

**Operational and Financial Results Report
Codensa S.A. E.S.P.
As of September 2019¹**

November 2019

Executive Summary

- ***EBITDA² for the first nine months of 2019 reached COP \$1.31 trillion, representing a margin of 32.9% over operational revenues.***
 - ***The Company maintains quality indicators at optimal levels, with significant improvements in the SAIFI (frequency of interruptions) and SAIDI (duration of interruptions) indicators, as a result of the quality plan investments.***
 - ***Codensa develops an ambitious investment plan reaching COP \$615.6 billion, increasing 8% compared to the same period 2018.***
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Regulatory update

On October 4, 2019, CREG adopts a new regulatory approach through Resolution No. 130 of 2019. The objective of this resolution is to establish the minimum conditions that must be met by the public contracts auctions called by retailers intended to meet the regulated market, as well as the creation of a centralized system of information of public actions (SICEP), managed by the ASIC (Administrator of the System of Commercial Exchanges), whose main objective is to provide greater transparency in the contracting process, reduce transaction costs, allow better monitoring, and limit discrimination.

On the other hand, and in accordance with the National Development Plan 2019-2022 "Pact for Colombia, pact for Equity", the Residential Public Utility Superintendency regulated through resolution 35615 of September 13, 2019 the application of the surcharge that applies to residential users of strata 4, 5 and 6; as well as commercial, industrial and non-regulated users caused from May, 2019. The resources of the surcharge will be destined to the Superintendence Business Fund to support the intervention processes of public Services Companies with financial problems.

¹ The figures of the Codensa Financial Statements as of September 2019 used in this report were prepared in Colombian pesos under the International Financial Reporting Standards (IFRS) officially applied in Colombia.

²EBITDA is calculated by adding depreciation and amortization to operating income (EBIT).

Finally, resolution CREG 098 (August 30, 2019), defines the mechanisms to incorporate storage systems for electric energy with batteries, with the purpose of mitigating problems presented by lack or insufficiency of energy transport networks in the National Transmission System, STN, or in a Regional Transmission System, STR.

Total energy demand in the Codensa's area between January and September was 11.350 GWh

Energy demand in Codensa's area of influence in the first nine months of 2019 reached 11,350 GWh, which represented a positive variation of 2.4% with respect to the same period of the previous year.

In Codensa's operation area, the positive variation in demand is mainly explained by an increase in tolls due to customer growth in other retailers. With respect to regulated demand, it registered a slight rise, attributable to organic growth due to new connections.

The accumulated national demand between January and September was 53,636 GWh, increasing by 4.1% compared to the same period in 2018, being slightly higher than the average projection scenario of the UPME. The national demand was driven by the regulated market, mainly the residential sector, where the growth of the East and Caribbean zone stands out.

Between January and September of 2019, Codensa distributed 21.2% of SIN energy demand, and 21.5% of the Country's total regulated demand. 66.7% of Codensa's energy demand corresponded to the regulated market, 31.0% to other marketers with end customers within the Codensa network, and 2.3% to energy transferred to other operators of network through Codensa networks.

Codensa added 63,838 new customers to its network during the first nine months of the year, reaching a total of 3,502,458 as of September, located in Bogota and 103 municipalities in the Country's central region.

Energy losses index in the distribution area served by Codensa stood at 7.74% for the last twelve months ended September 30, 2019, showing a reduction of 0.14% compared to 7.88% observed in the same period of 2018, which means a recovery of 31 GWh accumulated to September. The strategy that has allowed reducing the losses index compared to the same period of the previous year is framed within the following actions: i) A restructuring inway

operations where each zone has specific indicators that allow a more effective energy losses reduction. ii) Focus on energy recovery from unregistered consumption in customers with fraud and / or anomaly and, iii) Strengthening of data analytics models in order to improve the effectiveness of field inspections.

The international indicators for quality of service, SAIDI (duration of interruptions) and SAIFI (frequency of interruptions), showed a reduction compared to the same period of the previous year, standing at 676 minutes (-19%) and 6.8 times (-34%) respectively. The above reflects the positive results of the investment plan in modernization projects, changing posts and improving the electrical infrastructure of the network, maintenance programs and operational improvements.

The following table present Codensa’s main operational results for the first nine months of 2019:

	January - September 2019	January - September 2018	Change
National Demand (LTM GWh)	71.256	68.487	+4,0%
Demand in Codensa’s area (LTM GWh)	15.506	15.203	+2,0%
% Codensa market share	21.2%	21,5%	-0,9%
Number of clients	3.502.458 ⁽¹⁾	3.414.791 ⁽²⁾	+1,9%
Losses Index (LTM)	7,74%	7,88%	-0,14%

(1) Figures as of September 30, 2019
(2) Figures as of December 31, 2018

Codensa’s EBIDA between January and September 2019 reached COP \$1.31 trillion.

Codensa’s revenues in the first nine months of 2019 totaled COP \$3.9 trillion, increasing 7.4% compared to the same period of the previous year. This was mainly explained by:

- i) An increase of energy demand in the Codensa’s area of influence by 2.4% accumulated year, mainly in tolls, which registered an increase of 6.1% compared to the same period of the previous year. Regulated market grew 0.7% driven by the residential segment, attributable to organic growth by new connections.
- ii) An increase in the regulated tariff derived mainly from an increase in Producer Price Index (PPI) to which the distribution component is indexed, and the growth of the generation components and

- restrictions that present an imperfect pass through in the Company's revenues, which had a negative impact in 2018.
- iii) Better results in margin of value-added products and services, mainly in public lighting for a greater recognition for the modernization of assets and for the growth in the sale of electrical works and insurance to third parties.

On the other hand, the cost of sales amounted to COP \$2.3 trillion during the first nine months of the year, equivalent to 3.3% increase compared to the same period of 2018. This increase is mainly explained by a growth in the stock price in the spot market, and an increase in costs indexed to the PPI, an indicator that shows a substantial increase respect the results recorded a year before.

Likewise, fixed costs, represented by personnel and operating and maintenance costs, grew by 5.0% compared to the same period of 2018, reaching a total of COP \$347.5 billion. This performance is explained by: i) Adjustments wages and additional staff compared the previous year in order to support investment plan and new businesses, and ii) higher costs associated with promotion of digitalization and socialization campaigns of the garbage collection service in the energy bill, all this, compensated by greater efficiencies in the processes.

Accordingly, EBITDA during the first nine months of 2019 reached COP \$1.31 trillion, a 16.3% increase compared to the same period of 2018, representing a margin of 32.9% over operating revenues.

Depreciation and amortization showed an increase of 11.1% compared to the same period of the previous year, mainly due to an increase in the base of depreciable fixed assets resulting from the investment plan executed mainly during the last quarter of 2018 and the year of 2019. Impairment losses increased compared to year 2018 due to a higher provision for VAT in Bogotá's public lighting and the deterioration of the portfolio of official customers.

In this way, Codensa's EBIT totaled COP \$992.9 billion, equivalent to an increase of 16.7% compared to the same period of 2018.

Net financial expenses reached COP \$143.2 billion

Net financial expenses for the first nine months of 2019 showed an increase of 13.8% over the same period a year ago, explained by the following facts:

- i) Financial expenses of the debt increased 5.1%, totaled COP \$158.1 billion, explained by an increase in the average debt balance, due to the funding taken to fund the investment plan. The above was partially offset by a lower average debt rate compared to the previous year.
- ii) On the other hand, financial income showed a 34.4% decrease, mainly explained by a lower remuneration rates and lower level of liquidity surpluses, compared to the previous year.

As a result, Codensa's earnings before taxes (EBT) were COP\$844.9 billion in the first nine months of 2019, up by 17.6% over the previous year.

Codensa's net income reached COP \$572.6 billion

Codensa's net income reached COP \$572.6 billion during the first nine months of 2019, 27.2% higher than what was recorded a year ago, in line with EBIT and the increase in financial expenses, an effect that was offset by the 4% reduction in the income tax rate for 2019.

Investments reached COP \$615.6 billion

During the first nine months of 2019 investments amounted COP \$615.6 billion, 8.1% higher than the previous year, out of which 71% were destined to growth projects, with programs aimed at improving quality of service, network connections for customers and telecontrol. The remaining 29% was mainly destined to maintain operating assets.

Balance Sheet Structure

As of September 30, 2019, the company's assets amounted to COP \$7.07 trillion, of which property, plant and equipment represented 76.5%, totaling COP \$5.41 trillion, accounts receivable represented 8.9%, totaling COP \$629 billion and cash and cash equivalents accounted for 4.4% with COP \$310.8 billion. Total assets increased by 3.7% compared to December 31st 2018, mainly explained by an increase in fixed assets resulting from the capex executed in the adaptation, modernization and expansion of the network; on the other hand, there is also an increase in inventories due to the acquisition of materials for the investment projects; this effect is partially offset by the decrease in cash and cash equivalents after the payment of dividends, working

capital related to operating expenses, investments and taxes payment made during the current year.

Codensa's total liabilities as of September 30, 2019 were COP \$4.16 trillion, 2.7% increase compared to the end of 2018, mainly explained by the bond placement, that constitute the ninth tranche of the program to finance the investments plan. This effect is offset by a reduction in accounts payable, mainly by the payment made in January 2019 for the collected portfolio from "Crédito Fácil Codensa" business corresponding to the month of December.

The Company's equity was COP \$2.9 trillion, presenting an increase of 5.1% compared to December 31, 2018, mainly explained by the increase in retained earnings.

Regarding the financial structure of the company, liabilities and equity represented 59% and 41% of total assets, respectively

During the first nine months of 2019 Codensa paid a total of COP \$274.3 billion in dividends to its shareholders, corresponding to the last dividend installment of 2017 and the first payment of the dividends corresponding to the 2018 net income.

Financial Debt

At the end of September 2019, Codensa's financial debt³, including interests, amounted to COP \$2.4 trillion, a 14.4% increase over December, 2018, after the contracting of a loan with Bank of Tokyo for COP \$200 billion in February, the issuing of the Ninth tranche of the program of issuance and placement of Ordinary Bonds and Commercial Papers for COP \$ 480 billion in March, the contracting of a loan under Findeter line with Banco de Bogotá for COP \$17 billion in April and the contracting of a loan under Finagro line with the BBVA Bank for COP \$50 billion in June; all these resources were destined to finance the investment plan of the company. Also during the period the payment of the fifth tranche of the program was made for COP \$60 billion, the cancellation of credits with Bank of Tokyo for COP \$281 billion, and the amortization of capital of treasury credits for COP \$22.43 billion.

At the end of September 2019, Codensa's total financial debt was fully denominated in Colombian pesos (COP) and its average life was 4.23 years.

³ Financial debt under IFRS includes leasing operations

The following table summarizes the conditions of Codensa's financial debt⁴ as of September 30, 2019:

Instrument	Coupon/Interest	Rate	Maturity	Amount (MM COP)	Average Life (years)	Credit Rating
Fifth Bond Issuance (Second tranche under program)	B-12 Series: CPI + 4.80%	IPC + 4.80%	November 15, 2025	\$ 193.340	6,13	AAA
Sixth Bond Issuance (Third tranche under program)	B-7 Series: CPI + 3.53%	IPC + 3.53%	September 25, 2021	\$ 185.000	1,99	AAA
Seventh Bond Issuance (Fourth tranche under program)	E-4 Series: 7.70%	7.70%	September 15, 2020	\$ 90.000	0,93	AAA
Eighth Bond Issuance (Fifth tranche under program)	E-5 Series: 7.39%	7.39%	March 9, 2022	\$ 270.000	2,44	AAA
Ninth Bond Issuance (Sixth tranche under program)	E-7 Series: 7.70%	6.46%	June 08, 2024	\$ 200.000	4.69	AAA
Tenth Bond Issuance (Seventh tranche under program)	E-7 Series: 7.70%	6.74%	April 11, 2025	\$ 200.000	5.53	AAA
	B-12 Series: CPI + 3.59%	IPC + 3.59%	April 11, 2025	\$ 160.000	10.54	AAA
Eleventh First Bond Issuance (Eighth Section Program)	B-5 Series: CPI + 2.82%	IPC + 2.82%	April 11, 2025	\$ 195.000	4.07	AAA
Tenth Second Bond Issuance (Ninth Tranche Program)	E-4 Series: 6.30%	6.30%	March 7, 2023	\$ 280.000	3.44	AAA
	B-10 Series: CPI + 3.56%	IPC + 3.56%	March 7, 2029	\$ 200.000	9.44	AAA
Total Bonds				\$ 1.973.340	4,90	
Loan Indexed Colombian Pesos Bank of Tokyo MUFJ	5.23% NATV	N/A	November 7, 2019	\$ 200.000	0,10	N/A
Loan Indexed Colombian pesos Bank of Tokyo MUFJ	8.82% NASV	N/A	June 10, 2020	\$ 81.000	0,19	N/A
Banco BBVA S.A.	IBR 6M + 0,90 NASV	N/A	June 13, 2022	\$ 50.000	2,70	N/A
Banco de Bogotá	IBR + 1,25% MV	N/A	April 5, 2026	\$ 17.043	0,19	N/A
Local Banking Credits	Average 6,75%	N/A		\$26.150	4,06	N/A
Total Credits				\$ 374.194	0,66	
Total				\$ 2.373.982	4,60	

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

Codensa's Investor Relations Office

e-mail: IR.Codensa@enel.com

Website: www.codensa.com.co/ Investors

Leonardo Lopez Vergara

⁴ Excluding leasing operations.



e-mail: leonardo.lopez@enel.com
Tel. 6015641

Daniel Correa Londoño
e-mail: daniel.correa@enel.com
Tel. 6013502

Alejandra Méndez Chaves
e-mail: alejandra.mendez@enel.com
Tel. 6015564

Cristina Garavito Parra
e-mail: ana.garavito@enel.com
Tel. 6013637

Natalia Bautista
e-mail: natalia.bautista@enel.com
Tel. 6013014