in 2010.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

18. Taxes, Levies and Fees (continued)

Legal stability contract

The following describes the main aspects of the legal stability contract entered into between the Nation (Ministry of Mines and Energy) and the company Emgesa S.A. E.S.P., executed on December 20, 2010:

Purpose: The Company is committed to building the "Quimbo" hydroelectric power plant (See Note 1).

Investment Amount and Terms: The Company's investments related to project Quimbo can not be less than $1,922,578 million COP.

Key Standards of Legal Stability (with favorability):

a. Income tax rate (33%), exclusion from the calculation of presumptive income and special deductions relating to investments in scientific development and environmental investments, among others.

b. Ensures stability of the special deduction for investment in productive fixed assets (30%), which was dismantled 1 January 2011.

Obligations of the parties:

a. Obligations of the Company:

Comply with the amount of investment planned for construction and implementation of project Quimbo.

Pay the premium for legal stability in the amount of $ 9,612,891 (deposited on December 23, 2010) - (*Note 9*.)

Pay taxes on time.

Hire an independent audit commissioned to review and certify compliance with the commitments made in the contract; thus, the Company hired a third party specialist and results thereof are expressed during the first quarter.

b. Obligations of the Nation:

20 year guarantee of stability of all standards and norms included in the contract (favorability) for project Quimbo.

Information confidentiality.

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

19. Equity

Capital as of December 31, 2011 - Authorized capital consists of 286,762,927 shares, par value $ 4.400 per share. The paid-in capital is represented by 127,961,561 common shares and 20,952,601 preferential shares for a total of 148,914,162 shares with a par value of $ 4,400, distributed as follows:

Shareholders	Share (%)	Number of Share
Empresa de Energía de Bogotá S. A. E.S.P. (E.E.B.)	51.51%	76,710,851
Endesa Latinoamericana S.A.	21.61%	32,176,823
Empresa Nacional de Electricidad S.A.	26.87%	40,019,173
Other minority stakes	0.01%	7.315
	100.00%	148,914,162

Of the total shares of E.E.B., 20,952,601 shares correspond to non-voting shares having a preferential dividend of USD 0.1107 per share.

Equity Revaluation - Equity revaluation can not be distributed as profits, but may be capitalized.
Legal reserve - According to Colombian law, the Company must transfer at least 10% of income for the year to a legal reserve until it is equal to 50% of the subscribed and paid-in capital. This reserve is not available for distribution, but can be used to absorb losses.

Income tax - Under current legislation, foreign investment entitles the holder to remit abroad in freely convertible currency, both net profits generated periodically according to audited balance sheets in each fiscal year as well as capital invested and capital gains. Dividends for non-resident shareholders in Colombia are subject to income tax at a 0% rate as of 31 December 2011, corresponding to the non-taxable part and 33% corresponding to taxable income.

Issue premium - Represents the largest amount paid by the shareholder on the share's face value.

Payment of dividends. The Shareholder General Assembly held March 24, 2011, through Minutes No. 79, ordered to pay out dividends in the amount of $ 155,324,183 charged to the profit of the quarter from October to December 2010. 100% of the preferred dividend and 50% of common dividends were paid on September 7, 2011, the remaining 50% were paid on January 11, 2012.

The Shareholder General Assembly held October 29, 2010, in accordance to minutes No.78, ordered dividends of $ 439,404,704 against profit of September 2010, which were paid as follows: 48% of the common dividend on December 27, 2010, the preferred dividend and the remaining 52% of the common dividend on January 3, 2011.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

20. Memorandum Accounts

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
Debtor:			
Contingent claims	$ **233,933,212**	$ 260,532,927	$ 141,076,591
Control	**83,610,700**	53,632,219	45,976,758
	317,543,912	314,165,146	187,053,349
Creditors:			
Tax	**1,970,515,634**	1,970,360,858	1,807,519,550
Contingent liabilities *(1)*	**434,018,075**	741,211,803	132,042,946
Credit memorandum accounts	**2,404,533,709**	2,711,572,661	1,939,562,496
	$ 2,722,077,621	$ 3,025,737,807	$ 2,126,615,845

(1) Contingent liabilities as of 31 December 2011 are made for legal, civil and labor contingencies, valued at $ 191,761,869 and contractual guarantees for $ 242,256,206.

21. Operating Revenues

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Block sales (1)	$ **1,023,734,970**	$ 249,837,801	$ 778,005,394
Sales to unregulated customers	**583,365,022**	131,987,647	381,270,505
Sales in exchange, generator	**287,328,865**	71,669,577	271,104,483
Other services	**4,729,135**	1,706,095	1,197,261
	$ 1,899,157,992	$ 455,201,120	$ 1,431,577,643

The total income received from sales to Codensa SA ESP, represents 35.67% $ (677,389,582) 28.84% $ (131,267,012) and 27.70% $ (396,588,044) at December 31, 2011, 2010 and September 30, 2010 respectively, of net revenues.

22. Cost of Sales

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Energy purchases and related costs	$ **360,128,377**	$ 97,313,119	$ 381,849,664
Depreciation	**144,486,172**	21,809,598	114,369,707
Consumption of indirect supplies	**99,593,453**	26,892,053	87,830,344
Transfers Law 99 of 1993	**58,110,164**	14,792,049	38,371,081
Other costs of generation	**39,909,696**	9,266,173	29,743,217
Staff costs	**39,579,099**	7,712,912	31,019,417
Insurance	**13,313,821**	3,187,969	9,593,502
General	**3,006,095**	1,789,156	8,094,745
Amortization	**3,000,732**	568.451	2,748,588
Leases	**2,618,230**	987.843	4,785,992
Utilities	**1,704,604**	652.561	882.805
	$ 765,450,443	$ 184,971,884	$ 709,289,062

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

23. Administrative Expenses

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Other expenses (2)	**$ 10,670,556**	$ 373.454	$ 424.802
Wages, salaries and bonuses (1)	**6,939,345**	$ 3,340,064	$ 6,488,261
Depreciation and amortization	**4,247,408**	765.765	1,639,503
Other general services	**3,183,056**	1,261,608	2,116,228
Commissions, fees and services	**1,753,730**	1,177,281	1,412,858
Social security contributions	**1,184,530**	304.128	922.938
Other staff costs	**847.203**	170.013	253.869
Leases	**384.601**	284.734	854.478
	$ 29,210,429	$ 7,677,047	$ 14,112,937

(1) Wages and salaries as of 31 December 2011 show a decrease mainly in the following areas: staff salaries $ 129.468, $ 437.899 bonus, training $ 167.454 and comprehensive salaries $ 1,993,177.

(2) Other expenses consist primarily, as of December 31, 2011, of the tax on financial transactions in the amount of $ 6,589,692. The variation is the result of the enactment of Law 1430 December 29, 2010, which removed the exemption in some kinds of financial transactions on GMF and expenses for use contracts with Codensa in the amount of $ 3,337,531 and general administrative expenses of $ 618.692.

24. Income (expense), net

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Financial revenue			
Interest on deposits	**$ 4,745,591**	$ 1,883,546	$ -
Adjustment for exchange difference	**1,417,792**	159.587	525.699
Others	**1,115,414**	455.756	726.926
Late fee	**106.170**	45.041	-
Financial income from receivables and investments	**84.727**	(118,039)	10,038,218
Gain on sale of inventories	**-**	324	-
	7,469,694	2,426,215	11,290,843
Financial expenses			
Interest	**143,850,403**	33,397,108	98,068,897
Adjustment for exchange difference	**2,383,407**	426.609	455.386
Others (1)	**3,614,522**	754.600	5,356,610
	149,848,332	34,578,317	$ 103,880,893
Financial expenses, net	**$ (142,378,638)**	$ (32,152,102)	$ (92,590,050)

(1) The other financial expenses mainly relate to financial discounts and commissions $ 1,937,087 $ 670.362.

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

25. Income (Expense) Miscellaneous, net

	Year ended 31 December 2011	Quarter (1 October to 31 December 2010)	Nine-month period from 1 January to 30 September 2010
Other Income:			
Claim settlement	**$ 5,650,561**	$ 1,700,495	$ 3,251,483
Use contracts	**2,803,339**	-	-
Recovery benefit recreation	**2,339,610**	-	-
Actuarial gain	**2,052,873**	-	-
Recovery of receiving invoices	**1,789,053**	-	-
Prior year adjustments	**1,771,887**	-	2,989,882
Extraordinary reconciling items	**1,052,558**	-	227.636
Other recoveries	**840.513**	5.437	1,302,828
Receivables Recovery	**538.622**	8.333	189.396
Gain on sale of inventories	**294.406**	-	217.724
Gain on sale of property, plant and equipment	**266.943**	69.734	372.078
Other extraordinary income	**170.092**	325.962	181.947
Profit equity method	**103.848**	91.821	-
	19,674,305	2,201,782	8,732,974
Other expenses:			
Adjustments of prior years deferred tax	**(2,516,368)**	-	-
Payment of the purchase of recreational benefit	**(2,500,386)**	-	-
Adjustment of prior years income tax	**(2,261,572)**	(161,431)	(1,412,043)
Other adjustments to prior years	**(921,623)**	-	(704,474)
Loss on property, plant and equipment	**(900,888)**	(346,049)	(2,319,596)
Adjustment of previous years of expansion projects	**(776,976)**	-	-
Provision for inventories	**(749,909)**	(218,842)	(1,356,191)
Provision for debtors	**(744,105)**	(138,539)	(1,329,123)
Legal contingencies	**(722,573)**	-	-
Contribution to the Endesa Foundation	**(577,000)**	-	-
Other expenses	**(71,243)**	(89,259)	(260,312)
Loss on actuarial gain	**-**	(1,731,052)	-
Voluntary retirement bonuses	**-**	-	(90,631)
loss Equity method	**-**	-	(1,422)
	(12,742,643)	(2,685,172)	(7,473,792)
Other income, net	$ **6,931,662**	$ (483,390)	$ 1,259,182

26. Forward Operations

In an effort to hedge the gain or loss effect from exchange differences arising on net monetary position, Emgesa S.A. ESP., established hedge contracts (Non Delivery forwards), valued at the exchange rate as of December 31, 2011, 2010 and September 30, 2010, obtaining financial revenue as follows:

	As of December 31, 2011	As of December 31, 2010	As of September 30, 2010
40% all-risk policy (1)	**$ 372.233**	$ 224.643	$ 10.877
Project Quimbo fixed-assets (2)	**1,847,053**	-	-

(1) Forwards generated revenue charged to the income statement

(2) Forwards entered into for the purchase of fixed assets associated to project Quimbo generated revenue and were recorded in deferred charges.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

26. Forward Operations (Continued)

Details of Forwards as of 31 December 2011 is:

Entity	Start Date	Final Date	Rate Negotiable	(Thousands of USD)	(Thousands of COP)	Valuation
Citibank Colombia	13-Jan-11	20-Jan-12	1,868.50	**U.S. $ 477,860.82**	**$ 892.883**	**$ 28.601**
Citibank Colombia	13-Jan-11	20-Feb-12	1,868.50	**3,415,854.63**	**6,382,524**	**178.839**
Citibank Colombia	13-Jan-11	20-Mar-12	1,868.50	**5,650,523.14**	**10,558,002**	**312.568**
Citibank Colombia	13-Jan-11	20-Apr-12	1,868.50	**4,686,769.25**	**8,757,228**	**223.240**
Citibank Colombia	13-Jan-11	18-may-12	1,868.50	**3,804,420.24**	**7,108,559**	**175.683**
Citibank Colombia	25-Jan-11	19-Jul-12	1,859.00	**4,784,647.80**	**8,894,660**	**226.671**
Citibank Colombia	25-Jan-11	17-Aug-12	1,859.00	**1,641,892.71**	**3,052,279**	**72.405**
Citibank Colombia	25-Jan-11	19-Oct-12	1,859.00	**2,277,236.42**	**4,233,383**	**61.793**
Citibank Colombia	25-Jan-11	20-Nov-12	1,859.00	**4,953,668.45**	**9,208,870**	**110.901**
Citibank Colombia	25-Jan-11	20-Dec-12	1,859.00	**7,469,722.06**	**13,886,213**	**207.272**
Citibank Colombia	25-Jan-11	20-Feb-13	1,859.00	**5,814,076.89**	**10,808,369**	**73.652**
Banco Santander	26-Jan-11	20-Jun-13	1,867.00	**3,761,117.07**	**7,022,006**	**(77,297)**
Banco Santander	26-Jan-11	19-Jul-13	1,867.00	**7,605,550.48**	**14,199,563**	**(67,212)**
Banco Santander	26-Jan-11	20-Sep-13	1,867.00	**95,572.16**	**178.433**	**(2,801)**
Banco Santander	26-Jan-11	20-Feb-14	1,867.00	**1,252,865.81**	**2,339,100**	**(42,553)**
Banco Santander	26-Jan-11	20-Mar-14	1,867.00	**49,717.56**	**92.823**	**(1,662)**
Banco Santander	26-Jan-11	16-Apr-14	1,867.00	**1,889,406.08**	**3,527,521**	**(70,164)**
Banco Santander	26-Jan-11	18-Jul-14	1,867.00	**417,621.94**	**779.700**	**(12,637)**
Banco Santander	26-Jan-11	19-Sep-14	1,867.00	**1,781,005.53**	**3,325,137**	**(50,553)**
Banco Santander	26-Jan-11	20-Nov-14	1,867.00	**1,781,005.53**	**3,325,137**	**(47,696)**
Banco Santander	26-Jan-11	20-Feb-15	1,867.00	**112,437.84**	**209.921**	**(3,563)**
JP Morgan Chase Bank	28-Apr-11	14-Jun-12	1,767.00	**2,849,058.00**	**5,034,285**	**495.262**
Banco de Bogota	24-Aug-11	12-Jan-12	1,792.95	**2,877,471.00**	**5,159,162**	**372.233**
Banco de Bogota	19-Dec-11	20-Feb-12	1,860.07	**874,129.93**	**1,625,943**	**56.304**
				U.S. $ 70,323,631.34	**$ 130,601,701**	**$ 2,219,286**

Details of Forwards as of December 31 and September 30, 2010 is:

Entity	Start Date	Final Date	Rate Negotiable	(Thousands of USD)	(Thousands of $ COP)	Valuation as of December 31, 2010	Valuation as of September 31. 2010
Banco de Bogota	08-Sep-10	04-Jan-11	1,808,14	2,005,371	3,615,684	224.643	10.877

27. Contingencies

As of December 31, 2011, 2010 and September 30, 2010, the following are the major litigations facing the Company, of which management, together with its in-house and external legal advisors, believe that the litigation outcome corresponding to the non-provisioned parts shall be favorable in regards to the interests of the Company and will not cause significant liabilities that must be accounted for or, provided they do arise, they will not significantly affect its financial position.

Environmental contingency – Class action against Emgesa S.A. E.S.P, the Empresa de Energía de Bogotá S.A. E.S.P. and the CAR for alleged material and moral damage caused to the inhabitants of the municipality of Sibaté, both health-wise affecting the population as well as the value of property as a result of environmental issues caused by water quality from the Bogotá River at the Muña reservoir. The initial intention of the claimants was three trillion COP. This action was joined with another existing for the same reason at the Administrative Tribunal of Cundinamarca and in which there are a number of other claimants.

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

27. Contingencies (continued)

Management and internal and external advisors of the Company consider that this contingency is remote, and considering a possible sentence under the most critical scenario, the amount could be $ 114,838,800.

Industry and trade tax - Power generation companies in Colombia have been required by municipalities, who ignore the special regime contained in Law 56 of 1981 when calculating the Industry and Trade Tax on the basis of power generation plant capacity, to tax their income based on Law 14 of 1983.

Municipalities of Yaguará, Caloto, Puerto Tejada and Yumbo, have issued industry and trade tax statements for years1998 through 2007 for an accumulated amount totaling $ 164,746,979. Annulment Actions are currently underway before Administrative courts against these tax calculations made by said municipalities. During fiscal year 2011 we obtained three (3) final favorable rulings in relation to the claims of the Puerto Tejada and Caloto municipalities. Finance management and Directors of the Company together with its external and internal consultants, based on repeated case law, concluded that contingent events related to the industry and trade tax are remote given that the probability of success is higher than 65 %.

Income tax 2003 - The process is based on failure of Company management knowledge of the benefits arising from the application of Law Paez. As such, the tax authority considers that the Company was not subject to the application of the benefits from this law on all their income. The amount in dispute amounts to $ 89,745,231. Finance management and Directors of the Company together with its external advisors, concluded that the contingent event related to income in 2003 is remote.

Other contingencies – As of December 31, 2011 the value of claims for administrative litigation, civil, labor and contractors is detailed as follows:

Processes	Process docket no.	rating	Amount of Contingency	Amount of Provision
	14	Likely	$ 1,183,581	$ 1,183,580
	149	Eventual	35,175,932	-
Administrative and civil	26	Remote	131,081,651	-
	189		167,441,164	1,183,580
Labor and contractors	1	Likely	40.604	40.605
	5	Eventual	696.101	-
	16	Remote	23,584,000	-
	22		24,320,705	-
	211		$ 191,761,869	$ 1,224,185

EMGESA S.A. E.S.P.

Notes to the unconsolidated financial statements (continued)

27. Contingencies (continued)

As of December 31, 2010 the value of claims for administrative litigation, civil, labor and contractors is detailed as follows:

Processes	Docket No.	Rating	Amount of Contingency	Amount of Provision
	19	Likely	$ 1,842,352	$ 1,433,633
	52	Eventual	178,981,404	-
	87	Remote	363,209,788	-
Total administrative and civil	158		544,033,544	1,433,633
	1	Likely	92.569	92.569
	6	Eventual	1,696,101	-
	15	Remote	23,837,000	-
Total labor and contractors	22		25,625,670	-
Total processes	180		$ 569,659,214.	$ 1,526,202

At September 30, 2010 the value of claims for administrative litigation, civil, labor and contractors is detailed as follows:

Processes	Docket No.	Rating	Amount of Contingency	Amount of Provision
	19	Likely	$ 1,842,352	$ 1,433,633
	46	Eventual	28,981,404	-
	87	Remote	363,259,788	-
Total administrative and civil	152		394,083,544	1,433,633
	1	Likely	92.569	92.569
	6	Eventual	1,696,101	-
	16	Remote	23,332,000	-
Total labor and contractors	23		25,120,670	-
Total processes	175		$ 419,204,214	$ 1,526,202

28. Further Events

On January 16, 2012 the municipality of San Esteban de Caloto (Cauca) ordered the injunction to be lifted, corresponding to the lien on five bank accounts (Note 5).

On January 2012, the Forward contract corresponding to 40% of the all-risk insurance policy was settled, generating a profit of $ 95.590.

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

29. Commitments

On 5 December 2011, an Inter-institutional Agreement was entered into between the Empresa de Acueducto y Alcantarillado de Bogotá E.S.P. (Bogotá water utility company) and the Company, in order to join efforts to ensure the construction of Lift Station Canoas through economic support and operations offered by the Company.

It is worth noting the importance of said agreement for the Bogota River Basin inhabitants, to the extent that it contributes significantly to the financing of megaprojects necessary to clean up the Bogota River and allowing for the use of water resources in ensuring power thus guaranteeing trust in the power generation system; hence bringing together energy generation and optimization of water quality.

The economic contribution of the Company amounts to the sum of $ 84.048 million COP for the construction of said Lift Station and close to 7.000 billion COP annually for its operation, administration and maintenance. These funds will be disbursed once the Regional Autonomous Corporation of Cundinamarca - CAR, rules on the request for extension of the water concession requested by the Company on 21 September 2011.

30. Financial Indicators

The following financial indicators were calculated based on cut-offs in the financial statements described below:

Indicator	Expression	2011	2010	Explanation of indicator
Liquidity				
Current ratio: *(Current Assets / Current Liabilities)*	(Times)	1.16	0.55	Indicates the Company's ability to meet its current debts, compromising its current assets.
Indebtedness				
Total indebtedness: *(Total liabilities / Total assets)*	%	34.15%	34.03%	This indicator shows the degree of leverage that corresponds to the participation of creditors in the assets of the Company.
Debt to current: *(Total current liabilities / total assets)*	%	10.09%	15.21%	Represents the percentage of debt maturing in third stream.
Debt to Total noncurrent: *(Total non-current liabilities / total assets)*	%	24.06%	18.83%	Represents the percentage of third-party debt maturing in the medium and non-current.
Activity				
Commercial accts receivable turnover: *(365 / (Operating income / Total accts receivable))*	Days	63	61	Indicates the number of days in average commercial loans broken in the year.
Rotation of providers: *(365 / (Cost of sales / payables providers))*	Days	57	55	Indicates the number of days on average the company takes to pay their bills to suppliers.

30. Financial Indicators (continued)

Profitability

EMGESA S.A. E.S.P.
Notes to the unconsolidated financial statements (continued)

Gross margin: *(Gross Profit / Net Revenues)*	%	59.70%	59.36%	Shows the Company's ability to manage their sales, to generate gross profits, i.e., before administration, sales expenses, other income, other expenses and taxes.
Operating margin: *(Operating income / operating income)*	%	58.16%	57.68%	Indicates how much weight contributed by each sales generating operating income.
Net profit Margin : *(Net income / revenue operations)*	%	35.16%	34.12%	Represents the percentage of net sales generated after-tax profit in the Company.
Return on equity *(Net income / Total assets)*	%	12.27%	3.03%	Represents the return on investment for shareholders.
Operating return on assets *(Net Income / Total Assets)*	%	8.08%	2.00%	Measured for each dollar invested in total assets, how much net profit generated.