

CONSOLIDATED FINANCIAL STATEMENTS

**Codensa S.A. E.S.P. and its Affiliate**

8-month period through August 31, 2014

With Statutory Auditor's report

**Codensa S.A. E.S.P. and its Affiliate**  
**Consolidated Financial Statements**

8-month period through August 31, 2014

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# Statutory Auditor's Report

To the Codensa S.A. E.S.P. Shareholders:

I have audited the attached Codensa S.A. E.S.P. consolidated financial statements, which include the general balance sheet as of August 31, 2014 and December 31, 2013 and the corresponding consolidated income, equity changes, financial changes, and cash flow statements for the eight month period ending in August 31, 2014 and the 12 month period ending on December 31, 2013 and that summary of significant accounting policies and other explanations. The consolidated financial statements as of August 31, 2013, were included to show operations results for comparative purposes and were not subject to my evaluation according to generally accepted auditing norms, which give me a reasonable basis for an opinion; therefore, I am not submitting any opinion regarding the aforementioned financial statements.

The Administration is responsible for preparation and proper presentation of the consolidated financial statements according to accounting principles generally accepted in Colombia, as well as for designing, implementing, and keeping relevant internal controls for preparation and proper presentation of financial statements free of material errors, either on account of fraud or error, and for selecting and applying adequate accounting policies and establishing reasonable accounting estimates according to the circumstances.

My responsibility is expressing an opinion regarding such consolidated financial statements, based on my audits. I obtained the necessary information for this and examined the documents according to auditing norms generally accepted in Colombia, which require that audits be planned and carried out so as to provide reasonable certainty on whether the financial statements are free of material errors.

An audit includes developing procedures in order to obtain information supporting figures and disclosures contained in the financial statements. The selected procedures depend on the auditor, including the evaluation of the risk of material errors contained in the financial statements. Upon evaluating them, the auditor takes into account relevant internal controls for preparation and submittal of such financial statements so that he will be able to design audit procedures according to the circumstances. It also includes an evaluation of accounting principles used and of significant estimates made by the Administration, including their presentation as a whole. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the attached consolidated financial statements reasonably present, in all their important aspects, the Codensa S.A. E.S.P. consolidated financial situation as of August 31, 2014 and December 31, 2013, the consolidated results of its operations, the changes in its financial situation, and cash flows for the period ending in the above dates, according to accounting principles generally accepted in Colombia, as issued by the National Government.

Ángela María Guerrero Olmos

Statutory Auditor

Professional Card 104291-T

Appointed by Ernst & Young Audit S.A.S. TR-530

Bogotá, D.C., Colombia

February 17, 2014

## Consolidated General Balance Sheet

	As of August 31 2014	As of December 31 2013	As of August 31 2013
			(Not audited)
			(Thousand pesos)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 246,595,334	\$ 696,299,770	\$ 348,526,813
Debtors, net (Note 5)	465,896,079	340,246,934	403,854,949
Expenses paid in advance, net	3,879,783	3,399,812	2,489,717
Total current assets	<u>716,371,196</u>	1,039,946,516	754,871,479
Debtors, net (Note 5)	46,447,321	45,498,739	43,830,798
Inventories, net (Note 6)	20,859,208	14,807,854	15,655,033
Long-term investments, net (Note 4)	105,973,307	105,973,307	105,973,307
Properties, plant and equipment, net (Note 7)	3,389,347,317	3,405,651,297	3,336,994,480
Deferred tax (Note 17)	46,658,866	51,295,517	47,299,969
Other assets, net (Note 8)	118,520,577	123,872,369	123,635,831
Valuations (Note 9)	747,072,639	740,916,013	740,189,387
Total assets	<u>\$ 5,191,250,431</u>	<u>\$ 5,527,961,612</u>	<u>\$ 5,168,450,284</u>
<b>Liabilities and equity</b>			
Current liabilities:			
Outstanding commercial papers and bonds (Note 13)	\$ 9,595,597	\$ 256,350,596	\$ 425,984,118
Accounts payable (Note 10)	744,987,287	568,116,998	687,971,455
Taxes, liens and rates (Note 17)	45,795,424	122,043,237	57,710,564
Labor obligations (Note 12)	26,535,901	27,327,091	22,777,780
Estimated liabilities and reserves (Note 14)	35,697,303	51,393,923	28,037,642
Retirement pensions (Note 16)	27,701,837	27,618,495	27,651,482
Other liabilities (Note 15)	58,018,463	54,435,831	48,556,716
Total current liabilities	<u>948,331,812</u>	1,107,286,171	1,298,689,757
Long-term liabilities:			
Outstanding commercial papers and bonds (Note 13)	990,942,468	990,700,970	615,579,724
Estimated liabilities and reserves (Note 14)	20,173,542	22,879,609	13,587,756
Retirement pensions (Note 16)	175,921,237	171,963,058	178,380,369
Taxes, liens, and rates (Note 17)	—	—	15,870,579
Deferred taxes (Note 17)	36,431,562	36,431,562	36,431,562
Other liabilities (Note 15)	48,535,071	50,268,427	50,548,252

Total long-term liabilities	<u>1,272,003,880</u>	<u>1,272,243,626</u>	<u>910,398,242</u>
Total liabilities	<u>2,220,335,692</u>	<u>2,379,529,797</u>	<u>2,209,087,999</u>

Equity (Note 18):

Subscribed and paid capital	<b>13,209,327</b>	13,209,327	13,209,327
Capital surplus	<b>13,333,540</b>	13,333,540	13,333,540
Reserves	<b>57,567,062</b>	57,567,062	57,567,062
Equity revaluation	<b>1,787,495,354</b>	1,787,495,354	1,787,495,354
Revaluation surplus	<b>747,072,639</b>	740,916,013	740,189,385
Period net profits	<b>352,236,817</b>	535,910,519	347,567,617
Total shareholders liabilities	<b>2,970,914,739</b>	3,148,431,815	2,959,362,285
Total liabilities and equity	<b>\$ 5,191,250,431</b>	\$ 5,527,961,612	\$ 5,168,450,284
Memorandum accounts, debtors (Note 19)	<b>\$ 1,126,025,069</b>	\$ 1,003,997,736	\$ 886,746,192
Memorandum accounts, creditors (Note 19)	<b>\$ 6,066,808,182</b>	\$ 4,338,205,555	\$ 5,004,156,304

See attached notes.

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

David Felipe Acosta  
Correa  
Legal Representative

Luz Dary Sarmiento Quintero  
Public Accountant  
Professional Card 65450-T

Ángela María Guerrero Olmos  
Statutory Auditor  
Professional Card 104291-T  
Appointed by Ernst & Young Audit S.A.S.  
TR-530  
(See my October 2, 2014, report)

Codensa S.A. E.S.P. and its Affiliate

## Consolidated Income Statement

	Eight month period from January 1 to August 31 of		Year ending December 31
	2014	2013	2013
	<i>(Not Audited)</i>		
	<i>(Thousand pesos, except for net profits and preferential dividends per share)</i>		
Operational revenues (Note 20)	\$ 2,267,469,274	\$ 2,118,816,998	\$ 3,212,218,132
Cost of sales (Note 21)	(1,627,017,602)	(1,513,901,176)	(2,276,911,578)
Gross profits	640,451,672	604,915,822	935,306,554
Administration expenses (Note 22)	(59,018,149)	(51,914,925)	(81,185,463)
Operational profits	581,433,523	553,000,897	854,121,091
Non-operational revenues (expenses):			
Financial revenues (Note 23)	16,851,731	23,329,087	33,771,011
Extraordinary revenues (Note 24)	16,778,529	9,963,668	12,934,785
Financial expenses (Note 25)	(54,767,138)	(45,015,856)	(68,032,435)
Extraordinary expenses (Note 26)	(20,631,116)	(9,518,441)	(17,671,844)
Profits before income tax	539,665,529	531,759,355	815,122,608
Income tax (Note 17)	(187,428,712)	(184,191,738)	(279,212,089)
Period net profits	\$ 352,236,817	\$ 347,567,617	\$ 535,910,519
Preferential dividend per share	127.91	129.03	192.68
Net profits per share	2,647.20	2,611.68	4,027.87
Number of outstanding subscribed and paid shares	132,093,274	132,093,274	132,093,274

See attached notes.

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

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Codensa S.A. E.S.P. and its Affiliate

## Consolidated Statement of Equity Changes

	Subscribed and paid capital	Capital surplus	Reserves	Equity revaluation	Valuation surplus	Accumulate d profits	Total
	\$	\$	\$	\$	\$	\$	\$
Balances as of December 31, 2012	13,209,327	13,333,540	57,567,062	1,787,495,354	738,516,086	510,992,818	3,121,114,187
Declared dividends	—	—	—	—	—	(510,992,818)	(510,992,818)
Adjustment to valuation of investments	—	—	—	—	1,773,229	—	1,773,229
Adjustment to valuation of properties, plant and equipment	—	—	—	—	(99,930)	—	(99,930)
Net period profits	—	—	—	—	—	347,567,617	347,567,617
Balances as of August 31, 2013 <i>(not audited)</i>	13,209,327	13,333,540	57,567,062	1,787,495,354	740,189,385	347,567,617	2,959,362,285
Adjustment to valuation of investments	—	—	—	—	1,208,553	—	1,208,553
Adjustment to valuation of properties, plant and equipment	—	—	—	—	(481,925)	—	(481,925)
Net period profits	—	—	—	—	—	188,342,902	188,342,902
Balances as of December 31, 2013	13,209,327	13,333,540	57,567,062	1,787,495,354	740,916,013	535,910,519	3,148,431,815
Declared dividends	—	—	—	—	—	(535,910,519)	(535,910,519)
Adjustments to valuation of investments	—	—	—	—	6,477,675	—	6,477,675
Adjustment to valuation of properties, plant and equipment	—	—	—	—	(321,049)	—	(321,049)
Net period profits	—	—	—	—	—	352,236,817	352,236,817

	\$	\$	\$	\$	\$	\$	\$
Balances as of August 31, 2014	<b>13,209,327</b>	13,333,540	57,567,062	1,787,495,354	747,072,639	352,236,817	2,970,914,739

*See attached notes.*

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

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## Consolidated Statement of Changes in the Financial Situation

	Eight month period from January 1 To August 31 of		Year ending December 31,
	2014	2013	2013
	<i>(Not audited)</i> <i>(Thousand pesos)</i>		
<b>Financial resources provided by:</b>			
Net period profits	\$ 352,236,817	\$ 347,567,617	\$ 535,910,519
Plus (minus) entries not affecting working capital:			
Depreciation and amortization	174,169,986	168,608,015	254,057,486
Amortization of bonds	241,498	241,498	362,744
Actuarial losses	11,051,819	–	4,523,589
Loss from the sale of properties, plant and equipment	1,025,442	1,805,939	3,108,194
Loss from sales of other assets	1,268,195	–	–
Retirement pensions reserve	8,989,683	18,030,450	15,346,423
Inventories reserve	–	–	867,736
Active deferred tax	466,276	1,189,710	(2,805,838)
Deferred debit tax previous years	4,170,375	3,412,437	3,412,437
Profits from the sale of properties, plant and equipment	(415,566)	(585,339)	(589,024)
	<u>553,204,525</u>	<u>540,270,327</u>	<u>814,194,266</u>
Long-term bond issuance	–	–	375,000,000
Product of the sale of properties, plant and equipment	459,069	790,300	809,300
Increase in estimated liabilities and reserves	(2,706,067)	10,458,010	19,749,863
Decrease of other assets	985,674	987,206	1,464,710
Total capital provided	<u>551,943,201</u>	<u>552,505,843</u>	<u>1,211,218,139</u>
<b>Applied financial resources:</b>			
Increase of long-term debtors	(948,582)	(629,301)	(2,297,242)
Increase of properties, plant and equipment	(149,922,074)	(130,329,893)	(281,262,390)
Reclassification from payment of equity tax	–	(15,870,578)	(31,741,156)
Increase (Reduction) of inventories	(6,051,354)	(2,633,178)	(2,653,735)
Increase of other assets	(5,914,954)	(6,457,013)	(11,662,415)
Transfer of short term pension liabilities	(16,083,323)	(17,824,829)	(26,081,702)
Reclassification of short-term bonds	–	(250,000,000)	(250,000,000)
Decrease of other long-term liabilities	(1,733,356)	(1,487,206)	(1,767,031)

Declared dividends	<u>(535,910,519)</u>	<u>(510,992,818)</u>	<u>(510,992,818)</u>
	<u>(716,564,162)</u>	<u>(936,224,816)</u>	<u>(1,118,458,489)</u>
(Reduction) increase of working capital	<u>\$ (164,620,961)</u>	<u>\$ (383,718,973)</u>	<u>\$ 92,759,650</u>

**Changes in working capital components:**

Cash and cash equivalents	\$ (449,704,436)	\$ (234,459,742)	\$ 113,313,215
Debtors	125,649,145	83,544,553	19,936,538
Expenses paid in advance	479,971	(457,595)	452,500
Outstanding bonds	246,754,999	(179,708,631)	(10,075,109)
Accounts payable	(176,870,289)	(145,808,903)	(25,954,446)
Taxes, liens, and rates	76,247,813	95,354,812	31,022,139
Labor obligations	791,190	(1,184,446)	(5,733,757)
Reserves and estimated liabilities	15,696,620	10,674,278	(12,682,003)
Retirement pensions	(83,342)	205,621	238,608
Other liabilities	(3,582,632)	(11,878,920)	(17,758,035)
(Reduction) increase of working capital	<u>\$ (164,620,961)</u>	<u>\$ (383,718,973)</u>	<u>\$ 92,759,650</u>

*See attached notes.*

The undersigned Legal Representative and Accountant certify that we have previously verified statements contained in these financial statements and that they have been accurately taken from the Company accountingbooks

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(See my October 2, 2014, report)

## Consolidated Cash Flows Statements

	Eight month period from January 1 to August 31 of		Year ending December 31,
	2014	2013	2013
	<i>(Not audited)</i>		
	<i>(Thousand pesos)</i>		
<b>Operational activities</b>			
Period net profits	\$ 352,236,817	\$ 347,567,617	\$ 535,910,519
Adjustments period net profits conciliation and net cash provided for (used in) operational activities:			
Depreciation and amortization	174,169,985	168,608,015	254,057,486
Bonds amortization	241,498	241,498	362,744
Active deferred tax	466,276	1,189,710	(2,805,838)
Previous years deferred tax	4,170,375	3,412,437	3,412,437
Retirement pensions	8,989,683	18,030,450	15,346,423
Loss from the sale of properties, plant and equipment	1,025,442	1,805,939	3,108,194
Actuarial losses	11,051,819	–	4,523,589
Portfolio reserve	4,105,952	1,361,304	1,846,129
Portfolio reserve recovery	(92,946)	(350,244)	(952,635)
Inventory reserve	–	–	867,736
Loss from the sale of other assets	1,268,195	–	–
Other costs and expenses recovery	(1,049,134)	(1,191,102)	(1,442,662)
Dividends declared but not paid	(807,113)	(4,360,213)	–
Recovery of contingencies	(1,959,385)	(182,533)	(485,571)
Contingency reserve	1,529,228	175,395	860,819
Profits from the sale of properties, plant and equipment	(415,566)	(585,339)	(589,024)
Net change in operational assets and liabilities:			
Debtors	(129,803,620)	(80,824,701)	(27,487,488)
Inventories	(6,051,354)	(2,633,178)	(2,653,735)
Expenses paid in advance	(479,971)	457,595	(452,500)
Suppliers and accounts payable	(11,970,347)	(150,095,779)	12,001,423
Taxes, liens and rates	(76,247,812)	(95,354,812)	(31,022,139)
Pension liabilities (payments)	(15,999,981)	(18,030,450)	(26,320,310)
Labor obligations	(791,190)	1,184,446	5,733,757
Estimated liabilities and reserves	(17,345,382)	809,195	33,153,444
Other liabilities	2,834,950	11,378,920	17,455,715
Net cash provided by operational activities	299,076,419	202,614,170	794,428,513

<b>Investment activities</b>			
Increase of properties, plant and equipment	<b>(149,922,074)</b>	(130,329,893)	(281,262,390)
Received dividends	–	–	4,360,213
Increase in other assets	<b>(5,914,954)</b>	(6,457,013)	(11,662,415)
Sales of properties, plant and equipment	<b>459,069</b>	790,300	809,300
Net cash used in investment activities	<b>(155,377,959)</b>	(135,996,606)	(287,755,292)
<b>Financial activities</b>			
Financial obligations and interests	<b>53,621,729</b>	50,262,216	451,850,372
Payment of financial obligations and interests	<b>(300,376,728)</b>	(120,553,585)	(316,775,263)
Payment of dividends	<b>(330,777,318)</b>	(214,915,359)	(496,693,959)
Equity tax payment	<b>(15,870,579)</b>	(15,870,578)	(31,741,156)
Net cash used in financial activities	<b>(593,402,896)</b>	(301,077,306)	(393,360,006)
<b>Increase in net cash and cash equivalents</b>	<b>(449,704,436)</b>	(234,459,742)	113,313,215
Cash and cash equivalents at the beginning of the year	<b>696,299,770</b>	582,986,555	582,986,555
Cash and cash equivalents at year 's end	<b>\$ 246,595,334</b>	\$ 348,526,813	\$ 696,299,770

*See attached notes.*

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

David Felipe Acosta Correa Luz Dary Sarmiento Quintero  
 Legal Representative Public Accountant  
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 (See my October 2, 2014, report)

Codensa S.A. E.S.P. and its Affiliate

# Notes to the Consolidated Financial Statements

Eight-month period through August 31, 2014

*(values in thousand pesos)*

## 1. Main accounting policies and practices

### Economic entity

Codensa S.A. E.S.P. is a household utilities company regulated by law 142 of 1994. The Company has an indefinite term.

The Company was established on October 23, 1997 with the Empresa de Energía de Bogotá S.A. E.S.P distribution and commercialization asset contribution with 51.52% of shares and cash contributions of other investors with 48.48% of the shares.

The Company's main purpose is distribution and trading of electrical power, as well as execution of all activities related, associated, and supplementary to distribution and trading of electrical power, the execution of design works, electrical engineering consultancy services, and product trading in benefit of its clients.

Additionally, the company's purpose also includes, among others, offering financing services for goods and services to residential, urban, and rural clients, including the "Crédito Fácil Codensa" credit line, and offering subscriptions and insurance policies, part of which were transferred to Banco Colpatria Red Multibanca Colpatria S.A. on November 27, 2009.

Codensa S.A. E.S.P. is the parent company, with a 100% participation in Inversora Codensa S.A.S.

*Inversora Codensa S.A.S.* – On October 17 of 2007 the commercial company called Codensa Ltda. U was created, formalized with a private document registered before Notary 40 of Bogotá. Its legal term is 10 years.

The Inversora Codensa S.A.S. corporate purpose is investing in electrical power public household utility service companies, especially the purchase of shares from any public utilities company whose main purpose is the same, according to the definition contained in Law 142 of 1994.

On July 1 of 2009, with a private document registered on August 15 of 2009 with number 1319972 of Book IX, Inversora Codensa Ltda. U., which was dissolved and pending liquidation, was reestablished to continue its corporate purpose under the name of Inversora Codensa S.A.S.

Its commercial strategies include participation in the shares' sale process approved by the National Government for certain electrical power companies.

### Corporate cooperation agreements

Included in the credit portfolio sale process of the Codensa Crédito Fácil business and the transfer of the



## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

ongoing business, a corporate cooperation agreement was executed with Banco Colpatría Red Multibanca Colpatría S.A., whose purpose is regulating terms and conditions between the parties for the promotion, origination, administration, invoicing, and collection of financial services exclusive to the Codensa users of the “Crédito Fácil Codensa” business, and in general to manage the “Crédito Fácil Codensa” ongoing business during its 10 years of operation +4 years of wind down. The remuneration basis is directly associated to invoicing and collection. The agreement includes certain indemnity clauses, mainly associated to regulatory changes with the transferred deal, which involve economic sanctions as defined in the agreement.

#### Corresponding bank

In its March 27 of 2014 meeting and according to Minutes 56, the General Shareholders Assembly approved including the corresponding bank activity in the company corporate object.

The company has not yet started operations as a corresponding bank and is formalizing its bylaws with a public deed and the respective registration in the Mercantile Registry, taking the following into account: (i) Codensa S.A. E.S.P is a bonds issuer, (ii) according to article 6.4.1.1.42 of Decree 2555 of 2010, during the issuance term the issuer will not be able to change its corporate object unless authorized by the bondholders' assembly, and (iii) no bondholders' assembly meeting has yet been held.

#### Consolidation principles

The consolidated financial statements include the Codensa S.A. E.S.P. and its Affiliate accounts, according to the following:

- Should more than 50% of its capital belong to the parent company, directly or through or with participation of its subordinated companies or their subordinate companies.
- Should the parent company and the subordinated companies jointly or separately have the right to cast votes representing the minimum decision-making majority in the highest corporate body or have the necessary number of votes to elect the majority of the members of the Board of Directors.
- Should the parent company directly, through, or with the collaboration of subordinated companies by reason of an act or a deal with the controlled company or with its partners exercise dominant influence on the decisions of the Company's administration bodies.

The consolidated financial statements have been prepared according to accounting principles generally accepted in Colombia. They include the balances and transactions of the parent Company Codensa S.A. E.S.P. and its Affiliate Inversora Codensa S.A.S., owning 100% of its capital stock. The value of the Codensa S.A. E.S.P. and its Affiliate assets, liabilities, equity as of August 31 of 2014, and its income for the 8-month period ending on such date in the consolidation are the following:

	<b>Codensa S.A. E.S.P.</b>	<b>Inversora Codensa S.A.S.</b>
		<i>(Not audited)</i>
Total assets	\$ 5,191,250,431	\$ 15,237
Total liabilities	2,220,335,692	324
Equity, including the year's income	2,970,914,739	14,913
Year profits (losses), net	352,236,817	(233)

**Codensa S.A. E.S.P.y Su Filial**

**Notas a los Estados Financieros Consolidados (continuación)**

## **Codensa S.A. E.S.P.y Su Filial**

### **Notas a los Estados Financieros Consolidados (continuación)**

#### **Legal and regulatory framework**

The company is governed mainly by Law 142 of 1994 (Public Utilities Law) and Law 143 of 1994 (Electric Law), as well as by its bylaws and other conditions contained in the Trade Code.

Law 142 defines general criteria applicable to the provision of public household utilities services in Colombia while Law 143 sets forth norms applicable to electrical power generation, transmission, distribution, and trading activities, also defining the economic, rate, and subsidy system applicable to the sale of electrical power and to the sector's operational aspects.

The electrical power sale rate system is regulated by Comisión de Regulación de Energía y Gas (CREG), a technical entity belonging to the Ministry of Mines and Energy.

#### **Basis for the presentation**

The attached financial statements have been prepared based on accounting records kept according to the historical cost method and accounting principles generally accepted in Colombia, as contained in Regulatory Decree 2649 of 1993 and in other norms and resolutions issued by surveillance and control entities, including the modification from the Superintendence of Public Household Utilities which eliminated application of inflation adjustments for accounting purposes as of January 1 of 2006 for legal or private public utility companies.

These accounting principles and policies could in certain cases differ from other international accounting norms.

The Company records its activities according to the unique accounts plan for public utility companies issued by the Superintendence of Public Household Utilities.

The consolidated financial statements include those of Codensa S.A. E.S.P. and its affiliate Inversora Codensa S.A.S., "affiliate" meaning the company whose decision-making faculty is directly or indirectly subject to the Company. The Affiliate closes its accounting activities on December 31 of each year. Balances, transactions, profits, and significant participations among the companies have been deleted from the consolidation. The affiliates' principles and practices have been standardized to meet those used by the parent company.

#### **Relative importance criterion**

An economic fact has relative importance should due to its nature, value, and surrounding circumstances its knowledge or lack of knowledge could significantly affect economic decisions of information users. The financial statements itemize specific lines according to legal norms, as well as those representing 5% or more of total assets, current assets, current liabilities, noncurrent liabilities, working capital, equity, revenues, costs, and expenses, as applicable, as well as the use of estimates. Lower values are described should they allow for better interpretation of financial information.

#### **Accounting period**

According to its bylaws, the Company should close its accounts and prepare and disclose general-purpose financial statements once every year, on December 31.

## **Codensa S.A. E.S.P.y Su Filial**

### **Notas a los Estados Financieros Consolidados (continuación)**

The properly formalized company bylaws authorize the Board of Directors to establish the necessary account closing dates. Through Minutes No. 216 of August 13 of 2014, the Board of Directors ordered the Administration to close its financial statements as of August 31 of 2014 and submit them - together with a profits distribution proposal - for approval by the Shareholders Assembly.

The attached financial statements for the periods ending August 31 of 2014 and 2013 correspond to 8-month periods. No early closing was made during 2013; the respective figures are provided for comparison purposes only.

#### **Recognition of revenues, costs, and expenses**

Sales revenues are recognized each year whenever services are provided. Costs and expenses are entered on accrual basis. Revenues from the sale of electrical power are represented by electrical power supplied and not yet invoiced at the end of each year, valued at the sale price according to current rates. Such values are included in outstanding assets, in the debtor clients line. The cost of such electrical power is included in the cost of sales.

Operational revenues also include revenues from the corporate cooperation agreement executed with Banco Colpatría Red Multibanca Colpatría S.A., directly associated to invoicing and collection of the “Crédito Fácil Codensa” deal financial services, as mentioned in Note 1.

#### **Use of estimates**

Preparing financial statements according to generally accepted accounting principles requires the Administration to make estimates that could affect the values of assets, liabilities, and income. Current or market values could be different from such estimates. The administration believes such estimates and assumptions used are adequate.

#### **Transactions in foreign currency**

Transactions in foreign currency are carried out according to current legal norms, recorded using exchange rates existing on the respective day. Balances in foreign currency are expressed in Colombian pesos, applying exchange rates of \$1,918.62, \$1,935.43, and \$1,926.83 per US\$1, and \$2,527.40, \$2,552.25, and \$2,662.11 per Euro as of August 31 of 2014 and 2013 and December 31 of 2013, respectively. Exchange differences are charged to assets or liabilities and to income, revenues, or expenses, as applicable.

#### **Cash and cash equivalents**

Cash includes cash available and cash in banks and savings accounts. Cash equivalents correspond to investments in fixed income instruments, easily redeemable in the short term, between 1 and 120 days, presented at face value and valued applying yield accrual.

Fixed term deposit certificate have been considered short-term investments, considering that the interest agreed with bank entities is fixed, making the risk low. Additionally, if required they are easily convertible into cash before their maturity.

#### **Financial instruments**

Financial instruments represent the value of agreements executed between two or more parties for the purchase/sale of assets in the future, such as foreign currency, securities, or financial futures on exchange

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

rates, interest rates, or stock exchange indexes, previously defining the value, price, and date of the transaction in order to provide/obtain hedging. According to current norms, these operations are valued at market prices at the end of the year, affecting the nonoperational revenues/expenditures accounts in order to keep results according to market prices and provide reasonable figures, adjusted to the economic reality. The company carries no hedging activities with speculative purposes

#### **Investments, net**

Short-term investments are accounted using the cost method; investments in non-controlled companies were adjusted for inflation up to December 31 of 2005. Investments involving more than 50% of the subscribed capital were accounted for using the equity participation method, i.e. the proportion corresponding to profits (losses) of the subordinated company is recognized in each year's income, equity changes not coming from the income statement being recognized in surplus using the participation method. The cost of investments does not exceed the market value. Investments of non-controlled companies are reserved should the investment, valued at intrinsic value, be lower than the book value.

#### **Bad debts reserve**

This reserve is reviewed and updated based on the risk analysis, on its recovery, and on evaluations made by the Administration. Amounts considered bad debts are periodically charged to this reserve.

#### **Electrical power portfolio**

- 100% More than 360 days delinquent
- 20% Current credits agreed, pending application
- 100% Portfolio process according to agreements
- 100% Portfolio frozen on other accounts, more than 360 days delinquent

#### **Other debtors**

- 1.6% Current between 1-30 days delinquent
- 5% 31-90 days delinquent
- 20% 91-180 days delinquent
- 50% 181-360 days delinquent
- 100% More than 360 days delinquent

#### **Infrastructure and electrical generation companies' portfolio**

- 100% Older than 360 days  
The extended guaranty and the vehicle insurance excluded for the financial services
- 100% portfolio

Portfolio write-offs will be recognized once there is legal or material certainty regarding the loss of the debt. For this to apply, the debtors' insolvency, the lack of real guaranties, or any other circumstance confirming that the debt will be lost should be confirmed.

#### **Inventories, net**

Inventories are goods acquired for subsequent sale or use in the electrical power distribution service. Inventories include equipment requiring transformation, such as electric meters, materials and accessories

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

for the provision of the service, and goods in transit. Company inventories are entered at average cost based on technical obsolescence analyses and low turnover. An inventory protection reserve exists.

#### Properties, plant, and equipment, net

Properties, plant, and equipment are entered at cost adjusted for inflation up to 2005, which includes financial expenses and exchange differences from foreign currency financing, up to the asset's commissioning.

Depreciation is calculated over acquisition cost adjusted for inflation up to 2005, using the straight line method based on the assets' service life. The average service life used to calculate depreciation is the following:

Item	Years (*)
Constructions and buildings	45
Plants and the	26
Grids, lines, and cables	30
Machinery and equipment	16
Office equipment	10
Transportation fleet and equipment	5
Communications equipment	9

*(\*) The average service life is revised at the end of each year and excludes fully depreciated properties, plant, and equipment.*

These lines include the remaining service life of assets purchased from Empresa de Energía de Bogotá in 1997. For electric assets, this average is calculated taking into account the service life obtained based on technical studies made by the Company's Distribution Manager.

The company does not estimate any residual value for its assets upon not considering this important, such assets being consequently fully depreciated.

Profits/losses from the sale or disposal of properties, plant, and equipment are recognized in the operations of the year the transaction is carried out. Normal disbursements made on account of maintenance and repairs are charged to expenses, significant disbursements improving the efficiency or extending service life being capitalized.

#### Deferred depreciation

The excess of fiscal depreciation over accounting depreciation has a tax effect that is entered as a deferred passive tax. The company has created a reserve in equity equivalent to 70% of the greater value fiscally required, according to article 130 of the Tax Code.

#### Expenses paid in advance

Expenses paid in advance correspond to:

- Insurance policies and prepaid medical care, amortized during their term.
- Advance payment to the Financial Superintendence, amortized during the year.

## **Codensa S.A. E.S.P.y Su Filial**

### **Notas a los Estados Financieros Consolidados (continuación)**

#### **Other tangible assets**

Represent mainly the cost of acquisition, development, or production of licenses, software, studies, investigations in projects, and easements, amortized as follows: 3 years for licenses and software, 5 years for studies and projects, 50 years for easements.

#### **Valuations**

##### *Properties, plant, and equipment*

Correspond to the differences between a) the net book value and the market value of land properties, b) the replacement value of plants, machinery, and equipment, established by authorized capable experts. Appraisals are less than 3 years old and have been updated according to the metric applicable to each group.

Properties, plant, and equipment valuations are entered into separate accounts in assets, as a valuation surplus in equity, not susceptible to distribution. Devaluation of properties, plant, and equipment is directly entered in the income statement as a year's expense.

##### *Equity investments using the cost method*

Correspond to differences existing between the cost of investments (adjusted for inflation up to December 2005) and their intrinsic value. Investment valuations are entered into separate accounts in assets, as a valuation surplus in equity, not susceptible to being distributed. Investment valuations are entered as a lower value and a lower surplus from valuations in equity, without prejudice to the net balance being of a different nature.

#### **Taxes, liens, and rates**

The income tax reserve is calculated at the official rate of 34% in 2013 and 2014 (this rate includes the 25% income tax and the 9% CREE equity tax) and 33% for 2012, using the accrual method and established based on commercial profits, in order to properly correspond the year's revenues with their costs and expenses, entered using the estimated liability value.

The effect of temporary differences involving payments of lower or greater income taxes during the year is entered as a credit/debit deferred tax, respectively, at the current tax rates whenever differences are being reverted (34% up to 2015 and 33% for the following years), should there be reasonable expectations that such differences will revert in the future, in addition for the asset that at that time there will be sufficient taxable income.

Law 1607 of 2012 changed the income tax rate from 2013 on, going from 33% to 25%, also creating the equity income tax (CREE), which applies to the year's taxable profits at a rate of 8%. However, this same law temporarily established that this rate will be 9% for 2013, 2014, and 2014, 8% from 2016 on.

The effect of temporary differences involving payments of lower or greater income taxes during the year is entered as a credit/debit deferred tax, respectively, at the current tax rates whenever differences are being reverted (34% up to 2015 and 33% for the following years), should there be reasonable expectations that such differences will revert in the future.

The income tax is net, after deducting advance payments and tax withholdings.

## **Codensa S.A. E.S.P.y Su Filial**

### **Notas a los Estados Financieros Consolidados (continuación)**

The active deferred tax resulting from the temporary difference originated by the elimination of accounting inflation adjustments from January 1 of 2006 is amortized according to the fixed assets' service life for which it was generated; additionally, the deferred tax is recognized on account of other temporary differences existing between accounting and fiscal balances.

#### **Labor obligations**

Labor laws consider paying a compensation to workers not under the integral salary system, should they have been laid-off, which could be managed by a fund or by the Company based on the applicable system, 12% annual interests being paid on amounts accrued by each employee. However, there could be partial payments during the labor relationship, according to legal requirements. Should the work contract have been unjustifiably terminated or should mutual agreement have existed, the employee will be entitled to receiving additional payments, which could vary according to the time of service and the salary.

The Company makes periodical severance and integral social security payments for health, professional risks, and pensions, to the respective private funds or to Colpensiones, which fully assume such obligations.

The law previously included the obligation of establishing and directly paying retirement pensions to the employees, which was derogated. These are now exclusively recognized by social security entities, however the Company still being responsible for those having been recognized prior to such change. The pension liability is established through studies made by recognize actuaries, according to parameters established by the National Government. The retirement pensions' obligation includes the effects of the application corresponding to the new mortality rates authorized by the Financial Superintendence in Decree 1555 of July 30, 2010 and represents the present value of all future monthly payments the Company will make to employees meeting requirements for accessing the pension right.

#### **Contingency accounting**

On the day the financial statements are issued there could be circumstances resulting in losses for the company that possibly will only be known should certain circumstances occur in the future. The administration and the company counsel evaluate this regarding their nature, the possibility of their occurrence, and amounts involved, making decisions on changes that would have to be made to values reserved and/or disclosed. This analysis includes current legal processes against the company.

The company creates reserves to cover estimated liabilities and possible losses. Other contingent liabilities are not included in financial statements, however being disclosed in memorandum accounts. A contingent asset is not included in the financial statements, however being included in memorandum accounts should its contingency be probable.

#### **Discount in bond placement**

Corresponds to the lower value received from placement of ordinary bonds issued by the company as a result of the negative differential between the bonds' face value and the yield rate they were sold at on placement day. This balance is amortized in 119 months from June 2007, time equivalent to the bonds' term from their placement.

#### **Equity tax**



## **Codensa S.A. E.S.P.y Su Filial**

### **Notas a los Estados Financieros Consolidados (continuación)**

Law 1370 of December 2009 established the new equity tax for the tax year of 2011, with a 2.4% rate for taxpayers with fiscal equities greater than \$3,000 million and lower than \$5,000 million, 4.8% for taxpayers with equities equal to or greater than \$5,000 million.

Subsequently, Decree 4825 of December 2010 established an equity surtax of 25% for taxpayers with equities equal to or greater than \$3,000 million.

This tax applies to equity held as of January 1 of 2011, tax payments having been made in equal installments between 2011 and 2014.

According to Law 1111 of 2006, the Company enters the equity tax against equity revaluation.

#### **Memorandum accounts**

These accounts include mainly contingent rights and responsibilities, differences between accounting and fiscal figures, and commitments of credits assigned to clients and workers.

#### **Net per-share profits**

Established based on outstanding subscribed and paid shares at the end of the year. The per-share profits calculation includes clearing of preferential dividends corresponding to 20,010,799 shares as of August 31 of 2014 and 2013 from Empresa de Energía de Bogotá S.A. E.S.P. Preferential dividends are valued at US \$0.10 per share.

#### **New accounting pronouncements**

##### *Convergence to International Financial Information Norms*

According to Law 1314 of 2009 and Regulatory Decrees 2706 and 74 of December 2012, the Company is required to start the convergence process related to accounting principles generally accepted in Colombia to International Financial Information Norms (NIIF or IFRS), as issued by the International Accounting Standards Board. Considering that such conversion is complex and will have significant effects on the companies, the Technical Public Accountants Council classified the companies into 3 groups for such transition.

The Company belongs to Group 1, whose transition period starts January 1 of 2014; the first comparative financial statements under NIIF will be issued on December 31 of 2015.

On February 28 of 2013, the Company submitted the NIIF implementation plan to the Superintendence of Public Household Utilities, approved by the Board of Directors on February 21 of 2013, according to Resolution N° SSPD 20131300002405 of February 2013, regulating information requirements in order to apply Decree 2784 of 2012.

The submitted NIIF implementation plan includes activities associated to the mandatory preparation phase and preparation of the opening financial statements, to be carried out between January 1 of 2013 and December 31 of 2014.

According to Resolution N° SSPD 20141300033795 of July 30 of 2014, establishing information requirements for public utilities companies classified in groups 1 and 3, on August 29 of 2014 the Company submitted to the Superintendence of Public Household Utilities the opening financial situation statement, the equity conciliation, and the January 1 of 2014 disclosures and policies.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

As of August 31 of 2014, the Company has carried out the following activities: creation of the project's leader team, definition and assignment of project resources, diagnosis of relevant effects caused by the implementation process, analysis of implementation scenarios. A training and communications plan is being carried out; policies are being defined and adjustments made to information systems. During the remainder of 2014 and during 2015, internal work teams will continue reviewing the effects and internal communications and training plans will be carried out. The IT systems and internal norms and control will be concluded and the opening balance audited.

#### 1. Assets and liabilities in foreign currency

Existing basic norms in Colombia allow for free negotiation of foreign currency through banks and other financial institutions, at free exchange rates. However, most transactions in foreign currency require complying with certain legal requirements.

Summary of assets and liabilities in foreign currency:

	<b>As of August 31, 2014</b>		
	<i>(in EUR)</i>	<i>(In US dollars)</i>	<i>(thousand pesos )</i>
Cash and cash equivalents	€ 2,975	US\$ 184,284	\$ 361,093
Debtors <i>(Note 5)</i>	163,467	130,596	681,824
Accounts Payable <i>(Note 10)</i>	(85,802)	(1,127,242)	(2,371,012)
<b>Active (passive) position, net</b>	<b>€ 80,640</b>	<b>US\$ (812,362)</b>	<b>\$ (1,328,095)</b>

	<b>As of December 31, 2013</b>		
	<i>(in EUR)</i>	<i>(In US dollars)</i>	<i>(thousand pesos )</i>
Cash and cash equivalents	€ 2,720	US\$ 23,529	\$ 52,580
Debtors <i>(Note 5)</i>	177,838	264	458,015
Accounts Payable <i>(Note 10)</i>	(313,829)	(1,416,044)	(3,569,043)
<b>Passive position, net</b>	<b>€ (133,271)</b>	<b>US\$ (1,392,251)</b>	<b>\$ (3,058,448)</b>

	<b>As of August 31, 2014</b>		
	<i>(in EUR)</i>	<i>(In US dollars)</i>	<i>(thousand pesos )</i>
Cash and cash equivalents	€ 3,986	US\$ 7,330	\$ 24,361
Debtors <i>(Note 5)</i>	101,066	5,674	266,840

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Accounts Payable (Note 10)					
		(36,269)	(888,470)	(1,770,005)	
<b>Active (passive) position, net</b>	€	68,783	US\$ (875,466)	\$	(1,478,804)

### 3. Cash and cash equivalents

	August 31 2014	December 31 2013	August 31 2013
			(Not audited)
Cash	\$ 14,094	\$ 17,672	\$ 15,066
Banks, local currency	133,516,976	334,317,468	202,866,311
Term deposit certificates (1)	68,000,000	347,036,285	145,200,000
Trust accounts (2)	45,064,264	14,924,394	445,436
Futures - liquidity operations (3)	—	3,951	—
	<b>\$ 246,595,334</b>	<b>\$ 696,299,770</b>	<b>\$ 348,526,813</b>

(1) Fixed income investments generate yields at an average effective rate of 4.0%, 4.13%, and 4.06% as of August 31 of 2014, December 31 and August 31 of 2013, respectively. The balance as of August 31 of 2014 corresponds to term deposit certificates with maturities in November 2014.

(2) The balance of trust accounts as of August 31, 2014 corresponds mainly to (i) CorrealFondo de Inversión Fonval for \$15,660,542 ; (ii) Alianza open fund for \$10,728,833 ; (iii) Fiduciaria Corficolombiana for \$13,165,555.; and (iv) Corredores Asociados for \$5,019,253

(3) No liquidity operations were carried out during 2014. The balance as of December 31 of 2013 corresponds to a hedging agreement (non-delivery) executed on November 24 of 2013 with Banco BNP Paribas for the purchase of US \$1,669,994 at an exchange rate of \$1,927.50, maturing on January 15, 2014. As a result of the contract valuation at market prices, the company entered \$3,951 against income.

**Codensa S.A. E.S.P.y Su Filial**

**Notas a los Estados Financieros Consolidados (continuación)**

**4. Long-term investments, net**

	August 31 2014	December 31 2013	August 31 2013
	<i>(Not audited)</i>		
Equity investments-cost method	\$ 105,973,307	\$ 105,973,307	\$ 105,973,307
Bonds convertible into shares	1,044,516	1,044,516	1,044,516
	<u>107,017,823</u>	<u>107,017,823</u>	<u>107,017,823</u>
Minus investments reserve	(1,044,516)	(1,044,516)	(1,044,516)
	<u>\$ 105,973,307</u>	<u>\$ 105,973,307</u>	<u>\$ 105,973,307</u>

	%			
	Participa- tion			
<b>Minority participation:</b>				
Distribuidora Eléctrica C/marca S.A. E.S.P.	48.90	\$ 105,915,581	\$ 105,915,581	\$ 105,915,581
Electrificadora del Caribe S.A. E.S.P.	0.0013	57,442	57,442	57,442
Sociedad Portuaria Central Cartagena	0.0490	284	284	284
		<u>\$ 105,973,307</u>	<u>\$ 105,973,307</u>	<u>\$ 105,973,307</u>

Valuations and devaluations entered from valuated investments using the cost method are:

**As of August 31, 2014:**

Company	Valuation method	Number of shares	Class of shares	Adjusted acquisition cost	Intrinsic share value	Valuation
Distribuidora Eléctrica C/marca S.A. E.S.P.	Intrinsic value	104,247,499,998	Ordinary	\$105,915,581	1.50	\$ 50,956,155
Sociedad Portuaria Central Cartagena S.A.	Intrinsic value	2,842	Ordinary	284	4.18	11,588
Electrificadora del Caribe S.A. E.S.P.	Intrinsic value	654,735	Ordinary	57,442	43.33	(29,072)
						<u>\$ 50,938,671</u>

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### As of December 31, 2013:

Distribuidora Eléctrica C/marca S.A. E.S.P.	Intrinsic value	104,247,499 ,998	Ordinary	\$105,915, 581	1.44	\$	44,480,503
Sociedad Portuaria Central Cartagena S.A.	Intrinsic value	2,842	Ordinary	284	3.77		10,417
Electrificadora del Caribe S.A. E.S.P.	Intrinsic value	654,735	Ordinary	57,442	42.03		(29,923)
						\$	<u>44,460,997</u>

#### As of August 31, 2013:

Distribuidora Eléctrica C/marca S.A. E.S.P.	Intrinsic value	104,247,499 ,998	Ordinary	\$105,915, 581	1.43	\$	43,270,573
Sociedad Portuaria Central Cartagena S.A.	Intrinsic value	2,842	Ordinary	284	4.47		12,418
Electrificadora del Caribe S.A. E.S.P.	Intrinsic value	654,735	Ordinary	57,442	41.08		(30,545)
						\$	<u>43,252,446</u>

The financial statements' closing dates for evaluating investments are August 31 of 2014 for Sociedad Portuaria Central de Cartagena S.A. and Distribuidora Eléctrica de Cundinamarca S.A. E.S.P. and July 31 of 2014 for Electrificadora del Caribe S.A. E.SP.

Company investments have no restrictions or liens as of August 31 of 2014. The company has no redeemable investments for the following 5 years.

#### 5. Debtors, Net

	August 31 2014	December 31 2013	August 31 2013
			(Not audited)
Clients (1)	\$ 422,542,801	\$ 332,766,523	\$ 347,379,533
Participating companies and parties (Note 11)	45,482,437	10,201,669	72,604,905
Payment agreements (2)	41,680,175	38,476,629	35,381,538
Advance payments on contributions (3)	10,543,966	1,065,436	2,204,117
Advance payments	1,160,771	2,384,169	5,037,137

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Deposits delivered (4)	<b>297,829</b>	250,866	134,411
Other Debtors (5)	<b>54,442,409</b>	61,130,543	46,812,286
	<b>576,150,388</b>	446,275,835	509,553,927
Minus clients reserve	<b>(63,806,988)</b>	(60,530,162)	(61,868,180)
	<b>512,343,400</b>	385,745,673	447,685,747
Minus short-term portion	<b>(465,896,079)</b>	(340,246,934)	(403,854,949)
Long term portion (6)	<b>\$ 46,447,321</b>	\$ 45,498,739	\$ 43,830,798

- (1) As of August 31 of 2014 and December 2013, the client portfolio is comprised of the following: energy portfolio \$343,174,563 and \$245,428,147, bad debts \$54,864,799 and \$53,941,189, work for third parties and other services' portfolio \$24,503,439 and \$27,941,717, respectively.

Additionally, as of August 31 of 2014 and December 2013, the company had a balance of \$2,256,774 and \$5,455,470 respectively, on account of the income solidarity and redistribution fund as a result of the deficit resulting in the subsidies and contributions mechanism.

Codensa S.A. E.S.P decided to apply the rate option regulatory mechanism according to Resolution CREG 057 of 2014, whose purpose is reducing the impact of increases to the rate applied to the end user through the financing system defined in Resolution CREG 168 of 2008 "Establishing the rate option to define maximum costs applicable to the provision of the service that could be transferred to the electrical power public service regulated users in the National Interconnected System". As of August 31 of 2014, the value to be charged on account of this option is \$38,586,815.

As of August 31 of 2014, the public lighting portfolio under review with UAESP and corresponding to the infrastructure lease VAT is \$ 12.066.215. On November 14 of 2013 a question was made to DIAN regarding the applicability of article 19 of Decree 570 of 1984 to determine the special taxable base in leasing personal properties. Additionally, the company and UAESP are preparing a new specific question for DIAN regarding applicability of the personal property VAT, particularly regarding infrastructure. The company administration believes this value is recoverable, based on its interpretation of the fiscal norms.

- (2) Payment agreements correspond to agreements between Codensa S.A. E.S.P. and its clients related to payment of a specific amount of money with pre-established terms and interest rates. These agreements apply to clients requesting financing on account of use, installation, customizations, fines for losses, and other services provided by the company. Following are maturities:

**Codensa S.A. E.S.P.y Su Filial****Notas a los Estados Financieros Consolidados (continuación)**

<u>Year</u>	<u>As of August 31, 2014</u>
2014	\$ 25,164,688
2015	9,736,876
2016	3,606,357
2017 and following	<u>3,172,254</u>
	<u>\$ 41,680,175</u>

- (3) Corresponds mainly to the positive value of taxes and contributions from advance payments made in 2013, itemized in the income tax return and CREE, for \$9,536,976, industry and trade for \$144,556, and other contributions for \$862,434.
- (4) As of August 31, 2014, and December 31, 2013, the company obtained guaranties for \$297,829 and \$250,866, respectively, mainly to back 2014 local energy purchases and international transactions according to requirements from the market operator XM (Compañía de Expertos en Mercado). During 2014, deposits were only made for the TIES guaranties.
- (5) As of August 31 of 2014 and December 31 of 2013 this line includes mainly accounts receivable from employees, for \$38,477,718 and \$36,901,517, respectively.
- (6) Long-term accounts receivable include the “Crédito Fácil Codensa” business portfolio for \$4,221, energy portfolio payment agreements for \$6,261,914, electrical works agreed portfolio for \$7,091,524, agreed service portfolio for \$3,157,823, and employee credits for \$29,931,839, as follows

<u>Year</u>	<u>Value</u>
2015	\$ 17,245,805
2016	9,516,483
2017 and following	<u>19,685,033</u>
	<u>\$ 46,447,321</u>

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Following is the portfolio reserve:

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Initial balance	\$ 60,530,162	\$ 61,428,616	\$ 61,428,616
Reserve-charged to income (1)	4,105,952	1,846,129	1,361,304
Recoveries	(92,947)	(952,635)	(350,244)
Write-offs (2)	(736,179)	(1,791,948)	(571,496)
	<u>\$ 63,806,988</u>	<u>\$ 60,530,162</u>	<u>\$ 61,868,180</u>

(1) Corresponds mainly to the other deals' reserve portfolio. As of August 31 of 2014, this line includes in the infrastructure portfolio the entry for the 100% reserve for portfolio values less than 360 days overdue of Supercable Telecomunicaciones S.A. for \$1,786,309, as a result of the default in submitting the payment plan required by the Superintendence of Companies and the client's continuous payment delays.

(2) Corresponds mainly to the energy portfolio write-off made to Fundación Instituto de Inmunología de Colombia – FIDIC for \$534,062.

#### 6. Inventories, Net

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Raw materials and supplies (1)	\$ 21,488,924	\$ 15,675,590	\$ 16,357,758
Minus obsolescence reserve (2)	(629,716)	(867,736)	(702,725)
	<u>\$ 20,859,208</u>	<u>\$ 14,807,854</u>	<u>\$ 15,655,033</u>

(1) As of August 31 of 2014, the company inventory corresponds to material and supply purchases for maintaining the distribution system, such as substations, high, mid, and low voltage lines and grids for \$21,115,988 and electric meters for \$372,936.

(2) In 2013, the technical area identified elements that, due to their characteristics, should be part of fixed assets, such as the buffer inventory for \$971,059. For 2014, spare parts identified as assets are directly entered to properties, plant, and equipment.

(3) Following is the obsolescence reserve:

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Initial balance	\$ 867,736	\$ 702,725	\$ 702,725
Reserve - charged to income		867,736	-
Uses	(238,020)	(702,725)	-
	<u>\$ 629,716</u>	<u>\$ 867,736</u>	<u>\$ 702,725</u>



## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### 7. Properties, plant, and equipment, net

As of August 31 of 2014, following are the values of properties, plant, and equipment:

	<b>As of August 31, 2014</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>
Grids, lines, and cables	\$ 5,318,266,203	\$ (2,925,947,230)	\$ 2,392,318,973
Plants, ducts, and tunnels P	1,117,699,302	(583,526,674)	534,172,628
Ongoing constructions (1)	140,409,543	–	140,409,543
Constructions and buildings	203,048,306	(96,945,841)	106,102,465
Machinery, plant, and equipment under erection (1)	86,069,135	–	86,069,135
Land	70,745,700	–	70,745,700
Communications and computer equipment	75,249,755	(48,213,701)	27,036,054
Machinery and equipment	57,761,385	(37,204,994)	20,556,391
	\$	\$	\$
Furniture, furnishings, and office equipment	36,513,306	(26,517,656)	9,995,650
Transportation and lifting equipment	5,893,972	(3,953,194)	1,940,778
	<b>7,111,656,607</b>	<b>(3,722,309,290)</b>	<b>3,389,347,317</b>
Deferred depreciation, debit	–	<b>110,398,439</b>	–
Deferred depreciation, credit	–	<b>(110,398,439)</b>	–
	<b>\$ 7,111,656,607</b>	<b>\$ (3,722,309,290)</b>	<b>\$ 3,389,347,317</b>

As of December 31, 2013, following are the properties, plant, and equipment values:

	<b>As of December 31, 2013</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>
Grids, lines, and cables	\$ 5,176,118,934	\$ (2,795,108,904)	\$ 2,381,010,030
Plants, ducts, and tunnels P	1,077,110,620	(562,502,109)	514,608,511
Ongoing constructions (1)	169,217,752	–	169,217,752
Constructions and buildings	110,213,375	–	110,213,375
Machinery, plant, and equipment under erection (1)	201,719,088	(93,964,318)	107,754,770
Land	69,594,472	–	69,594,472
Communications and computer equipment	71,353,531	(44,138,477)	27,215,054
Machinery and equipment	37,204,544	(24,756,705)	12,447,839
Furniture, furnishings, and office equipment	46,880,456	(35,504,263)	11,376,193
Transportation and lifting equipment	5,823,606	(3,610,305)	2,213,301
	<b>6,965,236,378</b>	<b>(3,559,585,081)</b>	<b>3,405,651,297</b>
Deferred depreciation, debit	–	<b>110,398,439</b>	–

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Deferred depreciation, credit	–	<b>(110,398,439)</b>	–
	<b>\$ 6,965,236,378</b>	<b>\$ (3,559,585,081)</b>	<b>\$ 3,405,651,297</b>

As of August 31 of 2013, following are the properties, plant, and equipment values:

	As of August 31, 2013		
	Cost	Accumulated depreciation	Net value
Grids, lines, and cables	\$ 5,132,636,091	\$ (2,732,254,006)	\$ 2,400,382,085
Plants, ducts, and tunnels P	1,089,965,717	(553,794,774)	536,170,943
Ongoing constructions (1)	122,302,043	–	122,302,043
Constructions and buildings	201,719,088	(92,448,674)	109,270,414
Machinery, plant, and equipment under erection (1)	69,408,218	–	69,408,218
Land	43,084,473	–	43,084,473
Communications and computer equipment	71,229,592	(42,127,961)	29,101,631
Machinery and equipment	36,445,212	(23,372,293)	13,072,919
Furniture, furnishings, and office equipment	46,909,271	(34,769,961)	12,139,310
Transportation and lifting equipment	5,436,966	(3,374,522)	2,062,444
	<b>6,819,136,671</b>	<b>(3,482,142,191)</b>	<b>3,336,994,480</b>
Deferred depreciation, debit	–	<b>110,398,439</b>	–
Deferred depreciation, credit	–	<b>(110,398,439)</b>	–
	<b>\$ 6,819,136,671</b>	<b>\$ (3,482,142,191)</b>	<b>\$ 3,336,994,480</b>

(1) As of August 31, 2014, December 31 of 2013, and August 31 of 2013, ongoing constructions and machinery being assembled correspond to civil work for the improvement of productive and general administration facilities.

Following are depreciation values:

	August 31 2014	December 31 2013	August 31 2013
Initial balance	\$ 3,559,585,081	\$ 3,325,908,046	\$ 3,325,908,046
Year's depreciation	<b>165,319,774</b>	239,825,559	158,867,447
Depreciation removals	<b>(2,595,565)</b>	(6,148,524)	(2,633,302)
Final balance	<b>\$ 3,722,309,290</b>	\$ 3,559,585,081	\$ 3,482,142,191

Properties, plant, and equipment have no restrictions or liens limiting their realization or negotiability, representing goods fully owned by the company. They are insured with an all-risk corporate policy.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### 8. Other assets, Net

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Intangibles (1)	\$ 63,698,291	\$ 68,837,500	\$ 68,822,455
Deferred monetary correction (2)	46,147,571	47,133,247	47,610,752
Improvements to third-party properties (3)	6,213,323	5,301,569	4,411,419
Studies and projects	1,561,897	1,700,513	1,891,643
Goods received in payment	899,478	899,478	899,478
Deferred charges	17	62	84
	<u>\$ 118,520,577</u>	<u>\$ 123,872,369</u>	<u>\$ 123,635,831</u>

(1) Correspond mainly to:

Software (a)	\$ 115,675,031	\$ 114,299,976	\$ 111,978,164
Licenses	33,120,866	31,704,938	30,636,630
Easements	27,757,339	27,941,014	27,829,134
Rights	2,808,093	2,808,093	2,451,811
Inflation adjustments	17,000,499	17,000,499	17,000,499
	<u>196,361,828</u>	<u>193,754,520</u>	<u>189,896,238</u>
Minus accumulated amortization	<u>(132,663,537)</u>	<u>(124,917,020)</u>	<u>(121,073,783)</u>
	<u>\$ 63,698,291</u>	<u>\$ 68,837,500</u>	<u>\$ 68,822,455</u>

- (a) During 2014 the company made developments to the ICT online service portal for \$1,167,491. Developments have been made to the SAP application in its commercial, operational, and distribution systems, for \$1,617,867, and other operational software packages for \$869,494. This includes the costs of projects related to the distribution system improvement and optimizing, amortized during 3 and 5 years, respectively.
- (2) Corresponds to the existing and/or under erection fixed assets' inflation, entered until December 2005, amortized during up to 45 years. The portion corresponding to the equity inflation adjustment was entered as passive deferred monetary correction.
- (3) During 2014 the company made improvements to third-party properties at the Calle 80 centers, the Calle 82 floors 5 and 6, and building Q93 floors 2 and 3, for \$1,739,882.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### 8. Valuations

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Investments in non-controlled companies <i>(Note 4)</i>	\$ 50,938,671	\$ 44,460,997	\$ 43,252,446
Properties, plant, and equipment: (2)			
Grids, lines, and cables	506,720,791	506,839,214	506,976,086
Plants and ducts	125,628,455	125,655,046	125,759,718
Land	39,484,449	39,511,960	39,537,005
Constructions and buildings	18,066,428	18,066,428	18,070,828
Machinery and equipment	3,027,540	3,027,540	3,027,540
Communications equipment	2,337,706	2,337,706	2,337,706
Transportation fleet and equipment	739,275	868,310	1,083,760
Furniture, furnishings, and office equipment	129,324	148,812	144,298
	<u>\$ 747,072,639</u>	<u>\$ 740,916,013</u>	<u>\$ 740,189,387</u>

(1) Corresponds mainly to the update to the investment Codensa S.A. E.S.P. has in Distribuidora Eléctrica de Cundinamarca S.A. E.S.P. – DECSA, for its intrinsic value.

(2) According to Regulatory Decree 2649 of 1993, the company should make a technical appraisal of its properties, plant, and equipment minimum every 3 years, entering the resulting valuations and/or devaluations. The last appraisal of fixed assets at commercial value was made Q3 2012 by Consultores Unidos S.A. In 2014 valuations were adjusted based on fixed asset disposals.

Following is the valuations/devaluations balance for each type of fixed asset as of August 31, 2014:

Type of asset	Valuation as of 31/8/2014	Valuation as of 31/12/2013	Valuation adjustment as of 31/8/2014
Grids, lines, and cables	\$ 506,720,791	\$ 506,839,214	\$ (118,423)
Plants and ducts	125,628,455	125,655,046	(26,591)
Land	39,484,449	39,511,960	(27,511)
Constructions and buildings	18,066,428	18,066,428	–
Machinery and equipment	3,027,540	3,027,540	–
Communications equipment	2,337,706	2,337,706	–
Transportation fleet and equipment	739,275	868,310	(129,035)
Furniture, furnishings, and office equipment	129,324	148,812	(19,488)
	<u>\$ 696,133,968</u>	<u>\$ 696,455,016</u>	<u>\$ (321,048)</u>

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### 10. Accounts Payable

	August 31 2014	December 31 2013	August 31 2013
	<i>(Not audited)</i>		
Participating companies and related parties (1) <i>(Note 11)</i>	\$ 407,484,008	\$ 178,381,753	\$ 466,270,243
Purchase of goods and services, national Creditors	313,154,885	359,392,111	202,619,724
Purchase of goods and services, abroad	23,552,232	29,569,793	18,741,768
Other Accounts Payable	795,977	773,158	339,538
	<u>185</u>	<u>183</u>	<u>182</u>
	<u>\$ 744,987,287</u>	<u>\$ 568,116,998</u>	<u>\$ 687,971,455</u>

(1) On March 27 of 2014, through minutes No. 56 of the General Shareholders Assembly the Company declared dividends for \$535,910,519, of which the entire preferential dividend was paid during the year for \$3,948,191 to Empresa de Energía de Bogotá S.A E.S.P; 37,42% of the ordinary dividend, \$199,080,923 (Empresa de Energía de Bogotá S.A E.S.P \$102,511,209, Enersis S.A. \$77,874,064, Chilectra S.A. \$18,607,076 and others \$88,574); 62.11% is still pending payment, for \$332.881.405 (Empresa de Energía de Bogotá S.A E.S.P \$171,484,358, Enersis S.A. \$130,270,475, Chilectra S.A. \$31,126,572).

#### 11. Transactions with participating companies and related parties

Transactions with participating companies - defined this way upon having common shareholders and/or administration - at general market prices and conditions.

Following are the Debtors and Accounts Payable balances with participating companies:

	August 31 2014	December 31 2013	August 31 2013
	<i>(Not audited)</i>		
<b>Debtors</b> <i>(Note 5)</i>			
Emgesa S.A. E.S.P. (1)	\$ 42,911,129	\$ 8,366,541	\$ 8,535,648
Empresa de Energía de Cundinamarca S.A. E.S.P. (2)	1,049,328	1,243,433	59,157,226
DECSA (3)	807,113	-	4,360,213
Endesa Operaciones y Servicios	309,220	383,767	122,341
Empresa de Energía de Bogotá S.A. E.S.P.	297,343	146,265	314,661
Endesa Energía S.A.	108,304	61,663	102,816
Fundación Endesa Colombia	-	-	12,000
	<u>\$ 45,482,437</u>	<u>\$ 10,201,669</u>	<u>\$ 72,604,905</u>

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

- (1) As of August 31, 2014, this line is comprised mainly of the energy purchases' advance payment for \$34,451,632, amortized on September 1, 2014; additionally, to toll estimates and STR for \$7,893,362. As of August 31 and December 31 of 2013, corresponds mainly to toll estimates and STR for \$7,712,798 and \$7,428,189, respectively.
- (2) Corresponds mainly to the sale of energy, toll estimates and STR \$925,018, and to the technical assistance estimate for \$124,310 as of August 31, 2014.
- (3) In March 2014, Distribuidora Eléctrica de Cundinamarca S.A. E.S.P. declared dividends in favor of Codensa S.A. E.S.P. for \$ 807,113, to be paid in November 2014. The balance as of August 31, 2013, corresponds mainly to dividends declared in favor of Codensa S.A. E.S.P. by Distribuidora Eléctrica de Cundinamarca S.A. E.S.P., which were paid December 2013.

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
<b>Accounts Payable</b> <i>(Note 10)</i>			
Empresa de Energía de Bogotá S.A. E.S.P. (4) \$	<b>171,485,558</b>	65,901,016	\$ 163,714,319
Enersis S.A. (5)	<b>130,270,475</b>	49,993,238	63,246,146
Emgesa S.A. E.S.P. (6)	<b>70,075,988</b>	46,295,272	53,382,366
Chilectra S.A. (5)	<b>31,126,572</b>	11,945,287	47,434,605
Empresa de Energía de Cundinamarca S.A. E.S.P. (7)	<b>3,588,118</b>	3,618,237	3,053,390
Fundación Endesa Colombia	<b>700,644</b>	507,920	-
Enel Ingeniería e Ricerca Spa	<b>171,269</b>	120,783	-
Enel Energy Europe	<b>65,384</b>	-	10,441
ICT Servicios Informáticos Ltda.	-	-	152,514
Inversiones Sudamerica	-	-	135,276,462
	<b>\$ 407,484,008</b>	\$ 178,381,753	\$ 466,270,243
<b>Estimated liabilities and reserves</b> <i>(Note 14)</i>			
Enel Ingeniería e Ricerca Spa	\$ -	\$ 234,805	\$ -

- (4) Corresponds mainly to dividends payable to Empresa de Energía de Bogotá S.A. E.S.P. for \$171,484,358 as of August 31, 2014.
- (5) As of August 31, 2014, corresponds to dividends payable to Enersis and Chilectra for \$130,270,475 and \$31,126,572 respectively.
- (6) Corresponds mainly to performance of energy power agreements the company has with EMGESA for \$34,451,632, also to the energy purchase estimate for \$35,544,174 as of August 31, 2014. The energy purchase estimate as of August 31 and December 31 of 2013 was \$53,192,798 and \$46,219,269, respectively.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

(7) Corresponds mainly to ADDs (distribution charge), \$3,319,560.

Following is the effect on income of transactions with participating companies as of August 31 of 2014 and 2013:

Company	Purpose of the transaction	8-month period from January 1 - August 31, 2014	8-month period from January 1 - August 31, 2013	12-month period from January 1- December 31, 2013
<b>Revenues</b>				
Emgesa S.A. E.S.P. (1)	Tolls and	\$ 63,955,631	\$ 59,619,522	\$ 90,530,779
	Energy and other services	430,944	426,486	732,455
	Financial revenues	392,678	721,632	1,070,799
	Extraordinary revenues	2,893	2,578	3,880
Empresa de Energía de Cundinamarca S.A. E.S.P. (2)	use of lines and grids	6,956,166	6,515,629	9,899,496
	Equipment commission and leasing	125,013	249,548	519,928
	Energy and other services	27,851	24,589	24,589
	Extraordinary revenues	-	158,995	158,995
	Financial revenues	-	2,279,766	3,276,994
DECSA	Dividends	807,113	4,360,213	4,360,213
Empresa de Energía de Bogotá S.A. E.S.P.	Substation operation, other			
	Christmas lighting	690,842	560,033	870,696
	Christmas lighting	-	-	1,293,103
Endesa Operaciones y Servicios	Other services	328,862	294,364	508,406
	Exchange difference	29,467	535,953	549,089
Endesa Energía	Call center services	118,392	119,934	180,812
	Exchange difference	4,049	13,587	16,421
EnelEnergyEurope	Exchange difference	6,499	17,484	17,533
		<b>\$ 73,876,400</b>	<b>\$ 75,900,313</b>	<b>\$ 114,014,188</b>
<b>Costs and expenses</b>				
Emgesa S.A. E.S.P. (1)	Energy purchases	\$ 243,679,605	\$ 386,004,082	\$ 587,397,499
	Other	920,099	275,809	589,411
Empresa de Energía de Cundinamarca S.A. E.S.P. (2)	Use of lines and grids and other contracts	1,676,331	1,171,555	1,823,051
EnelEnergyEurope	IT service.	487,908	340,365	340,365
	Other	226,054	359,312	362,285

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Enel Ingeniería E Ricerca S.P.A	Studies and projects	171,268	–	234,805
	Exchange difference	–	–	924
Endesa Operaciones y Servicios	Exchange difference	21,127	7,905	7,905
Endesa Energía ICT Servicios	Exchange difference	8,792	3,399	3,488
Informáticos Ltda.	IT service.	–	415,200	415,200
		<b>\$ 247,191,184</b>	<b>\$ 388,577,627</b>	<b>\$ 591,174,933</b>

(1) As of August 31, 2014 and 2013, revenues correspond mainly to the use of lines and grids, STR estimates, tolls, STN connection charges, and SD invoicing for \$63,955,631 and \$59,619,522 and energy purchase costs for \$243,679,605 and \$386,004,082, additionally, there were discounts for timely payment in 2014 for \$392,678.

(2) As of August 31, 2014 and 2013, revenues correspond mainly to the use of lines and grids, STR estimates, tolls, STN connection charges, and SD invoicing for \$6,956,166 and \$6,515,629 and energy purchase costs for \$1,676,331 and \$1,171,555; additionally, there were discounts for timely payments granted by ADDs. In 2013 \$114,929,791 were granted, none in 2014.

## 12. Labor obligations

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Bonuses	\$ 15,920,243	\$ 17,791,222	\$ 13,245,019
Vacation	5,709,554	5,371,756	5,066,329
Severance	1,662,375	1,979,810	1,473,141
Vacation bonus	1,186,745	849,639	1,029,897
Service bonus	781,878	–	818,116
Seniority bonus	777,446	777,446	777,446
Other	364,818	321,103	249,896
Interests on severance	132,842	236,115	117,936
	<b>\$ 26,535,901</b>	<b>\$ 27,327,091</b>	<b>\$ 22,777,780</b>

On September 21 of 2005, the Company signed the collective workers labor agreement with Energía de Colombia – SINTRAELECOL, benefiting unionized employees from January 1 of 2004 until December 31 and affecting unionized employees, partially amended with Minutes No. 1 July 8 of 2011 for a 4-year term from January 1 of 2011. There were 563 unionized workers as of August 31 of 2014.



## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### 13. Outstanding bonds and commercial papers

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Bonds issued (1)	\$ 991,500,000	\$ 1,241,500,000	\$ 1,027,500,000
Bond interests	9,958,341	6,713,340	15,346,862
Bond discounts (2)	(920,276)	(1,161,774)	(1,283,020)
	<b>1,000,538,065</b>	1,247,051,566	1,041,563,842
Minus short-term portion (3)	(9,595,597)	(256,350,596)	(425,984,118)
Total long term portion	<b>\$ 990,942,468</b>	\$ 990,700,970	\$ 615,579,724

- (1) On November 15 of 2013 the 2nd tranche under the Codensa bond placement and issuance program was issued for \$375,000,000 in two Sub – series: B5 for \$181,660,000 and B12 for \$193,340,000. Resources from this placement were used to pre-finance the entire 3rd bond issuance maturity for \$161,000,000 on December 11, 2013, and part of the first bond issuance maturity for \$250,000,000 on March 11, 2014.
- (2) Corresponds to the lower value received from the ordinary bonds placement of June 20 of 2007, generated by the difference between the face value rate and the rate offered on placement day. As a result of this, the company failed to receive \$3,671,495, of which as of August 31 of 2014 \$2,751,219 had been amortized, a balance of \$920,276 still outstanding, which will be amortized in 31 month, time equivalent to the remaining bonds' term.
- (2) A bond payment was made March 11 2014 for \$250,000,000 of Sub–series B10 from the first issuance .

As of August 31 of 2014, the entire Codensa financial debt is represented in 4 current bond issuances in the local market. The first bond issuance is being canceled before the Colombian Financial Superintendence. Following are their main financial characteristics.

#### First bond issuance

Through Resolution 14 of February 24 of 2004, the Colombian Financial Superintendence ordered registering in the National Securities and Issuers Registry an ordinary bond issuance for up to \$500,000,000.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

The issuance was fully placed on March 11 of 2004, according to the following:

Total value placed:	\$500,000,000 as follows:
	Sub-series B5: \$ 50,000,000
	Sub-series B7: \$200,000,000
	Sub-series B10: \$250,000,000
Balance as of August 31, 2014	\$0,000
Nominal face value:	\$1,000
Issuance terms:	Sub-series B5: 5 years
	Sub-series B7: 7 years
	Sub-series B10: 10 years
Issuance date:	March 11, 2004, for all subseries
Maturity date:	Sub-series B5: March 11, 2009
	Sub-series B7: March 11, 2011
	Sub-series B10: March 11, 2014
Issuance administrator:	Deceval S.A.
Coupon rate:	Sub-series A5: IPC + 4.90% E.A.
	Sub-series A7: IPC + 6.14% E.A.
	Sub-series A10: IPC + 6.34% E.A.
Rating:	AAA (Triple A)
	Appointed by Duff&Phelps de Colombia S.A.
	S.C.V. (today Fitch Ratings Colombia S.A.
	S.C.V.)

On March 11, 2014, the subseries B-10 payment was made for \$250,000 million. With this payment, all subseries issued under the first issuance were paid, so that as of today there are no outstanding balances. Currently, the company is canceling this issuance before the Colombian Financial Superintendence.

#### Second bond issuance

With Resolution 208 of 2007, on February 14 of 2007 the Financial Superintendence ordered registering in the National Securities and Issuers Registry the 2nd Codensa ordinary bond issuance for \$650,000,000 authorizing its public offering.

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This issuance as placed in 3 lots, as follows:

Total value placed:	\$650,000,000 as follows: 1st Lot: on March 14, 2007, for \$225,800,000 2nd Lot: on July 20, 2007, for \$305,500,000 3rd Lot: on December 6, 2007, for \$118,700,000 The total value placed in the 4 subseries is the following: Sub-series A3: \$139,800,000 Sub-series A10: \$391,500,000 Sub-series B3: \$ 84,980,000 Sub-series B5: \$ 33,720,000
Current balance as of August 31, 2014	\$391,500,000 (Sub-series A10)
Bond face value:	\$10,000
Issuance terms:	Sub-series A3: 3 years Sub-series A10: 10 years Sub-series B3: 3 years Sub-series B5: 5 years
Issuance date:	March 14, 2007, for all Sub-series
Maturity date:	Sub-series A3: March 14, 2010 Sub-series A10: March 14, 2017 Sub-series B3: March 14, 2010 Sub-series B5: March 14, 2012
Issuance administrator:	Deceval S.A.
Coupon rate:	Sub-series A3: IPC + 4.60% E.A. Sub-series A10: IPC + 5.30% E.A. Sub-series B3: DTF + 2.09% E.A. Sub-series B5: DTF + 2.40% E.A.
Rating:	AAA (Triple A) Appointed by Duff&Phelps de Colombia S.A. S.C.V. (today Fitch Ratings Colombia S.A. S.C.V.)

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#### Third bond issuance

With Resolution 332 of 2007, on March 10 of 2008 the Financial Superintendence ordered registering in the National Securities and Issuers Registry the 3rd Codensa ordinary bond issuance for \$350,000,000 authorizing its public offering.

This issuance was placed in two lots, as follows:

Total value placed	\$350,000,000, as follows: 1st <sup>r</sup> lot: December 11, 2008 for \$270,000,000 2nd lot: March 27, 2009, for \$800,000,000 Total value placed in the floor subseries is the following Sub-series A5: \$75,500,000 Sub-series A10: \$80,000,000 Sub-series B2: \$109,000,000 Sub-series B5: \$85,500,000
Current balance as of August 31, 2014	\$80,000,000 (Sub-series A10)
Bond face value:	\$10,000
Issuance terms:	Sub-series A5: 5 years Sub-series A10: 10 years Sub-series B2: 2 years Sub-series B5: 5 years
Issuance date:	December 11, 2008, for all Sub-series
Maturity date	Sub-series A5 y B5: December 11, 2013 Sub-series A10: December 11, 11 2018 Sub-series B2: December 11, 2010
Issuance administrator:	Deceval S,A,
Coupon rate:	Sub-series A5: IPC + 5.99 % E.A. Sub-series A10: IPC + 5.55% E.A. Sub-series B2: DTF T.A. + 2.11% Sub-series B5: DTF T.A. + 2.58%
Rating:	AAA (Triple A )

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Appointed by Duff&Phelps de Colombia S.A. S.C.V.  
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Payment of bonds in subseries A5 and B5 was made on December 11 of 2013 for \$75,500 million and \$85,500 million, respectively.

#### Bond Issuance and Placement Program

With Resolution 194 of January 29 of 2010, the Colombian Financial Superintendence ordered registering in the National Securities and Issuers Registry the Codensa ordinary Bond Issuance and Placement Program for up to \$600,000,000 and its public offering. Having met such requirements, the issuance and placement program limit was expanded on March 13 of 2014 through Resolution 407 of 2014 from The Financial Superintendence in \$185,000,000, bringing the program limit to \$785,000,000.

As of August 31, 2014, two issuances have been made under the program. The first tranche was issued on February 17 of 2010, the 2nd on November 15 of 2013.

#### First program tranche

Total value placed	\$225,000,000, as follows: Sub-series B3: \$ 80,000,000 Sub-series B6: \$145,000,000
Balance as of August 31, 2014	\$145,000,000
Bond face value	\$10,000
Issuance terms	Sub-series B3: 3 years Sub-series B6: 6 years
Issuance date	February 17 of 2010 for all series
Maturity date	Sub-series B3: February 17, 2013 Sub-series B6: February 17, 2016
Issuance administrator	Deceval S.A.
Coupon rate:	Sub-series B3: IPC + 2.98% E.A. Sub-series B6: IPC + 3.92% E.A.
Rating	AAA (Triple A )

Appointed by Duff&Phelps de Colombia S.A. S.C.V.  
(today Fitch Ratings Colombia S.A. S.C.V.)

The subseries B3 bond payment was made February 17 of 2013 for \$80,000,000.

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### Notas a los Estados Financieros Consolidados (continuación)

#### Second program tranche

Total value placed	\$375,000,000, as follows: Sub-series B5: \$ 181,660,000 Sub-series B12: \$193,340,000
Balance as of of August 31, 2014	\$375,000,000
Bond face value	\$10,000
Issuance terms	Sub-series B5: 5 years Sub-series B12: 12 years
Issuance date	November 15 of 2013 for all series
Maturity date	Sub-series B5: November 15, 2018 Sub-series B12: November 15, 2025
Issuance administrator	Deceval S.A.
Coupon rate:	Sub-series B5: IPC + 3.92% E.A. Sub-series B12: IPC + 4.80% E.A.
Rating	AAA (Triple A ) Appointed by Duff&Phelps de Colombia S.A. S.C.V. (today Fitch Ratings Colombia S.A. S.C.V.)

As of August 31, 2014, the bonds' principal balance payable during the following years is the following, exclusive of interests and bond discounts,:

<u>Year</u>	<u>Value</u>
2016	\$ 145,000,000
2017	391,500,000
2018	261,660,000
2025	193,340,000
	<u>\$ 991,500,000</u>

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### Notas a los Estados Financieros Consolidados (continuación)

#### 14. Estimated liabilities and reserves

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Costs and expenses (1)	\$ 23,930,700	\$ 24,569,453	\$ 25,891,513
PCB's dismantling (2)	10,261,424	10,958,525	7,484,734
Nueva Esperanza environmental compensation (3)	9,520,035	9,985,000	–
Archaeological rescue (4)	5,090,662	8,996,000	–
Litigations (5)	4,720,837	6,229,023	6,103,023
Infrastructure projects (6)	2,347,187	13,300,726	2,146,128
Participating companies and related parties (Note 11)	–	234,805	–
	<b>55,870,845</b>	74,273,532	41,625,398
Minus short-term portion	<b>(35,697,303)</b>	(51,393,923)	(28,037,642)
Total long term portion (7)	<b>\$ 20,173,542</b>	\$ 22,879,609	\$ 13,587,756

- (1) As of August 31 2014 and 2013 and as of December 31 of 2013, includes the reserve for the public lighting litigation for \$15,000,000, still under conciliation with the Bogotá Capital District. It also includes services provided and goods purchased and not invoiced for \$3,278,186 and the estimated value that will be paid to clients on account of electrical service faults for \$5,652,514.
- (2) Considering that according to Law 1196 of 2008 Colombia subscribed the Stockholm Agreement and that this fact was regulated with the Ministry of the Environment's resolution 222 of December 15 of 2011, a reserve was made for dismantling of transformers polluted with PCB. The reserve entered in 2014 was updated to the net present value at a rate of 6.44% EA, resulting in a 697,100 reduction. No use was recorded during the period.
- (3) Corresponds to compensations included in Resolution 1061 and Agreement 17 of 2013 from the Ministry of the Environment and Corporación Autónoma Regional de Cundinamarca, respectively, approving substituting the protecting and producing forest reserve of the Bogotá River upper basin, committing the company to execute a compensation and reforestation plan in areas where the Nueva Esperanza station will be built. During 2014, the reserve was updated to the net present value, at a 6.46% EA rate, resulting in a \$464,965 reduction.
- (4) Environmental license: on July 31 of 2013, through Resolution 1679, Corporación Autónoma Regional de Cundinamarca – CAR granted the environmental license for the project "Construction of the new 500/115 kV Nueva Esperanza substation and its 115 kV lines and connection modules". However, on August 8 of 2014 the company filed an appeal against such act based on article 55 of the above resolution, requesting including and clarifying issues related to the geographical area, compensations, and the census, among others. As of August 31 of 2014, the company is still waiting for an answer from CAR.
- (5) Corresponds to the estimate of the value to be paid on account of archaeological rescue of

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### Notas a los Estados Financieros Consolidados (continuación)

findings in the land property where the Nueva Esperanza substation is being built. During 2014, the net present value was updated at a rate of 6.14% EA, resulting in a reduction of \$35,813, with uses for \$3,869,525.

- (6) As of August 31 of 2014 and December 31 of 2013, the value of claims filed against the Company on account of administrative, civil, and labor litigations and constitutional actions recorded in memorandum accounts is \$121,327,631 and \$119,038,518, respectively. Based on the evaluation made on the defense success probability, \$4,720,837 have been reserved as of August 31 of 2014, \$6,229,023 as of December 31 of 2013, to cover probable losses. The administration considers that the result of lawsuits corresponding to the non-reserved portion will be favorable to the company and will not result in significant liabilities that should be accounted, otherwise not significantly affecting the company's financial position.

As of August 31 of 2014 the values of claims under administrative, civil, and labor litigations and contractors are the following:

<b>Processes</b>	<b>Number of processes</b>	<b>Rating</b>	<b>Contingency value (a)</b>	<b>Reserve value</b>
Administrative and civil	28	Probable	\$ 3,438,837	\$ 3,438,837
	116	Eventual	96,239,086	–
	26	Remote	15,411,708	–
	170		115,089,631	3,438,837
Labor and contractor	8	Probable	1,282,000	1,282,000
	72	Eventual	3,561,000	–
	19	Remote	1,395,000	–
	99		6,238,000	1,282,000
<b>Total processes</b>	<b>269</b>		<b>\$ 121,327,631</b>	<b>\$ 4,720,837</b>

- (a) The value of the contingency corresponds to the value that, according to the lawyers' experience, is the highest value that would have to be paid in case of a ruling against the company. This value differs from the value in the reserve since it is made based on the success probability and the value the company would have to pay. The reserve is established by the lawyers as the highest loss value should the ruling be unfavorable. Processes considered probable are reserved at 100% of the real contingency value. Additionally, the company enters the contingency value in memorandum accounts.

- (7) As of August 31, 2014, this reserve corresponds mainly to easements, \$2,146,128, and new connections, \$123,010. During 2013, this reserve corresponds mainly to the purchase of PDAs.
- (8) Estimated liabilities and long-term reserves include: litigations for \$4,720,837, PCB dismantling for \$9,123,556, archaeological rescue for \$413,987, and Nueva Esperanza environmental compensation for \$5,915,162.

#### 15. Other liabilities



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### Notas a los Estados Financieros Consolidados (continuación)

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Collections in favor of third parties (1)	\$ 48,010,571	\$ 41,262,445	\$ 27,028,764
Deferred monetary correction <i>(Note 8)</i>	46,147,571	47,133,245	47,610,752
Portfolio collection from third parties (2)	9,257,892	12,423,386	20,998,247
Revenues received in advance (3)	3,137,500	3,885,182	3,467,205
	<b>106,553,534</b>	104,704,258	99,104,968
Minus short-term portion	<b>(58,018,463)</b>	(54,435,831)	(48,556,716)
Total long-term portion	<b>\$ 48,535,071</b>	\$ 50,268,427	\$ 50,548,252

- (1) Corresponds mainly to the liability on account of ADD energy distribution areas and mandate agreements from subscriptions to newspapers, magazines, and insurance policies.
- (2) Corresponds to the value that has to be paid to Banco Colpatría Red Multibanca Colpatría S.A. from the collection made on behalf of the company of the “Crédito Fácil Codensa” deal credit portfolio sold to the bank, according to the corporate cooperation agreement executed as mentioned in Note 1.
- (3) In August 2010 a market channel access agreement was executed with Mapfre Colombia Vida Seguros for the Codensa electric energy clients in order to allow Mapfre to trade insurance contracts among the Codensa clients. Its term is 8 years, a single \$6,000,000 payment having been agreed, recorded as revenues received in advance and amortized during the contractual term.

#### 16. Retirement pensions

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Actuarial calculations on retirement pensions and supplementary benefits	\$ 203,623,074	\$ 199,581,553	\$ 206,031,851
Minus current portion	<b>(27,701,837)</b>	(27,618,495)	(27,651,482)
Long-term retirement pensions and supplementary benefits	<b>\$ 175,921,237</b>	\$ 171,963,058	\$ 178,380,369

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### Notas a los Estados Financieros Consolidados (continuación)

Following are values between January 1-August 31 of 2014 and 2013 and January 1-December 31 of 2013:

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Initial balance	\$ 199,581,553	\$ 206,031,851	\$ 206,031,851
Actuarial loss	11,051,819	4,523,589	–
Financial cost	8,989,683	15,346,423	18,030,450
Payments	(15,999,981)	(26,320,310)	(18,030,450)
	<u>\$ 203,623,074</u>	<u>\$ 199,581,553</u>	<u>\$ 206,031,851</u>

- (1) As of August 31, 2013, retirement pensions were calculated and entered based on company internal forecasts, exclusive of actuarial losses/gains.

Following is the number of employees used for the actuarial calculation:

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Number of retired employees	847	846	846
Number of active employees entitled to pension	1	2	2
	<u>848</u>	<u>848</u>	<u>848</u>

As of August 31, 2014, AON Hewitt (external specialist) made the actuarial calculation, which resulted in a greater value of pension liabilities of \$4,041,521. This calculation includes the effect of applying the following rates: mortality table (before retirement and upon retirement), authorized by the Financial Superintendence with Resolution 1555 of July 30, 2010. (Mortality Table RC 08); total and permanent disability, EISS, and the 31% increase in medical care rates for 2014. As of August 31, 2014, the actuarial liability is fully amortized.

The value of the pension obligation at the end of each year is established taking into account actuarial hypotheses, Colombian legal norms regarding pensions, and specific conditions applicable to each company regarding pensions and post-retirement benefits.

Financial hypotheses are summarized in a 7.13% annual discount rate and a 3.0% pension increase rate (DANE rate according to Decree 2783 of 2001).

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**Notas a los Estados Financieros Consolidados (continuación)**

**17. Taxes, liens and rates**

	<b>August 31</b>	<b>December 31</b>	<b>August 31</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
			<i>(Not audited)</i>
Current income tax	\$ 186,962,435	\$ 282,017,927	\$ 183,002,028
Income advance payment	(89,078,694)	(136,764,257)	(135,634,604)
Withholdings and self withholdings	(97,883,738)	(87,271,634)	(47,367,424)
Equity tax	15,870,578	31,741,157	47,616,083
Tax withholding	10,141,324	12,159,995	5,771,717
Taxes, contributions, and rates payable	8,619,571	10,704,577	11,352,158
VAT	6,227,161	4,661,927	4,352,699
CREE withholding	4,659,663	4,339,539	4,334,139
Industry and trade tax	277,124	454,006	154,347
	<b>45,795,424</b>	122,043,237	73,581,143
Mines long term portion	-	-	(15,870,579)
Total short term portion	<b>\$ 45,795,424</b>	<b>\$ 122,043,237</b>	<b>\$ 57,710,564</b>

**Income tax**

The tax years of 2012 and 2013 are open for fiscal review by the tax authorities. However, the administration believes that - should this occur - no significant differences are expected. The 2012 income tax statement was filed on April 18 of 2013, the 2013 statement on April 21 of 2014.

The reserve charged to the year results for income taxes is the following:

	<b>August 31</b>	<b>December 31</b>	<b>August 31</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
			<i>(Not audited)</i>
Income	\$ 137,562,203	\$ 206,921,622	\$ 134,543,575
CREE	49,400,232	75,096,305	48,458,453
Deferred debit tax	466,277	(2,805,838)	1,189,710
	<b>\$ 187,428,712</b>	<b>\$ 279,212,089</b>	<b>\$ 184,191,738</b>

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### Notas a los Estados Financieros Consolidados (continuación)

#### Deferred tax

Following is the deferred tax as of August 31, 2014 and 2013, and as of December 31, 2013:

	<b>August 31</b>	<b>December 31</b>	<b>August 31</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<i>(Not audited)</i>		
Deferred from fixed assets inflation adjustments	\$ 21,582,221	\$ 23,349,721	\$ 24,262,097
Other reserves	8,136,438	8,808,693	8,255,351
Debtors reserve	7,220,765	6,062,573	6,272,321
Estimated liabilities	4,874,882	3,425,389	1,961,310
Industry and trade	2,890,383	3,575,408	3,746,897
Labor obligations	1,954,177	6,075,076	2,801,993
Forward valuation	-	(1,343)	-
Total deferred tax, debit	<u>\$ 46,658,866</u>	<u>\$ 51,295,517</u>	<u>\$ 47,299,969</u>

Following are assets per deferred taxes as of August 31 of 2014:

	<b>Income</b>	<b>CREE</b>	<b>CREE</b>
Estimated liabilities and reserves	\$ 73,754,840	\$ 73,754,840	\$ -
Asset inflation adjustment	65,117,403	9,347,746	55,769,656
	<u>138,872,243</u>	<u>83,102,586</u>	<u>55,769,656</u>
Rate	<b>25%</b>	<b>9%</b>	<b>8%</b>
	<u>\$ 34,718,061</u>	<u>\$ 7,479,233</u>	<u>\$ 4,461,572</u>
Total deferred tax, debit	<u>\$ 46,658,866</u>		

Law 1607 of 2012 increased the income tax rate from the 2013 tax year on from 33% to 25% and created the 8% CREE equity tax applicable to each year's taxable profits. However, this same law temporarily established that the CREE tax will be 9% for 2013, 2014, and 2015, 8% from 2016 on.

Following is the deferred tax, credit, as of August 31 of 2014 and 2013 and as of December 31, 2013:

	<b>August 31</b>	<b>December 31</b>	<b>August 31</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<i>(Not audited)</i>		
Depreciation of additional shifts, 1998	\$ (36,431,562)	\$ (36,431,562)	\$ (36,431,562)
Total deferred tax, credit	<u>\$ (36,431,562)</u>	<u>\$ (36,431,562)</u>	<u>\$ (36,431,562)</u>

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### **Notas a los Estados Financieros Consolidados (continuación)**

No temporary difference is generated for 2013 and 2014 between accounting and fiscal depreciation resulting from applying additional 1998 shifts.

#### **Equity tax**

Law 1370 of December 2009 created a new equity tax for the tax year of 2011: 2.4% for taxpayers with fiscal equities greater than \$3,000,000 and lower than \$5,000,000, 4.8% for taxpayers with equities equal to or greater than \$5,000,000.

Subsequently, Decree 4825 of December 2010 created a 25% equity tax surcharge for taxpayers with equities equal to or greater than \$3,000,000.

This tax applied to equity as of January 1 of 2011, payment having to be made in 8 equal installments between 2011 and 2014.

In 2011, the company opted for the alternative treatment provided by Law 1111 of 2006, related to accounting as a lower value in the equity revaluation account the equity tax and the surcharge for \$126,964,623.

The company is responsible for the industry and trade tax in Bogota, 0.966% on its operational revenues, 1.104% on operational revenues, and 15 for "avisos y tableros" on the industry and trade tax. In other municipalities where the company is a taxpayer, the industry and trade tax is paid according to rates and norms established in each municipality.

#### **Transfer prices**

For income tax purposes, taxpayers performing activities with economic related parties or related parties abroad are required to establish their ordinary and extraordinary revenues, their costs and deductions, and their assets and liabilities, considering for this profit prices and margins used in comparable operations between non-economically related parties. Independent advisors will update the transfer prices study in order to demonstrate that operations with economic related parties abroad were made at market prices during 2014. For this, the Company will submit an informative statement and will have available such study by mid September 2015. Any default could result in sanctions and in higher income taxes. However, the Administration and its advisers have analyzed the contracts in 2014 and have concluded that no adjustments will be made to the 2014 income tax.

#### **18. Equity**

##### **Capital**

The authorized capital is represented in 28,378,952,140 shares with a face value of \$100 each, subscribed and paid 132,093,274 shares.

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### Notas a los Estados Financieros Consolidados (continuación)

Following is the shareholding composition as of August 31 of 2014 and December 31, 2013:

Shareholder	Ordinary shares with voting rights		Preferential shares with no voting rights		Shareholding composition	
	(%) Participatio n	Number of shares	(%) Participa- tion	Number of shares	(%) Participa- tion	Number of shares
Empresa de Energía de Bogotá S. A. E.S.P.	42.85%	48,025,920	100.00%	20,010,799	51.50%	68,036,719
Enersis S.A.	46.11%	51,685,039			39.13%	51,685,039
Chilectra S.A.	11.02%	12,349,522			9.35%	12,349,522
Other minority shareholders	0.02%	21,994			0.02%	21,994
		112,082,47				132,093,27
	100.00%	5	100.00%	20,010,799	100.00%	4

As of December 31, 2013, Enersis S.A. registered before DECEVAL S.A. as a Codensa shareholder, holding 26.662227% of the company outstanding shares owned by Endesa Latinoamérica, reaching 39.127684% of the Codensa shares.

Of the total number of Empresa de Energía de Bogotá S.A. ESP shares, 20,010,799 correspond to shares with no voting rights, with preferential dividends US \$0.10/share.

#### Distribution of dividends

On March 27 of 2014, according to Minutes 56 the General Shareholders Assembly ordered distributing dividends for \$535,910,519 against the December 2013 net profits.

On March 20 of 2013, according to Minutes 54 the General Shareholders Assembly ordered distributing dividends for \$510,992,818 against the December 2012 net profits.

On March 21 of 2012, according to Minutes 51 the General Shareholders Assembly ordered distributing dividends for \$134,346,398 against the December 2011 net profits.

On December 20 of 2011, according to Minutes 50 the General Shareholders Assembly ordered distributing dividends for \$323,317,575 against the September 2011 net profits.

The \$535,910,519 dividends of 2013 will be paid as follows: 100% of the preferential dividend and 37.42% of the ordinary dividend were paid on June 25 of 2014, the balance payable being 24.88% and 37.70% of the ordinary dividend, which will be paid November 26 of 2014 and January 28 of 2015, respectively.

Dividends on the 2012 profits, \$510,992,818, were paid as follows: 100% of the preferential dividend and 9.14% of the ordinary dividend on June 5; subsequently, payments of 10.14%, 18.13%, 19.27%, and 18.13% of the ordinary dividend on June 20, October 23, November 28, and December 3 of 2013, respectively, the balance payable being 25.18% of the ordinary dividend, payment that was made January 23 of 2014.

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### Notas a los Estados Financieros Consolidados (continuación)

Dividends on the 2011 profits, \$457,663,973, were paid as follows: 100% of the preferential dividend and 25% of the ordinary dividend on April 25; subsequently, two payments of 25% of the ordinary dividend on June 26 and November 15 of 2012, the outstanding balance being 25% of the ordinary dividend, payment having been made on January 13 of 2013.

#### Reserves

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
Mandatory reserves:			
Reserves from fiscal norms	\$ 50,962,398	\$ 50,962,398	\$ 50,962,398
Legal reserve	6,604,664	6,604,664	6,604,664
	<u>\$ 57,567,062</u>	<u>\$ 57,567,062</u>	<u>\$ 57,567,062</u>

#### Legal reserve

According to the Colombian legislation, the Company is required to transfer minimum 10% of the year profits to a legal reserve, until reaching 50% of the subscribed and paid capital. This reserve is not available for distribution but can be used to offset losses.

#### Reserve for deferred depreciation (article 130 of the Tax Code)

Comprised of 70% of the surplus depreciation from 1998 for tax purposes.

#### Equity revaluation

Equity revaluation cannot be distributed as profits, however being possible to capitalize it. During 2011, the company entered an equity revaluation charge for \$126,964,623 on account of the equity tax, according to Law 1370 of December 2009.

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### Notas a los Estados Financieros Consolidados (continuación)

#### 19. Memorandum accounts

	August 31 2014	December 31 2013	August 31 2013
			<i>(Not audited)</i>
<b>Debtors:</b>			
Depreciated assets' control and others	\$ 679,359,899	\$ 523,319,396	\$ 574,850,130
Contingent rights	436,219,220	480,678,340	311,896,062
Fiscal	10,445,950	—	—
	<u>\$ 1,126,025,069</u>	<u>\$ 1,003,997,736</u>	<u>\$ 886,746,192</u>
<b>Creditors:</b>			
Electrical power purchasing agreements	\$ 5,069,839,848	\$ 3,361,906,499	\$ 3,389,342,841
Fiscal	701,176,168	698,102,874	705,679,860
Contingent liabilities	291,882,341	272,857,358	905,787,791
Merchandise under consignment	3,909,825	5,338,824	3,345,812
	<u>\$ 6,066,808,182</u>	<u>\$ 4,338,205,555</u>	<u>\$ 5,004,156,304</u>

#### 20. Operational revenues

	Eight month period from January 1 to August 31 of 2014	Year ending December 31 of 2013
		<i>(Not audited)</i>
Energy services	\$ 2,132,549,787	\$ 1,991,547,616
Other services	134,919,487	127,269,382
	<u>\$ 2,267,469,274</u>	<u>\$ 2,118,816,998</u>

#### 21. Cost of sales

Cost of goods and services (1)	\$ 1,188,546,735	\$ 1,085,633,456	\$ 1,624,383,943
Depreciation and amortization	171,922,760	166,178,751	250,333,452
Orders and contracts (2)	93,544,446	92,758,158	153,301,523
Personnel services (3)	59,202,750	67,456,691	91,875,831
Contracts and maintenance (4)	54,771,427	45,046,932	73,952,233
Taxes (5)	28,105,024	29,556,127	41,461,432
Other operation and maintenance costs	12,933,231	11,766,819	21,059,361
General (6)	7,449,382	5,943,195	9,324,204
Leases (7)	3,362,745	3,455,376	4,983,390
Contributions and royalties (8)	3,341,080	2,797,189	1,596,921
Insurance	2,563,887	2,308,957	3,547,810



## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Public utilities	<b>1,162,724</b>	999,525	991,952
Fees	<b>111,411</b>	–	99,526
	<b>\$ 1,627,017,602</b>	\$ 1,513,901,176	\$ 2,276,911,578

- (1) Corresponds mainly to energy purchases and other charges for electric power distribution.
- (2) This line includes meter readings, delivery of invoices, and other contracts for the operation.
- (3) The reduction between August 2014 and 2013 corresponds mainly to the actuarial calculation update, whose updated values are \$6,119,472 and \$15,218,627, respectively.
- (4) Corresponds mainly to the cost of maintenance contracts for properties, plant, and equipment. From the second half of 2013 and during 2014, the company implemented a maintenance quality and modernization of lines, grids, and lighting infrastructure plan looking to improve service quality indexes, which resulted in an increase in maintenance costs.
- (5) Corresponds to recognition of industry and trade taxes, stamps, property tax, and other taxes. As of August 31, 2014 and 2013, industry and trade taxes were entered for \$26,160,000 and \$28,000,000, respectively.
- (6) General costs include advertising, studies and projects, communications, industrial safety, transportation, and others. In 2012, Codensa started the advertising campaign "We give life to your moments".
- (7) The value of leases as of August 31 of 2014 corresponds to buildings \$1,913,522 and to transportation equipment \$1,449,223.
- (8) Contributions to CREG and to the Superintendence of Public Household Utilities for 2014. On December 6 of 2013, through resolutions 20135300054585 and 20135300054595 from this Superintendence, Codensa recognized reimbursement of special contributions paid in 2007 and 2007 to such entity for \$1,688,903 and \$1,026,318, respectively.

#### 22. Administration expenses

	<b>Eight month period from January 1 to August 31 of</b>		<b>Year ending December 31 of</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<i>(Not audited)</i>		
Taxes (1)	<b>\$ 12,043,632</b>	\$ 10,866,488	\$ 15,955,162
Integral salary	<b>11,529,915</b>	10,909,341	16,384,885
Other personnel expenses	<b>11,350,200</b>	12,158,189	17,233,399
Other general services (2)	<b>10,598,107</b>	10,451,690	18,841,636
Debtors reserve (3)	<b>4,105,952</b>	1,361,304	1,846,129
Leases (4)	<b>1,895,423</b>	1,260,408	2,005,164
Personnel salaries	<b>1,860,992</b>	1,262,884	1,805,455
Amortization	<b>1,714,296</b>	1,813,049	2,801,365

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Contingency reserve (5)	<b>1,529,228</b>	175,395	860,819
Surveillance (6)	<b>1,480,693</b>	706,617	1,141,791
Depreciation	<b>532,929</b>	616,215	922,669
Medical expenses and medications	<b>376,782</b>	333,345	519,253
Inventory reserve (7)	–	–	867,736
	<b>\$ 59,018,149</b>	\$ 51,914,925	\$ 81,185,463

- (1) As of August 31, 2014 and 2013, the tax on financial activities entered is \$11,833,370 and \$10,625,574, respectively.
- (2) Includes the entry on account of studies and projects, fees, maintenance, advertising, materials and supplies, general insurance, and other general expenses.
- (3) The debtors reserve expense in 2014 results mainly from the other deals' portfolio, including the Supercable Telecomunicaciones S.A. 100% reserve, less than 360 days delinquent, for \$1,786,309, as a result of its failure to deliver the payment plan requested by the Superintendence of Companies (see Note 5).
- (4) As of August 31, 2014 and 2013, the company made expenditures on account of administration and leasing of floors 5, 6, 7, and 8 of the calle 82 building. In 2014 floors 2 and 3 of the Q93 building were leased, resulting in a greater expense.
- (5) As of August 31, 2014, corresponds mainly to litigations considered probable, as a result of changes in the evaluation made regarding the probability of an unfavorable ruling from administrative, civil, and labor litigations, and constitutional actions previously considered eventual/remote.
- (6) The increase corresponds mainly to the contract with Seguridad Atlas on April, as the new provider of security services. These changes resulted in an increase in the service rates. On 2014 the substations' electronic surveillance system was hired with Robotec.
- (7) As of August 31, 2014 and 2013, the inventory reserve for cables and electric materials' obsolescence was not recognized.

### 23. Financial revenues

	Eight month period from January 1 to August 31 of		Year ending December 31 of
	2014	2013	2013
	<i>(Not audited)</i>		
Financial interests and yields	\$ 11,339,378	\$ 13,763,172	\$ 21,527,789
Late payment charges	<b>4,052,706</b>	4,956,342	7,493,249
Dividends (1)	<b>807,113</b>	4,360,213	4,360,213
Exchange differences	<b>652,534</b>	249,360	389,760
	<b>\$ 16,851,731</b>	\$ 23,329,087	\$ 33,771,011

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

(1) In March 2014, Distribuidora Eléctrica de Cundinamarca S.A. E.S.P. declared dividends in favor of Codensa S.A. E.S.P. for \$ 807,113, to be paid in November 2014. The balance as of August 31 of 2013 corresponds mainly to dividends declared in favor of Codensa S.A. E.S.P. by Distribuidora Eléctrica de Cundinamarca S.A. E.S.P., which were paid on December 2013.

#### 24. Extraordinary revenues

	Eight month period from January 1 to August 31 of		Year ending December 31 of
	2014	2013	2013
	<i>(Not audited)</i>		
Recoveries (1)	\$ 9,096,113	\$ 1,835,056	\$ 3,495,615
Other (2)	6,285,157	6,658,965	7,567,477
Profit from the sale of materials	963,952	862,798	1,246,248
Profit from the sale of properties, plant, and equipment	415,566	585,337	589,024
Financial surplus	10,162	7,291	15,035
Fees	7,579	11,705	2,020
Leases	–	2,126	18,976
Indemnifications	–	390	390
	<u>\$ 16,778,529</u>	<u>\$ 9,963,668</u>	<u>\$ 12,934,785</u>

- (1) The 2014 period includes the following recoveries: Colpensiones social benefits reimbursement for \$5,887,148; adjustments for clearing outstanding invoices for \$421,986; electrical power recovery reserve for \$92,946; litigations and contingency reserve for \$1,959,385; recovery from electrical power compensation recovery for \$ 409,813, other recoveries for \$324, 829.
- (2) As of August 31, 2014, corresponds mainly to the 2013 income tax adjustment for \$4,148,456, sanctions to users for \$694,537, call center services for \$447,254, and others for \$972,991.

#### 25. Financial expenses

	Eight month period from January 1 to August 31 of		Year ending December 31 of
	2014	2013	2013
	<i>(Not audited)</i>		
Interests (1)	\$ 53,864,319	\$ 43,902,458	\$ 65,751,398
Exchange difference	465,079	497,695	642,936
Other financial expenses	398,358	454,963	704,709
Commissions	39,382	160,740	933,392
	<u>\$ 54,767,138</u>	<u>\$ 45,015,856</u>	<u>\$ 68,032,435</u>

(1) The increase corresponds to interests paid by current bonds issued by Codensa on November 15 of 2013 and corresponding to the 2nd tranche under the bonds issuance program, subseries B5 and B12.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

#### 26. Extraordinary expenses

	Eight month period from January 1 to August 31 of		Year ending
	2014	2013	December 31 of 2013
	<i>(Not audited)</i>		
Other extraordinary expenses (1)	\$ 12,868,184	\$ 1,557,683	\$ 7,368,320
Expenses from previous years (2)	5,239,223	4,533,045	4,565,043
Loss from the sale and disposal of fixed assets (3)	1,025,442	1,805,939	3,108,194
Sponsorships (4)	700,644	–	757,920
Losses from accidents	632,327	1,075,579	1,559,756
Loss from the sale of materials	164,848	514,494	280,910
Nondeductible expenses	448	31,701	31,701
	<b>\$ 20,631,116</b>	<b>\$ 9,518,441</b>	<b>\$ 17,671,844</b>

- (1) As of August 31, 2014, includes mainly the actuarial loss resulting from the actuarial calculation update to pensions made by AON Hewitt for \$11,051,819, update of technical low voltage information \$1,268,195, support and community management for \$220,157, others for \$328,013.
- (2) As of August 31, 2014, includes mainly the deferred tax adjustment for 2013 for \$4,170,375, commercial adjustment to previous years' rate to Centro Comercial Metrópolis \$1,015,606, others for \$53,242.
- (3) Corresponds mainly to disposals for \$954,707 and donation of the salinas land property to the municipality of Zipaquirá for \$70,735.
- (4) The increase corresponds mainly to recognition of the donation made to Fundación Endesa in August.

#### 27. Reclassification in financial statements

In Note 5, for comparison purposes as of December 31, 2013, the other debtors line was reclassified to the clients line; the balance on account of the solidarity fund and redistribution as a result of the deficit generated by the subsidies and contributions mechanism for \$5,455,470; this information does not change the debtors, net balance (Note 5) or the working capital composition.

In Note 5, for comparison purposes as of December 31, 2013, the studies and projects line was reclassified to intangibles; the balance associated to the SAP – ISU Génesis y Sinergia 4J “Epic@” commercial management system for \$14,935,769. This information does not change the balance of other assets (Note 8) or the working capital composition.

Note 14 describes the Nueva Esperanza environmental offsetting, archaeological rescue, and dismantling of PCB's; for comparison purposes as of December 31 of 2013 \$13,288,939 corresponding to the long term portion were reclassified. The information does not change the balance of estimated liabilities and reserves (Note 14), however changing the working capital composition.

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

In Note 17, for comparison purposes as of December 31, 2013, the following fiscal adjustments were reclassified: i) amortization of deferred entries to the depreciation and fiscal amortization line for \$75,180 corresponding to monetary correction; ii) nondeductible expenses to deferred amortization for \$1,691,197 corresponding to science and technology amortization; and iii) investment in science and technology and fixed assets to not taxed revenues, for \$377,656 corresponding to fiscal profits from the sale of fixed assets. This information does not change the balance of the income tax.

In Note 21, for comparison purposes as of December 31, 2013, the general line was reclassified to the public utilities line, the balance associated to the public utilities service expense for \$363,942, this information does not change the balance of cost of sales (Note 21) or the working capital composition.

#### 28. Subsequent events

The 3rd tranche of the Codensa ordinary bonds issuance and placement program was placed on September 25, for \$185,000 million, in a single subseries with a 7-year term and a coupon rate of + 3.53% E.A.

Resources obtained with this placement will be used to finance cash flow needs in the long-term, including working capital and the investment plan. Such placement was done through a Dutch auction, using the electronic system of the Colombian Stock Exchange, the placement agents being Corredores Asociados S.A. Comisionista de Bolsa (Agente Líder), Credicorp Capital Comisionista de Bolsa S.A. and Valores Bancolombia S.A. Comisionista de Bolsa.

The Codensa program bonds are rated AAA by Fitch Ratings Colombia S.A.

#### 29. Financial metrics

The following financial metrics were calculated based on the following financial statements:

Metric	Expression	August 31 of		December 31 of	Explanation
		2014	2013	2013	
			(Not audited)		
<b>Liquidity</b>					
Current ratio: (current assets/current liabilities)	(veces)	0.76	0.58	0.94	The capacity the Company has to handle its debts to current, committing its current assets
<b>Indebtedness</b>					
Total level of indebtedness: (total liabilities/total assets)	%	42.77%	42.74%	43.05%	The level of leverage corresponding to the creditors' participation in Company assets

## Codensa S.A. E.S.P.y Su Filial

### Notas a los Estados Financieros Consolidados (continuación)

Short-term indebtedness: (Total current liabilities/total assets)	%	18.27%	25.13%	20.03%	The percentage of participation with third parties with short-term maturities
Total long-term indebtedness: (Total long-term liabilities/total assets)	%	24.50%	17.61%	23.01%	The percentage of participation with third parties with mid- and long-term maturities
<b>Activity</b>					
Commercial portfolio turnover:					
Number of period dates/(operational revenues/total portfolio)	Días	50	44	42	The number of the commercial portfolio average turnover days
Vendor turnover:					
Number of days in the period/(cost of sales/Accounts Payable, vendors)	Días	56	44	70	The average number of days the company takes to pay its vendors.
<b>ROI</b>					
Gross profit margin:					
Gross profits/operational revenues	%	28.25%	28.55%	29.12%	The capacity the Company has, in managing its sales, to generate gross profits, i.e. before administration and sales expenses, other revenues, other expenditures, and taxes
Operational margin:	%	25.64%	26.10%	26.59%	How much each sales peso contributes to operational profits generation.
Operational profits/operational revenues					
Net profit margin:	%	15.53%	16.40%	16.68%	The percentage of net sales generating profits after taxes in the company
Net profit/operational revenues					
Equity yield	%	11.86%	11.74%	17.02%	The shareholders return on investment
Net profits/total equity					
Return on assets	%	6.79%	6.72%	9.69%	Measures, for each peso

**Codensa S.A. E.S.P.y Su Filial**

**Notas a los Estados Financieros Consolidados (continuación)**

Net profit/total assets					invested in total assets, how much it generates in net profits
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