



Operational and Financial Results Report- Codensa S.A. E.S.P. As of September 2014¹

November 6, 2014

Executive Summary

- ***Codensa's EBITDA in the first nine months of 2014 had a 4.5% increase compared to the same period of 2013, reaching COP\$846,1 billion (USD\$417 million) as a result of the growth in energy demand, higher PPI and higher recognition of maintenance and administration expenses.***
- ***Codensa's net income during the first nine months of 2014 totaled COP\$394 billion (USD\$194 million), a 1,4% increase as compared to the same period of 2013 as a result of better operational results offset by higher net financial expenses.***
- ***Between January and September 2014 the company executed investments for about COP\$198,7 billion (USD\$98 million), mainly focused in servicing new demand, improving safety and quality of service and control of nontechnical losses.***
- ***Financial obligations, including accrued interest, totaled COP\$1,2 trillion (USD\$583 million), with a 5.2% decrease as compared to the balance in December 2013, mainly due to the amortization of COP\$250 billion (USD\$123 million) of local bonds in March 2014 and to the issuance of local bonds in September for a total of COP\$185 billion (USD\$91 million).***

Energy demand in Codensa's area totaled 14,638 GWh

Accumulated energy demand in Codensa's area between January and September 2014 was 14,638 GWh, reflecting an annual average growth rate of 2.30% and a positive annual variation of 2.7% compared to the same period of 2013. This was the result of an increase in energy sales to the residential, commercial, industrial and government sectors and to the increase in demand from the industry located in Codensa's area of influence.

During the same period, national demand had an annual average growth rate and a variation with respect to the first nine months of 2013 of

¹ 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 June 30, 2014 COP\$1,881,19).



4.2%, above the annual average growth rate of national demand as of September 2013 (3.03%) and a 4.6% variation compared to the first nine months of 2013.

Between January and September 2014, Codensa represented 23,2% of the national energy demand and 20,0% of the national regulated demand. About 62% of the energy distributed by Codensa in this period was commercialized by Codensa to serve the regulated market while 31% was destined to other commercialization companies and 7% was energy transferred to other network operators using Codensa's own networks.

Between December 2013 and September 2014, Codensa added 64,464 new clients reaching 2,75 million clients in Bogota and 103 more municipalities in the center of the country or 3 million clients if we take into account the clients from Cundinamarca's Electricity Company (EEC in Spanish) during 2014 total clients. Total number of clients in Codensa's area in the last twelve months ended in September 2014 increased by 3.3%, adding 87,117 new clients.

The average index of energy losses in Codensa's area was 7.06% for the last 12 months ended in September 2014.

With regards to quality of service indicators, the SAIDI (average interruption time perceived by the client) and SAIFI (average amount of interruptions perceived by a client) experienced a deterioration compared to the results of the first nine months of 2013. SAIFI increased by 10.1% during this period as compared to the same period of 2013 and SAIDI had an increase of 14.9%, which implies an increase in the number and length of interruptions of the service as compared to the first nine months of 2013. The main reasons are the rainy conditions in Codensa's area of influence which resulted in some failures in the networks and circuits and a major failure in the Usme Substation in May, affecting the Local Distribution System and approximately 85,000 clients for about 25 hours.

The following table presents Codensa's main operational results as of September 2014:



	Sept-2014	Sept-2013	Change (%)
National Demand (GWh) LTM	62,973	60,455	+4.2%
Demand in Codensa's Area (GWh) LTM	14,638	14,309	+2.3%
% Codensa's Market Share	23.2%	23.7%	-0.4%
Number of clients	2,751,360	2,664,243	+3.3%
LT and MT Network (Km)	48,030	47,303	+1.5%
Losses Index (LTM)	7.06%	7.06%	0.0%

LTM= Last twelve months

Codensa's EBITDA reached COP\$846,1 billion (USD\$417 million) during the first nine months of 2014

Operating revenues increased by 7.2% as compared to the first nine months of 2013, reaching COP\$2.6 trillion (USD\$1,3 billion), mainly due to the following factors: i) growth of energy demand, ii) increase in the generation component of the price to regulated clients, iii) the increase in the PPI year to date, at which Codensa's revenues are indexed; and iv) to higher revenues associated with maintenance of electrical infrastructure, which were reviewed in May 2014.

The cost of sales amounted to COP\$1,8 trillion (USD\$906 million), which represents an increase of 7.7% with respect to the first nine months of 2013 as a result of higher costs of energy purchased in the spot market, when considering higher spot prices, which represented 11.6% of the required energy to serve Codensa's demand as well as the 2.8% increase in energy commercialized during the same period.

Administrative expenses grew by 15.2% as compared to the first nine months of 2013, reaching COP\$92,1 billion (USD\$33 million), mainly as a result of the increase on extra hours from the personnel dedicated to solve failures in two high tension substations: Concordia and Usme.

According to this, operational income increased by 5.2% reaching COP\$651,8 (USD\$321 million) in the abovementioned period. As a result of higher operating income, Codensa's EBITDA reached COP\$846,1 (USD\$417 million), showing a 4.5% increase as compared to the same period of 2013.

Net financial expenses totaled COP\$63,6 billion (USD\$21 million)

Net financial expenses between January and September 2014 registered an increase of COP\$18 billion (USD\$8,9 million) compared to the same



period of 2013. On one hand, financial expenses increased by 20.1%, reaching COP\$84,8 billion (USD\$30 million), as a consequence of higher inflation (CPI) at which 100% of the Company's debt is indexed, and to the decision taken in December 2013 to not capitalize financial expenses associated to projects. On the other hand, financial income decreased by 30.6%, due to a lower cash balances during the first nine months of 2014 in comparison to the same period of 2013.

Codensa's net income reached COP\$394,5 billion (USD\$194 million) during the first nine months of 2014

As a result of the above mentioned reasons, Codensa had a net income of COP\$394,5 billion (USD\$194 million) during the first nine months of 2014, representing a 1.4% increase as compared to the same period of 2013. This result represented a net margin² of 16.1% of total operating revenues in the last twelve months up to September 2014.

Investments reached COP\$198,7 billion (USD\$98 million)

Between January and September of 2014 the company invested more than COP\$198,7 billion (USD\$98 million), from which about 40% was dedicated to improve the quality of service, 29% to improve and update our network and to serve demand growth, repowering of circuits, 15% to safety of operations, 7% to control nontechnical losses and 10% to strategic initiatives and legal requirements. The investments completed during the period include the purchase of combined equipments to control losses like the Shark meters, the enlargement of the medium tension substations, the development of the remote control project to find and solve failures, and to the replacement of rural infrastructure, among others.

Balance Sheet Structure

As of September 30, 2014 the company's assets totaled COP\$5,3 trillion (USD\$ 2,6 billion), out of which property, plant and equipment represented 63.8% adding up to COP\$3,4 trillion (USD\$1,7 billion), while cash and temporary investments corresponded to 7.9% reaching COP\$423,2 billion (USD\$209 million). Codensa's total liabilities as of September 30, 2014 were COP\$2,4 trillion (USD\$1,2 billion) while total shareholder's equity totaled COP\$3,0 trillion (USD\$1,5 billion).

² Net Margin = Net Income / Operating Revenues LTM.



Regarding the financial structure of the Company, total liabilities represented 43.7% of total assets and total shareholder's equity was 56.3% of total assets. Financial debt was equivalent to 22.1% of total assets.

Between January and September 2014, Codensa has paid COP\$330,7 billion (USD\$163 million) in dividends to shareholders, as follows: COP\$127,7 billion (USD\$63 million) in January 2014, corresponding to the final installment of the dividends of the 2012 net income and COP\$203 billion (USD\$100 million) on June 25, corresponding to the 37.8% of the dividends of the 2013 net income.

Financial Debt

As of September 2014, Codensa's financial debt reached COP\$1,2 trillion (USD\$583 million) including accrued interest, presenting a decrease of 5.2% as compared to the balance of December 2013, as a result of the maturity of the First Tranche of the local bond Program for COP\$250 billion (USD\$123 million) in March 2014 and to the issuance of the Third Tranche of bonds under the Program for an amount of COP\$185 billion (USD\$91,2 million) in September 2014. This last operation had 2.1 times oversubscription, a 7 year tenor and a coupon of CPI + 3.53%. The resources from this transaction will be used to finance the cash flow needs of the company in the long term, including Codensa's working capital and investment plans.

As of September 2014, Codensa had no maturities in less than a year. Codensa's total financial debt was denominated in pesos and 100% was represented by local bonds indexed to CPI. The average life of Codensa's debt was 4.84 years.

The following chart summarizes the conditions of Codensa's financial debt as of September 30, 2014:

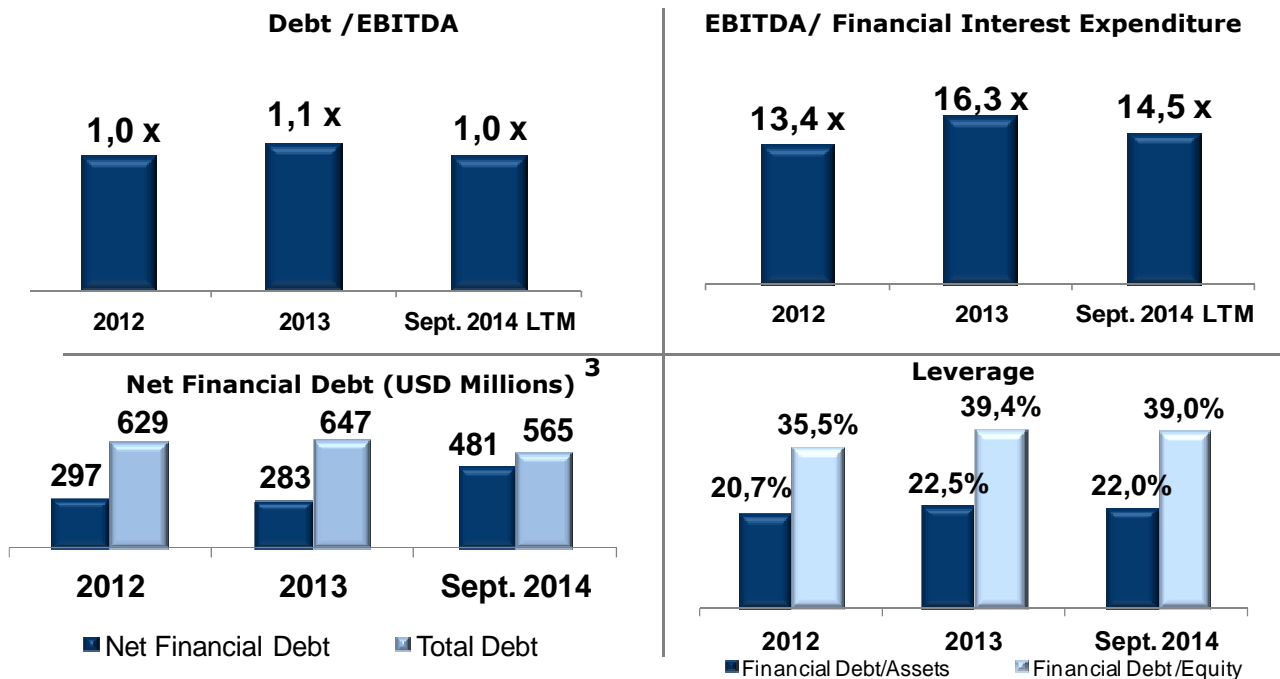
Local Instrument	Coupon	Yield	Maturity	Amount (MM COP)	Average Life	Credit Rating
Second Bond Issuance	A10 Series: CPI + 5.30%	CPI + 5.30%	March 14, 2017	\$ 147.000	2.45	AAA
	A10 Series: CPI + 5.30%	CPI + 5.60%	March 14, 2017	\$ 244.500	2.45	AAA
Third Bond Issuance	A10 Series: CPI + 5.55%	CPI + 5.55%	December 11, 2018	\$ 80.000	4.20	AAA
Fourth Bond Issuance (First Tranche under Program)	B6 Series: CPI + 3.92%	CPI + 3.92%	February 17, 2016	\$ 145.000	1.38	AAA

Fifth Bond Issuance (Second Tranche under Program)	B5 Series: CPI + 3.92%	CPI + 3.92%	November 15, 2018	\$ 181.660	4.13	AAA
	B12 Series: CPI + 4.80%	CPI + 4.80%	November 15, 2025	\$193.340	11.13	AAA
Sixth Bond Issuance (Third Tranche under Program)	B7 Series: CPI + 3.53%	CPI + 3.53%	September 25, 2021	\$185.000	6.99	AAA
Local Bonds Total				\$ 1.176.500	4.84	

In July 2014 Fitch Ratings Colombia confirmed Codensa's national long-term rating in AAA (col) with stable outlook applicable to the corporate debt issued by Codensa and to all of the outstanding bond issuances. The rating agency highlighted the strong competitive position of Codensa, as the leading distribution and commercialization company, proving 23% of the national energy demand. Moreover, the rating agency also outlined the low risk business profile, the strong financial metrics, the high liquidity position and the know-how transfer from the shareholders and the good practices of corporate governance.

Key Credit Metrics

The following graphs present Codensa's key credit metrics as of September 30, 2014:



³ Net financial debt = Debt – Cash and Investments. Financial Debt = Total Debt (non including accrued interest)



LTM= Last twelve months

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

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