



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

February 24th, 2015

Executive Summary

- ***Codensa's EBITDA reached COP\$1,13 trillion (USD\$564 million) up 2.0% on 2013, as a result of the growth in energy demand, higher PPI and higher recognition of maintenance and administration expenses.***
- ***In 2014 Codensa invested COP\$373,1 billion (USD\$231 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\$495 million), with a 5.2% decrease as compared to the balance in December 2013, mainly due to the amortization of COP\$250 billion (USD\$104,5 million) of local bonds in March 2014 and to the issuance of local bonds in September for a total of COP\$185 billion (USD\$77 million).***
- ***During 2014, Codensa installed more than 3,700 LEDs as part of the Project to Modernize Public Lighting in the City of Bogota, prioritizing unsafe areas of Bogota and road intersections.***

Energy demand in Codensa's area totaled 14,726 GWh

Accumulated energy demand in Codensa's area during 2014 was 14,726 GWh, equivalent to a 2.6% growth rate on 2013 (374 GWh more than the previous year), mainly driven by growth in energy sales to the residential, commercial, industrial and government sectors and the recovery of the demand from the industry located in Codensa's area of influence.

National demand energy demand grew by 4.4%, driven by increased demand from the mining, oil and construction sectors. The energy demand growth rate as of December 2014 was higher than in 2013 when it reached 2.6%.

In 2014 Codensa distributed 23,2% of the national energy demand and 21,8% of the national regulated demand. About 62% of the energy

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 December 31, 2014 COP\$2,392.46) for the Balance Sheet accounts and an average COP/USD FX rate (COP\$2,004.10) for the P&L accounts.



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. Energy sales during 2014 totaled 13,667 GWh and were distributed among residential (4,575 GWh), commercial (2.213 GWh) and industrial clients (931 GWh), other commercialization companies (5.442 GWh) and other clients (506 GWh).

In 2014 Codensa added 85,456 new clients reaching 2,77 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), resulting in a 3.9% increase compared to 2013.

The average index of energy losses in Codensa's area was 7.19% in 2014, showing a slight increase compared to the 7.03% level of 2013, due to the changes in the billing cycle, which were modified during 2014 resulting in consumption that could not be billed to clients. These consumptions were calculated as losses by the system but they will be adjusted during 2015.

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 unfavorable results in 2014. SAIFI increased by 10.8% during 2014 as compared to 2013 and SAIDI had an increase of 12.8%, which implies an increase in the number and length of interruptions of the service as compared to the previous year. The main reason for this result was the 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 December 2014:

	Dec-2014	Dec-2013	Change (%)
National Demand (GWh) LTM	63,396	60,892	+4.1%
Demand in Codensa's Area (GWh)	14,726	14,352	+2.6%
% Codensa's Market Share	23.2%	23.6%	-0.3%
Number of clients	2,772,352	2,686,896	+3.2%
LT and MT Network (Km)	48,152	47,727	+0.9%
Losses Index	7.19%	7.03%	+0.2%



Codensa's EBITDA reached COP\$1,13 trillion (USD\$564 million) in 2014

Operating revenues in 2014 reached COP\$3.4 trillion (USD\$1,7 billion), up by 7.1% over 2013. This result is mainly due to growth of energy demand, the increase in the PPI as compared to 2013 at which the Company's revenues are indexed, and to higher revenues associated with maintenance of electrical infrastructure.

The operating costs were COP\$2,5 trillion (USD\$1,2 billion), a 9.0% compared to 2013. This increase was mainly due to higher spot market prices for the energy purchased to meet demand from regulated clients, which represented 11.98% of the total energy purchases of 2014, as well as the 2.61% increase in the volume of energy sold by the Company compared to 2013.

Furthermore, administrative expenses grew by 19.7% as compared to 2013, reaching COP\$97,1 billion (USD\$48 million), mainly as a result of the increase in the provisions for accounts receivable after an analysis in terms of nature, damage and behavior of the payments by type of client resulting in new percentages for provisions which were applied since December 2014.

As a result of the aforementioned factors, 2014 EBIT increased by 0.6% compared to 2013 reaching COP\$859,5 (USD\$429 million) while EBITDA reached COP\$1,13 (USD\$564 million), a 2.0% increase compared to 2013, as we as a 32.9% margin over operating revenue.

Net financial charger totaled COP\$61,5 billion (USD\$31 million)

Net financial charges in 2014 reached COP\$61,5 billion (USD\$31 million), showing a COP\$27,2 billion increase compared to 2013. Financial expenses increased by 27.9%, reaching COP\$87,0 billion (USD\$43 million), as a consequence of higher inflation (CPI) at which 100% of the Company's debt is indexed, and as a result of the lower capitalization of financial charges related to projects under construction compared with 2013. Additionally, higher net financial charges reflected lower financial income resulting from a lower average balance in cash and investments in 2014 compared to the previous year.

Codensa's net income reached COP\$507,3 billion (USD\$253 million) during 2014



As a result of the aforementioned factors, Codensa reported a net income of COP\$507,3 billion (USD\$253 million) during 2014, down 5.3% compared to the previous year. This result represented a net margin² of 14.8%.

Investments reached COP\$373,1 billion (USD\$186 million)

During 2014 Codensa invested COP\$373,1 billion (USD\$186 million), 40% of which were dedicated to improve the quality of service, 28% to improve and update our network and to serve demand growth, repowering of circuits, 13% to safety of operations, 6% to control nontechnical losses and 13% to IT, real state initiatives and legal requirements. Investments made during 2014 included the Remote Control Project which includes the installation of 3,787 remotely controlled switchgear facilities and the strengthening of 1,800 Km of networks. During 2014 Codensa installed 145 equipments under this project.

In 2014 CODENSA launched the Public Lighting Modernization Project in the City of Bogotá, with over 3,700 LEDs installed throughout the year, giving priority to unsafe areas of Bogotá and road intersections. LEDs are more eco-friendly than traditional light bulbs as they allow 45% savings on energy consumption and have a longer service life than the latter.

Balance Sheet Structure

As of December 31, 2014 the company's assets totaled COP\$5,6 trillion (USD\$ 2,3 billion), of which property, plant and equipment represented 62.7% valued at COP\$3,5 trillion (USD\$1,45 billion), while cash and temporary investments corresponded to 10.6% reaching COP\$591,5 billion (USD\$247 million).

As of December 31, 2014, Codensa's total liabilities were COP\$2,8 trillion (USD\$1,2 billion) and the shareholders' equity reached COP\$2,8 trillion (USD\$1,2 billion). Regarding the financial structure of the Company, total liabilities represented 50,4% of total assets and the shareholders' equity was 49,6% of total assets. Total financial debt, including accrued interests, was equivalent to 21,1% of total assets.

In 2014 Codensa paid COP\$463,2 billion (USD\$231 million) in dividends to shareholders, as follows: COP\$127,7 billion (USD\$64 million) in

² Net Margin = Net Income / Operating Revenues.



January 2014, corresponding to the final portion (25%) of the payout of the 2012 net income; then in June and November 2014 the company paid COP\$203 billion (USD\$101 million) and COP\$132,4 billion (USD\$66 million), respectively, corresponding to 62.5% of the payout on 2013 net income.

Financial Debt

As of December 31, 2014, Codensa's financial debt reached COP\$1,2 trillion (USD\$495 million) including accrued interest, presenting a decrease of 5.2% as compared to the balance of December 2013. This is as a result of the amortization of the First Tranche of the local bond Program for COP\$250 billion (USD\$104,5 million) in March 2014 and the issuance of the Third Tranche of bonds under the Program for an amount of COP\$185 billion (USD\$77,3 million) in September 2014. The resources from this last issuance were used to finance the cash flow needs of the company in the long term, including Codensa's working capital and investment plans.

As of December 31, 2014, Codensa's total financial debt was in the long-term, denominated in Colombian pesos and 100% was represented by local bonds indexed to CPI. The average life of Codensa's debt was 4.59 years.

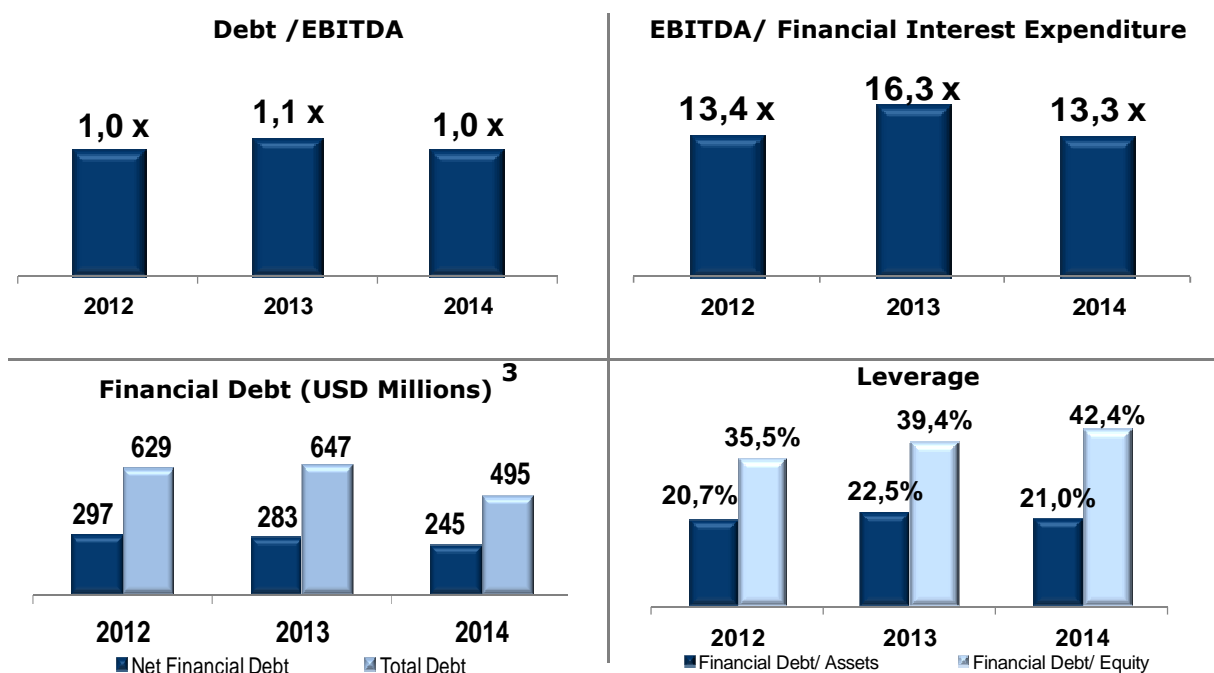
The following chart summarizes the conditions of Codensa's financial debt as of December 31, 2014:

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	2.20	AAA
	A10 Series: CPI + 5.30%	CPI + 5.60%	March 14, 2017	\$ 244.500	2.20	AAA
Third Bond Issuance	A10 Series: CPI + 5.55%	CPI + 5.55%	December 11, 2018	\$ 80.000	3.85	AAA
Fourth Bond Issuance (First Tranche under Program)	B6 Series: CPI + 3.92%	CPI + 3.92%	February 17, 2016	\$ 145.000	1.13	AAA
Fifth Bond Issuance (Second Tranche under Program)	B5 Series: CPI + 3.92%	CPI + 3.92%	November 15, 2018	\$ 181.660	3.88	AAA
	B12 Series: CPI + 4.80%	CPI + 4.80%	November 15, 2025	\$ 193.340	10.88	AAA
Sixth Bond Issuance (Third Tranche under Program)	B7 Series: CPI + 3.53%	CPI + 3.53%	September 25, 2021	\$ 185.000	6.74	AAA
Local Bonds Total				\$ 1.176.500	4.59	

In July 2014 Fitch Ratings Colombia confirmed Codensa's national long-term rating and the ratings of the Second and Third Issuances and the Local Bond Program in AAA (col) with stable outlook. 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 December 31, 2014:



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



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