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

August 8th, 2017

Executive Summary

- ***Codensa's results reflect the consolidation of the operations of Empresa de Energía de Cundinamarca (EEC) following their merger in October 2016***
 - ***EBITDA² reached COP \$763 billion during the first half of 2017, equivalent to a 34.4% margin over revenues.***
 - ***The company continues to execute an ambitious investment plan aimed at modernizing the network, improving the quality of service, and supporting organic growth. During the first half of 2017, investments reached COP \$275 billion.***
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During the first half of 2017, energy demand in Codensa's area of operation totaled 7,385 GWh

Energy demand during the first half of 2017 in Codensa's area of operation reached 7,385 GWh, which represents a 1.5% increase with respect to the same period of the previous year. National demand during the first six months of 2017 reached 32,824 GWh, increasing by 0.2% compared to the same period of 2016, showing a recovery trend of consumption, which had been affected over the past year by the energy saving campaign "Apagar Paga" promoted by the National Government during 2016 El Niño Phenomenon.

The results on Codensa's area of operations reflect, on the one hand, the growth associated with the inclusion of the market previously operated by the EEC which has been integrated with Codensa's from this semester on, and on the other hand, a reduction in demand from unregulated users and other network operators in Codensa's area of operations,

¹ Figures of the financial statements used in this presentation as of June 30th, 2017 were prepared in Colombian pesos under IFRS officially applied in Colombia since January 2015.

² EBITDA is calculated by adding the depreciation and amortization charges to EBIT.



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explained by the structural change in consumer habits of large customers and unregulated market, driven by their implementation of new efficient lighting and cogeneration technologies, motivated by the "Apagar Paga" campaign carried out at the beginning of 2016. However, regulated market demand presented a recovery towards the second quarter of 2017, showing a change in the negative growth trend in consumption evidenced in the previous quarter.

During the first half of 2017 Codensa distributed 22.5% of the SIN³ energy demand and 22.6% of the Country's total regulated demand. Furthermore, 67.6% of the energy distributed by Codensa corresponded to the regulated market, 30.5% to unregulated customers located within the Codensa network, and 1.9% to energy transferred to other operators through Codensa's networks.

Codensa added 43,986 new customers to its network during the first six months of this year, reaching a total of 3,292,556 customers located in Bogota and 103 other municipalities in the Country's central region.

The average energy losses index in the distribution area served by Codensa was 7.88% for the last twelve months ending June 30 2017, showing an increase compared to the 7.28% observed in the last twelve months same period ending June 30, 2016. This was mainly explained by the incorporation of EEC's operation, which presented a higher level of energy losses than Codensa's due to the more rural characteristic of the EEC operating area at the time of integration.

SAIDI (duration of interruptions) and SAIFI (frequency of interruptions), the international indicators for quality of service, exhibited an improvement of 21% compared to the same period of the previous year, with SAIDI in 858 minutes and SAIFI in 10.02 times.

The following table presents Codensa's main operational results for the first half of 2017:

³ SIN: Sistema Interconectado Nacional = National Interconnected System



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	January – June 2017	January – June 2016	Change (%)
National Demand (GWh)	32,824	32,755	+0.2%
Demand in Codensa's area (GWh)	7,385	7,273	+1.5%
% Codensa's market share	22.5%	22.1%	+1,8%
Number of Clients	3,292,556 ⁽¹⁾	3,248,570 ⁽²⁾	+1.4%
Energy Loss Index (LTM)	7.88%	7.28%	+8.2%

(1) Figures as of June 30 2017

(2) Figures as of December 31 2016

Codensa's EBITDA reached COP \$763 billion (USD 261 million) in the first half of 2017

Operating revenues in the first half of 2017 totaled COP \$2.2 trillion (USD 760 million), up by 10.4% compared to the same period of the previous year. The above is the result of:

- The effect of the incorporation of revenues from the market previously served by EEC, which was absorbed by Codensa in October 2016;
- An increase in the regulated tariff, due to variations in its main components, as follows:
 - An increase in the remuneration component of the distribution activity given the incorporation of new high voltage remunerated assets such as the Bacatá Substation, coupled with the indexation of the Producer Price Index (PPI).
 - A rise in the remuneration component of the retailing activity, thanks to positive changes in the Consumer Price Index (CPI) to which the charge is indexed to.
 - A lower value of the Generation component, thanks to lower spot prices, considering that the first half of 2016 was strongly impacted by the El Niño Phenomenon.

Cost of sales amounted to COP \$1.2 trillion (USD 426 million) during the first six months of the year, equivalent to an 8.0% increase compared to the same period of 2016. This increase was mainly explained by a higher volume of energy purchases and transmission costs, due to higher demand served on the regulated market.

Fixed costs, represented by personnel, operating and maintenance costs, grew by 15.5% compared to the same period in 2016, reaching a total of COP \$214 billion (USD 73 million). This increase is explained by the



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incorporation of the commercial operations of EEC, with costs proportionally higher than those of Codensa given its more rural nature, as well as by the indexation to CPI of the majority of the personnel expenses and other fixed operating expenses, effects that were partially mitigated by administrative efficiencies obtained after the merger.

Accordingly, EBITDA during the first six months of 2017 reached COP \$763 billion (USD 261 million), a 13.2% increase compared to the same period of 2016, and a margin of 34.4% over operating revenues.

Net financial expenses reached COP \$79 billion (USD 27 million)

Net financial expenses for the first half of 2017 increased by 9.0% compared to the same period of 2016, explained by the following facts:

- Gross financial expenses increased by 7.3% YoY up to COP \$91 billion (USD 31 million), explained by an increase in the average debt balance due to financing operations carried out over the past twelve months and the incorporation of EEC debt to Codensa's liabilities. The increase in financial expenses was partially offset by the lower level of CPI recorded in 2017 YoY, to which a considerable portion of the debt is indexed to.
- Financial income increased by COP \$1.3 billion (USD 0.4 million) during the first half of 2017 compared to the same period in 2016, equivalent to a 9.7% growth, explained by higher rates of deposits during the period compared to the previous year.

Finally, Codensa reported earnings before tax (EBT) of COP \$526 billion (USD 180 million) during the first half of 2017, up by 12.6% over the previous year.

Codensa's net income reached COP \$310 billion (USD 106 million)

Codensa recorded a COP \$310 billion (USD 106 million) net income during the first half of 2017, 15.7% higher than what was recorded a year ago, as a result of a favorable performance of EBITDA, an increase in net financial expenses and a lower effective tax rate pursuant to the 2016 tax reform.



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CAPEX reached COP \$276 billion (USD 94 million)

During the first half of 2017, investments amounted COP \$276 billion (USD 94 million), 7.9% less than the previous year, due to the rescheduling of asset replacement projects for the second half of the year, given the difficulties posed by the winter season during the first quarter of this year. 58.9% of total investments were destined to growth through programs that are aligned with the company's strategy, aimed at improving quality of service, new network connections and network remote control program, among others. The remaining 41.1% was destined mainly to maintenance of existing operating assets.

Balance Sheet Structure

As of June 30th 2017, the company's assets amounted COP \$5.7 trillion (USD 1.9 billion), of which property, plant and equipment represented 77.7%, valued at COP \$4.4 trillion (USD 1.5 billion). Total assets decreased by 1.4% compared to December 31st 2016, mainly due to a 35.4% reduction in cash and temporary investments as a result of the payment of dividends, including those corresponding to earnings formerly retained at EEC during several years prior to the merger.

Codensa's total liabilities as of June 30th 2017 were COP \$3.3 trillion (USD 1.1 billion), a 4.4% increase compared to December 2016. In the analyzed period, there is a 13.9% increase in total financial debt mainly explained by the addition of COP \$225 billion (US 74 million) to finance capex. Long-term financial debt compared to the closing of 2016 increased by 52.5% with respect to December 2016, mainly due to the use of long-term financing instruments to refinance short-term maturities held at the end of 2016, as well as to fund the investment plan needs. The Company's equity was COP \$2.3 trillion (USD 767 million), presenting a 8.5% reduction compared to December 31st, 2016, due to the dividends decreed from Codensa's 2016 profit, as well as a 100% of the EEC's retained earnings for the period 2010 to 2016.

For the financial structure of the company, liabilities and equity represented 58.8% and 41.2% of total assets, respectively.

During the first half of 2017, CODENSA paid a total of COP \$409 billion (USD 140 million) in dividends to its shareholders, as follows:



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- In January 2017, COP \$117 billion (USD 40 million), corresponding to the last installment of the dividends decreed from 2015 net profits.
- In April 2017, COP \$154 billion (USD 52 million), corresponding to EEC's net profits accrued from January 2010 through September 2016 which had been retained prior to the merger.
- In May 2017, COP \$140 billion (USD 48 million), corresponding to the first installment of the dividends decreed on 2016 net profits.

Financial Debt

At the end of June 2017, Codensa's financial debt, including interest, amounted to COP \$1.9 trillion (USD 608 million), a 13.9% increase over December 2016, after issuing two local bonds in March and June and servicing debt maturities for a total of \$411 billion (US 135 million). 62.1% of proceeds was destined to refinancing, and 37.9% to fund the Company's investment plan. The first placement was carried out in two fixed-rate tranches with tenors of 2 and 5 years for a total amount of COP \$430 billion (USD 142 million). The second bond was placed in a single tranche with fixed rate and a 7year tenor for a total amount of COP \$200 billion (USD 66 million).

At the end of first half of 2017, Codensa's total financial debt was denominated in Colombian pesos (COP) and its average life was 3.74 years. 35.0% of the debt had interest indexed to CPI, 5.9% to DTF and 59.1% had fixed rate.

The following table summarizes the conditions of Codensa's financial debt⁴ as of June 30th 2017:

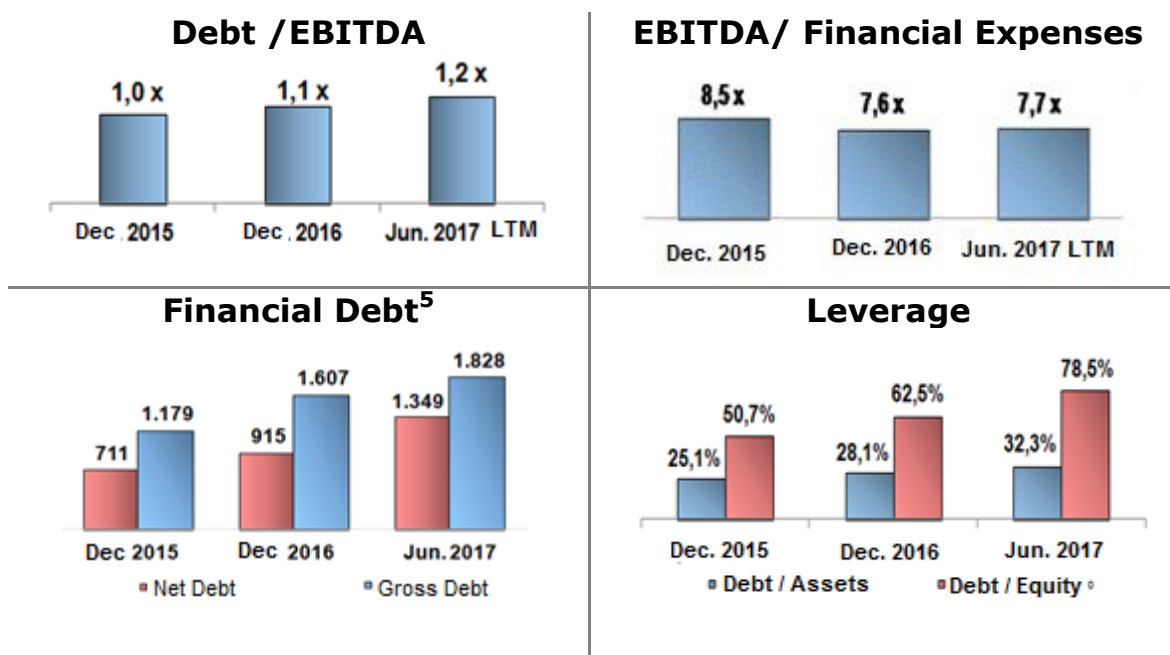
Instrument	Coupon/ Interest	Maturity	Amount (MM COP)	Average Life (years)	Credit Rating
Third Bond Issuance	A10 Series: CPI + 5.55%	December 11, 2018	\$ 80.000	1,45	AAA
Fifth Bond Issuance (Second Tranche under Program)	B5 Series: CPI + 3.92%	November 15, 2018	\$ 181.660	1,38	AAA
	B12 Series: CPI + 4.80%	November 15, 2025	\$193.340	8,38	AAA
Sixth Bond Issuance (Third Tranche under Program)	B7 Series: CPI + 3.53%	September 25, 2021	\$ 185.000	4,24	AAA

⁴ Excluding leasing operations.

Seventh Bond Issuance (Fourth Tranche under Program)	E4 Series: 7.70%	September 15, 2020	\$90.000	3,21	AAA
Eighth Bond Issuance (Fifth Tranche under Program)	E2 Series: 7.04%	March 9, 2019	\$160.000	1,69	AAA
	E5 Series: 7.39%	March 9, 2022	\$270.000	4,69	AAA
Seventh Bond Issuance (Sixth Tranche under Program)	E7 Series: 6.46%	June 8, 2024	\$200.000	6,95	AAA
Total Bonds			\$ 1.360.000	4,40	
COP Indexed loan Bank of Tokyo MUFJ	8.32% NASV	March 18, 2019	\$ 200.000	1,72	N/A
COP Indexed loan Bank of Tokyo MUFJ	8.82% NASV	June 10, 2020	\$ 162.000	2,45	N/A
Local Bank Loans	Average 7,68%		\$108.262	1,07	N/A
Total Loans			\$ 470.262	1,82	
Total			\$ 1.830.262	3,74	

Key Credit Metrics

Main credit metrics as of June 30th, 2017 are as follows:



⁵ Net financial debt = Debt – Cash and Investments.
Financial Debt = Total outstanding debt (not including accrued interest)



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