



## Operational and Financial Results Report for Codensa S.A. E.S.P. As of September 2013<sup>1</sup>

November 8<sup>th</sup>, 2013

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### Executive Summary

- *Codensa's net income grew 2,7% during the first nine months of 2013 as compared to the same period of 2012, due to growing operating results and lower net financial expenses as a result of lower interest rates and lower debt stock.*
  - *Codensa's EBITDA in the first nine months of 2013 increased by 0.84% compared to the same period of 2012.*
  - *Between January and September 2013 the company executed investments for about COP\$149 billion (USD\$78 million), mainly focused in servicing new demand, improving quality of service, safety and control of nontechnical losses.*
  - *Financial obligations, including accrued interest, totaled COP\$1,03 trillion (USD\$540 million) reflecting a 7.3% decrease as compared to December 2012, mainly explained by the maturity of COP\$80 billion (USD\$44 million) of local bonds in February 2013 using cash on hand.*
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### **Codensa's net income reached COP\$389,2 billion (USD\$204 million) during the first nine months of 2013**

Codensa had a net income of COP\$389,2 billion (USD\$204 million) during the first nine months of 2013, representing a 2.7% increase as compared to the same same period of 2012, mainly due to higher energy sales as a result of the growth in demand, and to higher revenues associated to the transfer of energy to the networks of other operators outside of Codensa's area. Additionally, net financial expenses during the first 9 months of 2013 decreased by 37.8% with respect to the same period in 2012 mainly due to the maturity of local bonds served using cash on hand. This result represented a net margin of 16.3% of total operating revenues to September 2013.

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<sup>1</sup>Financial statements are prepared under Colombian GAAP in Colombian pesos. However, we present figures in USD for your convenience and analysis using the official COP/USD FX rate (TRM) applicable on the last day of the month (FX September 30, 2013 COP\$1,908.29).

## **Codensa's EBITDA reached COP\$809.4 billion (USD\$424 million) during the nine months of 2013**

Codensa's EBITDA in the first nine months of 2013 reached COP\$809.4 (USD\$424 million), showing a 0.8% increase as compared to the same period of 2012. This was the result of growth in operating revenues that was partially by a similar growth in the cost of sales.

Operating revenues through September 2013 increased by 2.0% as compared to the same period in 2012, mainly due to a 1.21% growth of energy demand in Codensa's area and to higher revenues associated with transfer of electricity to the networks of other operators outside of Codensa's area. In contrast, the cost of sales amounted to COP\$1.7 trillion (USD\$894 million), which represents an increase of 2.0% with respect to the first nine months of 2012 as a result from higher energy purchases to serve the demand.

Administrative expenses grew by 3.2% as compared to the first three quarters of 2012, reaching COP\$58.9 billion (USD\$31 million).

## **Net financial expenses totaled COP\$24.5 billion (USD\$13 million)**

Net financial expenses during the nine months of 2013 registered a decrease of COP\$14.9 billion (USD\$8 million) compared to the same period of 2012. Financial expenses decreased by 21.5%, reaching COP\$50.4 billion (USD\$26 million), as a consequence of a lower average balance of financial debt with respect to the same period in 2012, resulting from local bonds redemptions which have been entirely paid with the company's cash on hand, and to lower inflation, at which 92% of Codensa's outstanding debt is indexed.

Moreover, financial revenues increased by 4.3% due to proactive cash management by the Treasury to optimize the investment of the company's excess liquidity in alternatives that improve financial yield while maintaining the placements under strictly conservative risk policies, such as early payment of ADD charges<sup>2</sup> to Empresa de Energía de Cundinamarca S.A. E.S.P. (EEC).

## **Energy demand in Codensa's area was 10,687 GWh during the first nine months of 2013**

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<sup>2</sup> Electric Energy Distribution Areas (Áreas de Distribución de Energía Eléctrica –ADD) apply to companies that belong to the same area in order to unify their charges to clients so that they compensate the differences between them..

Accumulated energy demand in Codensa's area between January and September 2013 was 10,687 GWh, reflecting an annual average growth rate of 1.21% and a positive annual variation of 3,4% compared to the same period in 2012.

During the same period, national demand had a 3.03% annual average growth rate and a 2.7% increase with respect to the same period of 2012. The annual average growth rate as of September 2013 was below the one registered as of September 2012 (3.41%), mainly due to the reduction in consumption by regulated and unregulated users, the latter affected adversely due to the terrorist attacks to OXY's oil pipelines and the countrywide deceleration of the manufacturing industry. The lower growth rate in Codensa's area of influence with respect to national figures is explained by the decreased energy demand by the industrial sector located in Codensa's area in spite of a recovery of residential and commercial demand.

During the first nine months of 2013 Codensa distributed 23.7% of the national electricity demand and 22% of the national regulated demand. 62% of the electricity distributed by Codensa during this period was commercialized by Codensa to serve the regulated market while 38% was destined to users of other commercialization companies.

Between September 2012 and September 2013 Codensa added 99.108 new clients reaching a total of 2,66 million clients in Bogota and other 103 municipalities in the center of the country.

The average index of total energy losses in Codensa's area was 7.06% for the last 12 months ended September 2013, presenting an improvement as compared to the index for the same period ended September 2012, when it reached 7.50%.

With regards to international quality of service indicators, SAIDI (average interruption time perceived by the client) and SAIFI (average amount of interruptions perceived by a client) presented mixed behaviors during the first nine months of 2013. SAIFI improved by 6.4% with respect to the first nine months of 2012, whereas SAIDI deteriorated by 7.0% with respect to the first nine months of 2012 and 6.2% with respect to 2012 closing. The main reasons that explain SAIDI's behavior are network failures associated to a highly rainy season in the months of March and May in the Rionegro (Cundinamarca) region and the western side of the City of Bogotá, as well as the mobility problems in Bogotá that pose difficulties for rapid service of service interruptions.

The following table presents Codensa's main operational results for the period:

	Sept. 2013	Sept. 2012	Change (%)
National Demand (GWh)	45.375	44.260	+2,5%
Demand in Codensa's Area (GWh)	10.686	10.336	+3,4%
% Codensa's Market Share	23,7%	23,5%	+0,2%
No of clients	2.664.243	2.565.135	+3.9%
LT and MT Network (Km)	47.303	45.631	+3,7%
Losses Index (LTM)	7,06%	7,50%	-0,4%

### **Investments reached COP\$149 billion (USD\$78 million)**

During the first nine months of 2013 the company invested more than COP\$149 billion (USD\$78 million), from which about 38% was dedicated to improve and update the company's network, focused on works required to satisfy demand growth and the repowering of circuits in the northern part of the city, 17% to improve the quality of service, 10% to safety of operations and 9% to the control nontechnical losses.

### **Balance Sheet Structure**

As of September 30, 2013 the company's assets were COP\$5.4 trillion (USD\$ 2.8 billion), out of which property, plant and equipment represented 62.1% adding up to COP\$3.3 trillion (USD\$1.75 billion), while cash and temporary investments corresponded to 7.1% reaching COP\$383 billion (USD\$201 million). Codensa's total liabilities as of September 2013 were COP\$2.4 trillion (USD\$1.2 billion) while total shareholder's equity totaled COP\$3.0 trillion (USD\$1.6 billion).

Regarding the financial structure of the Company, total liabilities represented 44.2% of total assets and total shareholder's equity was 55.8% of total assets. Financial debt was equivalent to 20.0% of total assets.

During the first three quarters of 2013, Codensa paid the last installment of dividends corresponding to 2011 net income for a total of COP\$113.5 billion (USD\$59 million) and the first installment of the dividends of the 2012 net income for COP\$101.5 billion (USD\$ 53million).

## Financial Debt

As of September 30<sup>th</sup> 2013, Codensa's financial debt reached COP\$1.03 trillion (USD\$540 million) including accrued interest, presenting a decrease of 7.3% as compared to the balance in December 2012, mainly explained by the maturity of COP\$80 billion (USD\$44 million) of local bonds in February 2013 served using cash on hand. Short-term financial debt totaled COP\$411.890 billion (USD\$216 million) out of which COP\$161 billion (USD\$88 million) and COP\$250 billion (USD\$136 million) correspond to local bond principal maturities due December 2013 and March 2014, respectively. Long-term financial debt balance at the end of September 2013 was COP\$616 billion (USD\$323 million).

As of September 2013, all of Codensa's financial debt was denominated in pesos and was represented by local bonds. About 92% of financial debt had interest payments indexed to CPI and 8% indexed to DTF. The average life of Codensa's debt was 2.2 years.

The following chart summarizes the conditions of Codensa's financial debt as of September 30, 2013:

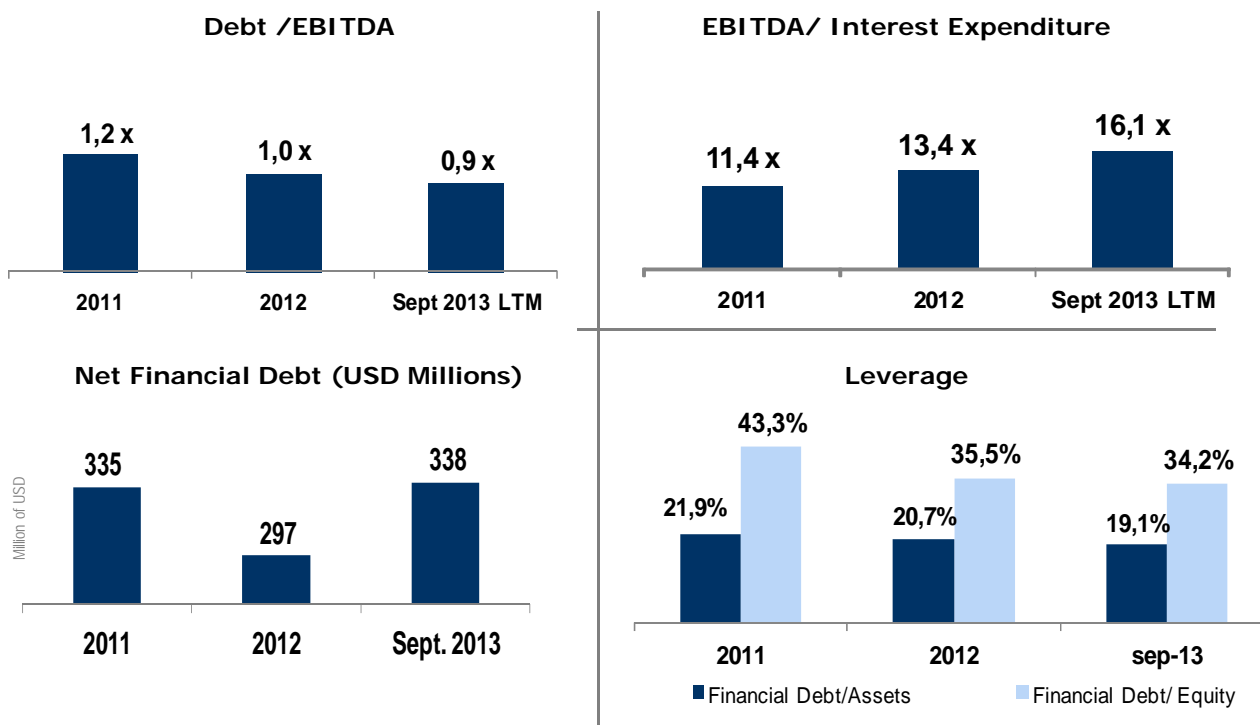
Local Instrument	Coupon	Yield	Maturity	Amount (MM COP)	Average Life	Credit Rating
First Bond Issuance	A10 Series: CPI + 6.34%	CPI + 6.34%	March 11, 2014	\$ 250,000	0.4	AAA
Second Bond Issuance	A10 Series: CPI + 5.30%	CPI + 5.30%	March 14, 2017	\$ 147,000	3.5	AAA
	A10 Series: CPI + 5.30%	CPI + 5.60%	March 14, 2017	\$ 244,500	3.5	AAA
Third Bond Issuance	A5 Series: CPI + 5.99%	CPI + 5.99%	December 11, 2013	\$ 75,500	0.2	AAA
	B5 Series: DTF + 2.58%	DTF TA + 2.58%	December 11, 2013	\$ 85,500	0.2	AAA
	A10 Series: CPI + 5.55%	CPI + 5.55%	December 11, 2018	\$ 80,000	5.2	AAA
Fourth Bond Issuance (First Tranche under Program)	B6 Series: CPI + 3.92%	CPI + 3.92%	February 17, 2016	\$ 145,000	2.4	AAA
<b>Total</b>				<b>\$ 1.027.500</b>	<b>2,2</b>	

In July 2013 Fitch Ratings Colombia confirmed Codensa's national long term debt rating in AAA(col) with stable outlook. The rating agency also ratified in AAA (col) the rating of Codensa's First Bond Issuance for COP\$500.000 million, the Second Bond Issuance for COP\$650.000 million, the Third Bond Issuance for COP\$350.000 million, and the company's local Bond Program for COP\$600.000 million. The rating reflects the company's solid competitive position, its low risk business

profile, strong credit protection metrics, high liquidity levels and the support of the Endesa group (rated BBB+ international by Fitch) in terms of know-how and best practices transfer.

## Key Credit Metrics

The following graphs present Codensa's key credit metrics as of September 30, 2013:



## IR Acknowledgement by the Colombian Securities Exchange (BVC)

In August 2013 Codensa was awarded by the Colombian Securities Exchange (BVC) with the IR acknowledgement in recognition to the company's commitment to voluntarily raise its information disclosure and investor relations management standards above those required by local regulation and making available to investors on its website the quarterly and annual information in both English and Spanish. Codensa was one of the five fixed income issuers awarded with this distinction, among the total 29 issuers awarded.

For additional information, please contact our Investor Relations Team (IR):

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