

**Operational and Financial Results Report- Codensa S.A. E.S.P.
First Half of 2014¹**

July 31, 2014

Executive Summary

- ***Codensa's net income reached COP\$243,5 billion (USD\$129 million), a 3.1% decrease as compared to the same period of 2013, due to the increase in net financial expenses.***
 - ***Codensa's EBITDA in the first six months of 2014 had a 1.1% increase compared to the same period of 2013, reaching COP\$530,1 billion (USD\$282 million).***
 - ***Between January and June 2014 the company executed investments for about COP\$109 billion (USD\$58 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\$1,1 trillion (USD\$565 million) reflecting a 14.8% decrease as compared to December 2013, mainly explained by the maturity of COP\$250 billion (USD\$133 million) of local bonds in March 2014.***
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Operating revenues increased by 6.3% as compared to the first half of 2013, reaching COP\$1.7 trillion (USD\$887 million), mainly due to growth of energy demand by 1.46% in Codensa's area in the last twelve months ended June 2014 and to higher revenues associated with maintenance of electrical infrastructure, which were reviewed in May 2014. The cost of sales amounted to COP\$1,2 trillion (USD\$652 million), which represents an increase of 8.2% with respect to the first six months of 2013 as a result higher prices of electricity purchases in the spot market.

Administrative expenses grew by 10.3% as compared to the first half of 2013, reaching COP\$42,9 billion (USD\$23 million), as a result of the increase on contingencies provisions and the update on the tariffs of outsourced services and salaries in 2014.

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).



Codensa's EBITDA reached COP\$530,3 billion (USD\$282 million) during the first half of 2014

Codensa's EBITDA in the first six months of 2014 reached COP\$530,3 (USD\$282 million), showing a 1.1% increase as compared to the same period of 2013.

Net financial expenses totaled COP\$27,8 billion (USD\$15 million)

Net financial expenses during the first half of 2014 registered an increase of COP\$14 billion (USD\$7,4 million) compared to the same period of 2013. On one hand, financial expenses increased by 24.9%, reaching COP\$41,7 billion (USD\$22 million), as a consequence of higher inflation (CPI) at which 94% of the Company's debt is indexed and to the decision of avoid capitalization of financial expenses associated to projects since December 2013. On the other hand, financial income decreased by 29.3% between the first half of 2013 and the same period of 2014, due to a lower cash balance during the first six months of 2014

Codensa's net income reached COP\$243,5 billion (USD\$129 million) during the first six months of 2014

Codensa had a net income of COP\$243,5 billion (USD\$129 million) during the first half of 2014, representing a 3.1% decrease as compared to the same period of 2013, mainly due to higher net financial expenses due to higher inflation (CPI), at which 94% of the Company's debt is indexed and to because we have not capitalized any financial expense in relation to projects since December 2013. This result represented a net margin² of 16.0% of total operating revenues in the last twelve months up to June 2014.

Energy demand in Codensa's area was 7,226 GWh during the first six months of 2014

Accumulated energy demand in Codensa's area between January and June 2014 was 7,226 GWh; reflecting an annual average growth rate of 1.46% and a positive annual variation of 2,2% compared to June 2013. This was the result of energy demand growth from the residential and industrial segments, specially from the plastics and chemical industries.

² Net Margin = Net Income / Operating Revenues LTM.



During the same period, national demand had a 3,14% annual average growth rate and 3.8% variation with respect to the first half of 2013. The annual average growth rate of national demand as of June 2014 was below the same rate as of June 2013 (3.42%).

During the first six months of 2014 Codensa represented 23,4% of the national energy demand and 21,6% 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.

During the first half of the year, Codensa added 46,290 new clients reaching 2,73 million clients in Bogota and 103 more municipalities in the center of the country. If we take into account the clients from Cundinamarca's Electricity Company (EEC in Spanish) during 2014 total clients would reach 3,0 million. Total number of clients between June 2013 and June 2014 increased by 3.5%.

The average index of energy losses in Codensa's area was 7.12% for the last 12 months ended in June 2014. The losses index had an increase compared to the closing of 2013, due to the impact in the estimation of energy in the meters as a result of the migration of corporate clients to massive cycles, which has a three month stabilization period from May to July 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 half of 2013. SAIFI increased by 6.5% with respect to the first half of 2013 and SAIDI increased by 17%. 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 more than 85,000 clients for about 26 hours.

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

	Jun-2014	Jun-2013	Change (%)
National Demand (GWh)	31.030	29.895	+3,8%
Demand in Codensa's Area (GWh)	7.226	7.070	+2,2%

% Codensa's Market Share	23,4%	23,8%	-0,4%
No of clients	2.733.186	2.640.304	+3,5%
LT and MT Network (Km)	47.978	47.171	+1,7%
Losses Index (LTM)	7,12%	7,14%	-0,02%

Investment

COP\$109,3 billion (USD\$58 million)

reached

During the first half of 2014 the company invested more than COP\$109,3 billion (USD\$58 million), from which about 41% was dedicated to improve the quality of service, 30% to improve and update our network and to serve demand growth and repowering of circuits, , 13% to safety of operations, 8% to control nontechnical losses and 7% to strategic initiatives and legal requirements.

Balance Sheet Structure

As of June 30, 2014 the company's assets were COP\$5,2 trillion (USD\$ 2,7 billion), out of which property, plant and equipment represented 64.9% adding up to COP\$3,3 trillion (USD\$1,8 billion), while cash and temporary investments corresponded to 2,9% reaching COP\$151,0 billion (USD\$80 million). Codensa's total liabilities as of June 2014 were COP\$2,4 trillion (USD\$1,2 billion) while total shareholder's equity totaled COP\$2,9 trillion (USD\$1,5 billion).

Regarding the financial structure of the Company, total liabilities represented 45.2% of total assets and total shareholder's equity was 54.8% of total assets. Financial debt was equivalent to 20.3% of total assets.

As for dividend payments, in January 2014 Codensa paid the final installment of the dividends corresponding to the 2012 net income for an amount of COP\$127,7 billion. In addition, on June 25, 2014 the Company 37.8% of the dividends of the 2013 net income totaling COP\$203 billion (USD\$108 million).

Financial Debt

As of June 2014, Codensa's financial debt reached COP\$1 trillion (USD\$565 million) including accrued interest, presenting a decrease of 14.8% as compared to the balance in December 2013, mainly explained by the maturity of COP\$250 billion (USD\$132 million) of local bonds in March 2014.

As of June 2014 long-term financial debt totaled COP\$992,3 billion (USD\$528 million), representing most of the total debt which totaled COP\$1,1 trillion (USD\$562 million). As of June 2014, the Company disbursed a short-term loan for COP\$65 billion (USD\$35 million) from a local bank for working capital needs which matures on July 28, 2014.

As of June 2014, Codensa's total financial debt was denominated in pesos and about 94% was represented by local bonds indexed to CPI and about 6% represented in short-term loans at a fix rate. The average life of Codensa's debt was 4.41 years.

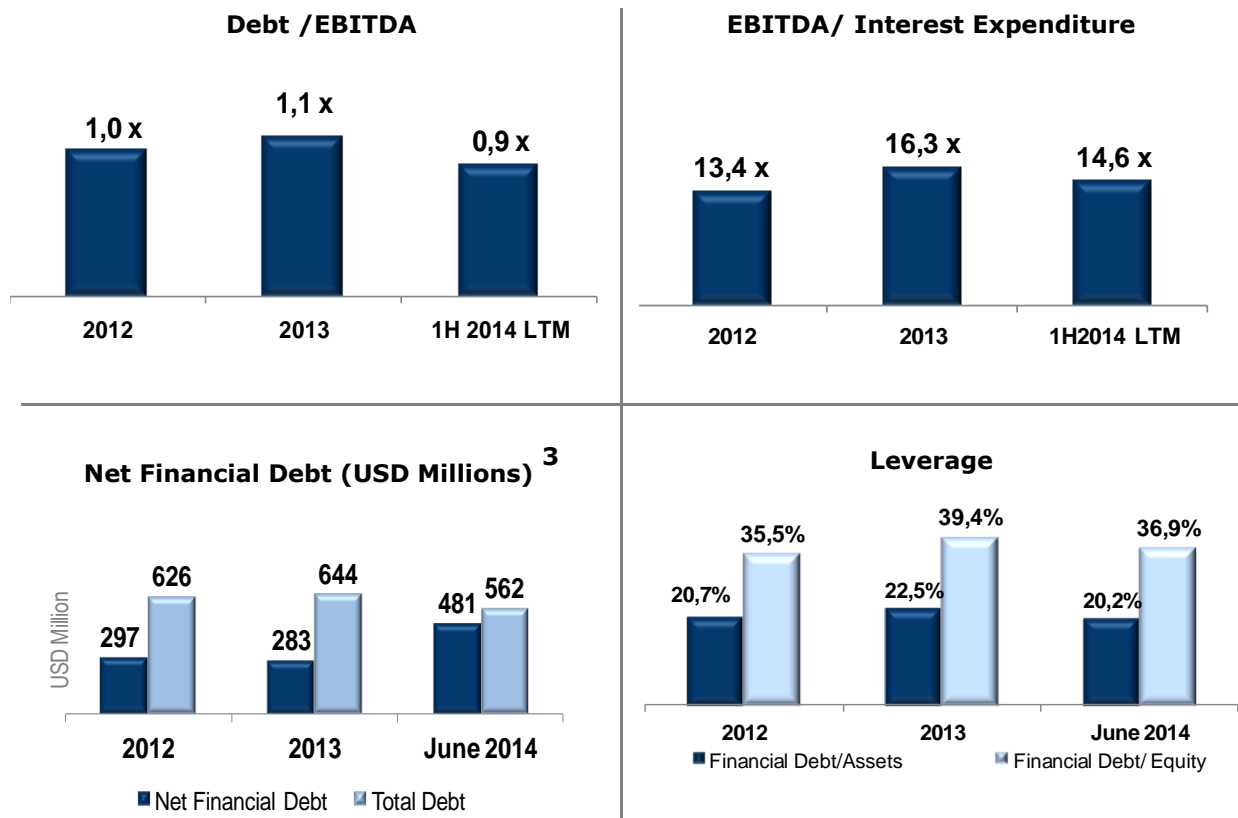
The following chart summarizes the conditions of Codensa's financial debt as of June 30, 2014:

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	2,71	AAA
	A10 Series: CPI + 5.30%	CPI + 5.60%	March 14, 2017	\$ 244.500	2,71	AAA
Third Bond Issuance	A10 Series: CPI + 5.55%	CPI + 5.55%	December 11, 2018	\$ 80.000	4,45	AAA
Fourth Bond Issuance (First Tranche under Program)	B6 Series: CPI + 3.92%	CPI + 3.92%	February 17, 2016	\$ 145.000	1,64	AAA
Fifth Bond Issuance (Second Tranche under Program)	B5 Series: CPI + 3.92%	CPI + 3.92%	November 15,2018	\$ 181.660	4,38	AAA
	B12 Series: CPI + 4.80%	CPI + 4.80%	November 15,2025	\$193.340	11,39	AAA
Local Bonds Total				\$ 991.500	4,69	
Local Banks			Maturity	Amount (MM COP)	Average Life	
Citibank	4,40% E.A.		July 28, 2014	\$ 65.000	0,08	
Codensa Total				\$ 1.056.500	4,99	

During the first half of 2014 Codensa did not have any change in its local credit rating. As of June 2014, Codensa's long-term local rating for the Second and Third Issuance and the Local Bond Program was AAA (stable outlook) by Fitch Ratings Colombia S.A.

Key Credit Metrics

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



1H= First Half
LTM= Last twelve months

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



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