



Grupo Enel

Operational and Financial Results Report Codensa S.A. E.S.P. As of December 2017¹

February 27th 2018

Executive Summary

- *Codensa closes 2017 with an outstanding performance reflecting in its positive figures the incorporation of the market served by the EEC, a positive change in energy demand trend and high levels of its quality of the service indicators.*
- *Net income for 2017 reached COP\$623.486 million, increasing 14.8% compared to 2016*
- *The company reached a historical milestone in investments for 2017 with COP\$786.484 million, aimed at modernizing the network, improving quality of service and supporting organic growth.*

Total energy demand in the Codensa area between January and December 2017 was 14.690 GWh

Energy demand in Codensa's area of influence for 2017 reached 14.690 GWh, which represents a positive variation of 0.7% with respect to the same period of the previous year. In addition, the accumulated national demand between January and December was 66.841 GWh, increasing by 1.1% with respect to the same period of the previous year.

After a first half of the year of decline in energy demand, the second half developed a constructive trend reaching positive numbers by the end of 2017, close to the low scenario foreseen by the UPME. The growth in demand was mainly explained by the commercial and residential segments, which boosted the overall result. Although, the industrial sector (manufacturing) presented a fall of close to 3% during 2017 in line with the slowdown observed in the national economy.

¹Figures of the financial statements used in this presentation as of December 31st, 2017 were prepared in Colombian pesos under IFRS officially applied in Colombia.



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Between January and December 2017, Codensa distributed 22.0% of the energy demand of the SIN and 22.5% of the total regulated demand of the country. In addition 69.0% of the demand in the area of influence of Codensa corresponded to regulated market, while 31.0% corresponded to tolls (customers located within the Codensa network served by other companies).

Codensa added 91.887 new customers during 2017, reaching a total of 3.340.457 as of December, located in Bogota and 103 municipalities in the Country's central region.

Energy losses indicator in the distribution area served by Codensa stood at 7.84% in the last twelve months as of December 2017, presenting an increase of 11.0% compared to the same period of 2016. The incorporation of the market served by EEC, which registered levels of losses well above those observed in Codensa due to the rural nature of its market, affected the indicator. It is important highlighting the constant effort made by the company to bring the consolidated indicator to the levels prior to the merger, which is evident in the ambitious investment plan that has been implemented.

For the same reason, SAIDI (duration of interruptions) and SAIFI (frequency of interruptions), international indicators for quality of service, increased compared to the same period of the previous year, totaling 820 minutes (+19.3%) for SAIDI and 9.9 times (+12.8%) for SAIFI.

The following table presents Codensa's main operational results for 2017:

| | 2017 | 2016 | Change (%) |
|---------------------------------------|-----------|-----------|------------|
| National Demand (GWh) | 66.841 | 66.267 | +1.1% |
| Demand in Codensa's area (GWh) | 14.690 | 14.592 | +0.7% |
| % Codensa market share | 21,98% | 22,02% | -0.2% |
| Number of clients | 3.340.457 | 3.248.570 | +2.8% |
| Energy Loss Index (LTM) | 7,84% | 7,06% | +11,0% |

Codensa's EBITDA between January and December 2017 reached COP\$1.151 billion (USD 525 million)



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Operational revenues of Codensa as of December 2017 reached COP\$4.6 trillion, showing an 8.8% increase compared to the previous year. This is the product of the following effects:

- First, the incorporation of the market previously served by Empresa de Energía de Cundinamarca (EEC), absorbed by Codensa in October 2016.
- An increase in the regulated tariff as result of changes in its main components, highlighting:
 - o Increase in the Distribution component remuneration given the indexation to the producer price index (PPI), which had a positive variation during the period
 - o An increase in the retailing component remuneration, due to positive variations of the Consumer Price Index (CPI) to which the component is indexed to.
- Revenues from value-added services such as insurance, customized energy solutions to final consumers (B2C segment) and public lighting registered a 18.5% increase, representing 5% of the company's total revenues

Cost of sales amounted COP\$2,6 trillion during 2017, equivalent to an increase of 7.3% compared to 2016. The increase can be explained by:

- Higher level of energy purchases, in order to serve the EEC market added to Codensa's operation. This was partially offset by the low energy prices registered in 2017 compared to the past year. As an aggregate figure, energy purchases increase by 4.3% in annual terms
- Increase in transmission costs due to greater volume of energy transported and because of the growth in the regulated tariff
- Increase in costs related to value added services of 39% in annual terms

In addition, fixed costs represented by personnel, operating and maintenance costs increased by 13.5% compared to the close of 2016, reaching a total of COP\$429 billion. The main drives of growth are:

- The increase in staff following the merger with EEC;
- The increase in the number of operations due to:



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- The integration of the market previously attended by the EEC, which also represents a higher cost of operation derived from the high dispersion of its customers;
- The winter season presented in the first quarter of the current year, which implied a higher number of prevention and corrective maneuvers.
- The CPI indexation of the majority of the personnel expenses and other fixed operating expenses.

Accordingly, EBITDA during 2017 reached COP \$1.55 trillion (USD 525 million), a 10.0% increase compared to 2016, representing a margin of 34.0% over operating revenues.

Depreciation and amortization showed an increase of 18.7% compared to the previous year, mainly due to the incorporation of EEC's assets, and the activation of Codensa's ongoing projects, resulting in a larger asset base subject of depreciation

This way, Codensa's EBIT totaled COP\$1,23 trillion (USD 416 million), equivalent to an increase of 7.7% compared to the previous year.

Net financial expenses reached COP \$165 billion (USD 56 million)

Net financial expenses for year 2017 totaled COP \$165 billion (USD 56 million), increasing by 4.1% compared to 2016, explained by the following facts

- The gross financial expenses increased by 3.7% to a total value of COP\$193 billion. All of it as a consequence of the financing needs of the company's investment plan and the incorporation of the debt of EEC into Codensa portfolio, the average debt balance during 2017 was above that registered a year earlier, explaining in the majority of the increase in financial expenses. This was partially offset by a lower level of average CPI registered in 2017, which almost 35% of Codensa's coupons are indexed to.
- Financial income totaled COP\$30 billion during the analyzed year, equivalent to a 4.8% growth compared to 2016, mainly explained by a higher level of liquidity surplus with respect to the previous year.



As a result, Codensa reported earnings before taxes (EBT) of COP\$1,05 trillion as of December 2017, 10.3% higher than what was recorded one year ago.

Codensa's net income reached COP \$623 billion (USD 211 million)

Codensa recorded a net income of COP\$623 billion at the end of 2017, 14.8% more than in the same period of the previous year, as a result of a good EBITDA, partially offset by a slightly higher net financial expenses and a higher depreciation. There was also a decrease in the effective tax rate, which contributed positively to bottom line results compared to the previous year.

CAPEX reached COP \$786 billion (USD 266 million)

The investments carried out during 2017 reached COP\$786 billion, reaching in 2017 a milestone in investments for Codensa. Investments grew by 22.2% compared to 2016, out of which 68.7% was oriented to growth, especially focused on improving quality of service. A clear example is the telecontrol project in Cundinamarca, which allowed the company to maintain the quality indicators at levels close to what was registered prior to the merger with the EEC. The remaining 31.3% was destined to maintenance of operating assets

Balance Sheet Structure

As of December 31st 2017, the company's assets amounted COP \$6.2 trillion (USD 2.07 billion), of which property, plant and equipment represented 76.3%, valued at COP \$4.7 trillion (USD 1.6 billion). Total assets increased by 7.8% compared to December 31st 2016, mainly due to an increase in fixed assets (+10.8%) resulting from the capex executed in the course of the year.

Codensa's total liabilities as of December 31st 2017 were COP \$3.5 trillion (USD 1.2 billion), a 10.9% increase compared to December 2016. In the analyzed period, total financial debt rose 13.3% mainly by an increase in the long-term financial debt used to as well as to fund the investment plan



The Company's total equity amounted to COP \$2.6 trillion (USD 888 million), presenting a 4.0% increase compared to December 31st 2016, due to a higher net income for 2017.

Total liabilities and total equity as of December 31st, 2017 represented 57.2% and 42.8% of total assets, respectively.

Throughout 2017, Codensa paid a total of COP \$549 billion (USD 186 million) in dividends to its shareholders, as follows:

- In January 2017, COP \$117 billion (USD 40 million), corresponding to the last installment of the dividends decreed from 2015 net income.
- In April 2017, COP \$152 billion, corresponding to EEC's net income accrued from January 2010 through September 2016 which had been retained prior to the merger.
- In May 2017, COP \$140 billion, corresponding to the first installment of the dividends decreed on 2016 net income.
- In October 2017, COP\$140 billion corresponding to the second installment of the dividends decreed on 2016 net income

Financial Debt

At the end of December 2017, Codensa's financial debt, including interests accrued and payable, amounted to COP \$1.8 trillion (USD 616 million), a 13.3% increase over December 2016, after issuing two local bonds in March and June for a total amount of 630 billion(US 214 million), and servicing debt maturities for a total of \$521 billion (US 178 million). The first bond was placed in two fixed-rate tranches with tenors of 2 and 5 years for a total amount of COP \$430 billion (USD 146 million). The second bond was placed in a single fixed rate tranche with a 7 years tenor for a total amount of COP \$200 billion (USD 68 million)

At the end of December 2017, Codensa's total financial debt was fully denominated in Colombian pesos (COP), and its average life was 3.28 years. Also, 35.4% of the debt had interest indexed to CPI, 4.9% to DTF and 59.8% had fixed rate.

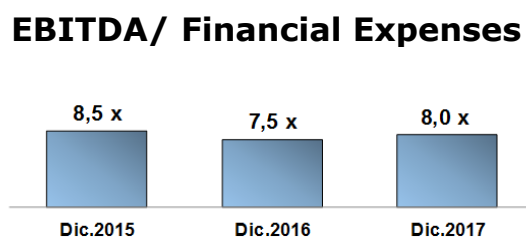
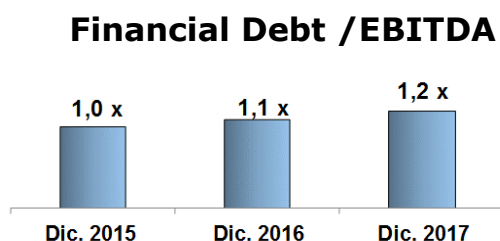
The following table summarizes the financial terms and conditions of Codensa's financial debt² as of December 31st 2017:

² Excluding leasing operations.

| Instrument | Coupon/ Interest | Maturity | Amount (MM COP) | Average Life (years) | Credit Rating |
|--|-------------------------|--------------------|---------------------|-------------------------|---------------|
| Third Bond Issuance | A10 Series: CPI + 5.55% | December 11, 2018 | \$ 80.000 | 0,95 | AAA |
| Fifth Bond Issuance (Second Tranche under Program) | B5 Series: CPI + 3.92% | November 15, 2018 | \$ 181.660 | 0,87 | AAA |
| | B12 Series: CPI + 4.80% | November 15, 2025 | \$193.340 | 7,88 | AAA |
| Sixth Bond Issuance (Third Tranche under Program) | B7 Series: CPI + 3.53% | September 25, 2021 | \$ 185.000 | 3,74 | AAA |
| Seventh Bond Issuance (Fourth Tranche under Program) | E4 Series: 7.70% | September 15, 2020 | \$90.000 | 2.71 | AAA |
| Eighth Bond Issuance (Fifth Tranche under Program) | E2 Series: 7.04% | March 9, 2019 | \$160.000 | 1,19 | AAA |
| | E5 Series: 7.39% | March 9, 2022 | \$270.000 | 4,19 | AAA |
| Seventh Bond Issuance (Sixth Tranche under Program) | E7 Series: 6.46% | June 8, 2024 | \$200.000 | 6,44 | AAA |
| Total Bonds | | | \$ 1.360.000 | 3,90 | |
| COP Indexed loan Bank of Tokyo MUFJ | 8.32% NASV | March 18, 2019 | \$ 200.000 | 1,21 | N/A |
| COP Indexed loan Bank of Tokyo MUFJ | 8.82% NASV | June 10, 2020 | \$ 162.000 | 1,94 | N/A |
| Local Bank Loans | Average 6,98% E.A. | | \$88.370 | 0,81 | N/A |
| Total Loans | | | \$ 450.370 | 1,40 | |
| Total | | | \$ 1.810.370 | 3,28 | |

Key Credit Metrics

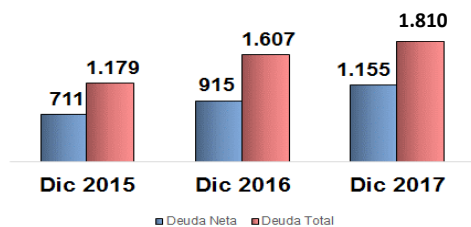
Main credit metrics as of December 31st, 2017 are as follows:



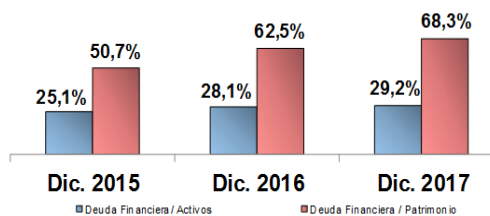


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Gross and Net Financial Debt³



Leverage



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³ Net Debt = Principal balance of less effective financial debt and temporary investments.
Financial Debt = principal balance of financial debt (not including interest due to pay)