



# **CODENSA S.A. E.S.P. RESULTS REPORT**

As of September 2020<sup>1</sup>

<sup>1</sup> The figures of Codensa's Financial Statements as of March 2019 used in this report were prepared in Colombian pesos under International Financial Reporting Standards (IFRS) officially applied in Colombia.

# EXECUTIVE SUMMARY



- ➔ Codensa's EBITDA reached \$1.4 trillion pesos, representing a growth of (+7.3%) and a net profit of 626 billion pesos (+9.4%) in the first nine months of 2020, positive results despite the unprecedented situation caused by the coronavirus pandemic worldwide.



- ➔ The company maintains quality indicators at optimal levels, with significant improvements in SAIFI (frequency of interruptions) and SAIDI (duration of interruptions) indicators as a result of investments in the quality plan.



- ➔ Codensa continues with the execution of its ambitious investment plan that exceeds \$677 billion pesos, equivalent to a 10% increase compared to the same period of the previous year.

# REGULATORY UPDATE



The CREG published for the consideration of the agents the Resolution CREG 131 of 2020, which contains the regulatory proposal "By which the conditions are established for the implementation of the infrastructure of advanced measurement in the provision of the domiciliary public service of electrical energy in the National Interconnected System, SIN, for which, they determine as responsible the Network Operator (OR) of the installation, administration, operation, maintenance and replacement of the infrastructure of advanced measurement in its market of commercialization; guidelines are established with respect to the requirements of interoperability, cyber security, handling, use and protection of data to ensure proper functioning of the AMI; also establishes elements regarding the requirements and procedures for access to information of the AMI, monitoring of its implementation, and elements regarding how its remuneration should be carried out.

On July 24, 2020, the Ministry of Mines and Energy and the Ministry of Finance and Public Credit issued Resolution No. 40209, which extends for an additional billing cycle the measures associated with deferred payment of invoices established in Legislative Decrees 517 and 798 of 2020.

The National Government, through Legislative Decree 1076 of July 28, 2020, ordered the mandatory preventive isolation of all inhabitants of the Republic of Colombia, from zero hours (00:00 a.m.) on August 1, 2020, until zero hours (00:00 a.m.) on September 1, 2020, in the context of the health emergency caused by the Coronavirus COVID-19.

On July 30, 2020, the Energy and Gas Regulatory Commission published Resolution No. 152 establishing the application of the tariff option, to reduce the impact on users of the payment of fees associated with invoices for the months of April

# REGULATORY UPDATE



through July that were subject to deferred payment, determining the percentage of variation on the CU, as follows: i) CU variation equal to zero (0) until November 30, 2020 ii) Cu variation greater than zero (0) and less than 0.6% after November 30, 2020 and until January 30, 2021 and iii) Cu variation of at least 0.6% after January 30, 2021.

On August 4, 2020, the Energy and Gas Regulatory Commission (CREG) published for comments by agents Resolution CREG 155 of 2020, which contains the project "By which the procedure for calculating the discount rate applicable in the tariff methodologies issued by the CREG is defined to be applied in the activities of natural gas transportation, fuel gas distribution, LPG transportation by pipelines, transmission and distribution of electrical energy in the National Interconnected System, and generation and distribution of electrical energy in non-interconnected areas.

On August 20, 2020, the Superintendence of Home Public Services by means of resolution No. 20201000033335 fixed the rate of the special contribution to be paid by lenders for the year 2020 at 0.2186% in accordance with the provisions of Law 1955 of 2019 - National Development Plan Law 2018-2022 "Pact for Colombia, pact for equity".

On August 25, the Ministry of the Interior issued Decree 1168 of 2020, which replaces the measures of "compulsory preventive isolation" that had been applied in previous months, with the measure of "selective isolation with responsible individual distance", by which all persons must comply with the protocols of biosecurity in public space for the reduction of the spread of the pandemic and the reduction of the contagion in activities that are open to the public.

# ELECTRICITY MARKET IN COLOMBIA

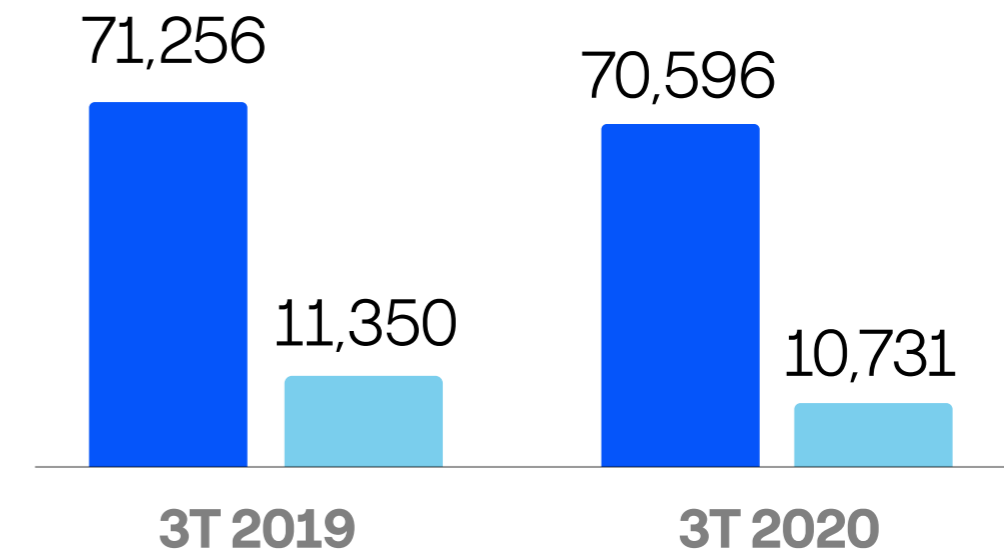


The accumulated national demand between January and September was 52,311 GWh, a decrease of 2.83% compared to the same period last year, which is below the "resulting" scenario projected by the UPME in its June 2020 review. Domestic demand was mainly affected by the contraction of consumption in the unregulated market associated with the decline in productive economic activity, where the areas that register the greatest decrease are Valle and Oriente.

In Codensa's area of operation, the negative variation in demand is mainly explained by the confinement measures adopted by the National Government to mitigate the effects of COVID-19, reducing both the regulated demand and the tolls for energy destined to other marketers. The sectors that show the greatest contraction are the commercial sector followed by the industrial sector.

However, during the month of September, the containment measures were made more flexible, through the adoption of a new modality called "Selective Isolation and Responsible Individual Distance", which allows for the gradual recovery of the demand, which has been showing a correction since May.

## Energy Demand (GWh)



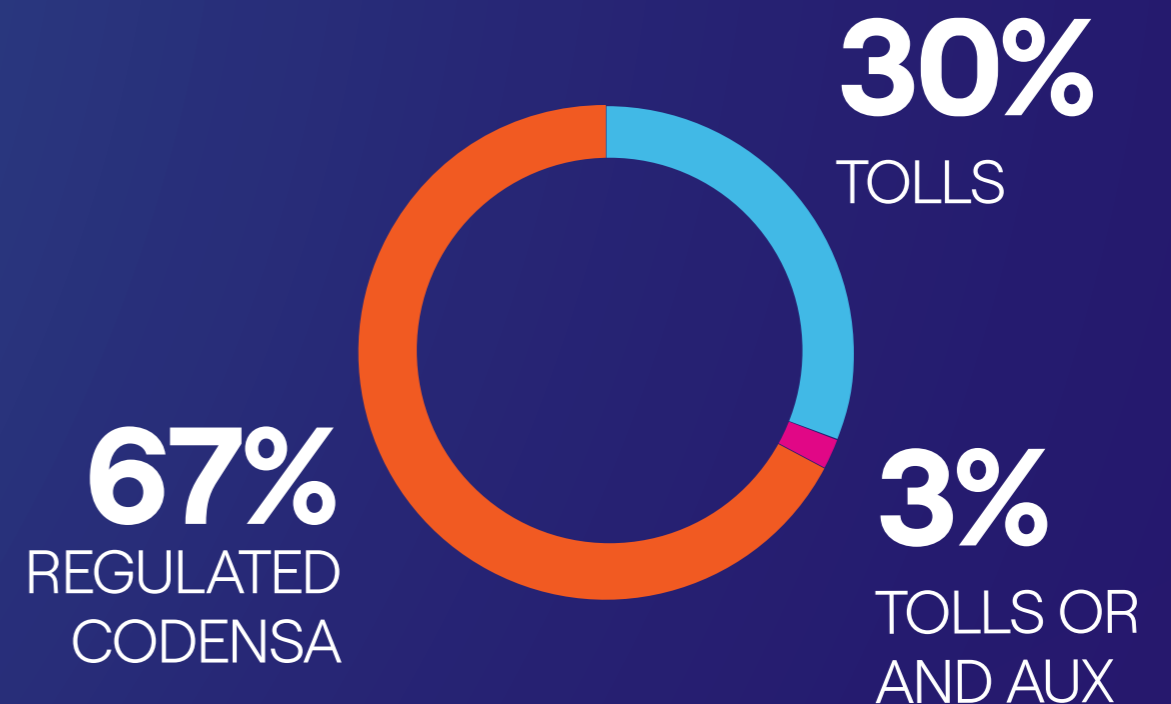
- National Energy Demand (Accum.)
- Energy Demand in the Codensa area (Accum.)

# DEMAND FOR CODENSA S.A. E.S.P

➔ **Cumulative energy demand in the Codensa area from January to September was 10.731 GWh**

The demand for energy in Codensa's area of influence in the first nine months of 2020 was 10,731 GWh, a contraction of 5.81% with respect to the same period of the previous year.

From January to September 2020, Codensa distributed 20.51% of the national energy demand and 21.7% of the country's regulated demand. The regulated market accounted for 67.5% of the energy distributed by Codensa during this period, 29.8% was distributed to other marketers with end customers on Codensa's network, and 2.7% was transferred to other network operators through Codensa's networks.



# OPERATIONAL RESULTS AS OF SEPTEMBER 2020



**Codensa added 57,855 new clients to its network during the first nine months of the year, reaching a total of 3,584,631 clients in Bogotá and 103 other municipalities in the center of the country.**

The average indicator of total energy losses in the distribution area served by Codensa was 7.54% for the last twelve months as of September 30, 2020, showing a reduction of 0.20% compared to the 7.74% observed in the same period in 2019, which means a recovery of 70 GWh accumulated as of September. The operational and recovery strategy that has made it possible to reduce the rate of losses compared to the same period last year is framed by the following actions: i) effectiveness of inspections conducted by "data analytics" methodologies ii) intensification of operations on residential and commercial customers and iii) implementation of a "loss map" to improve targeting of areas with energy theft.

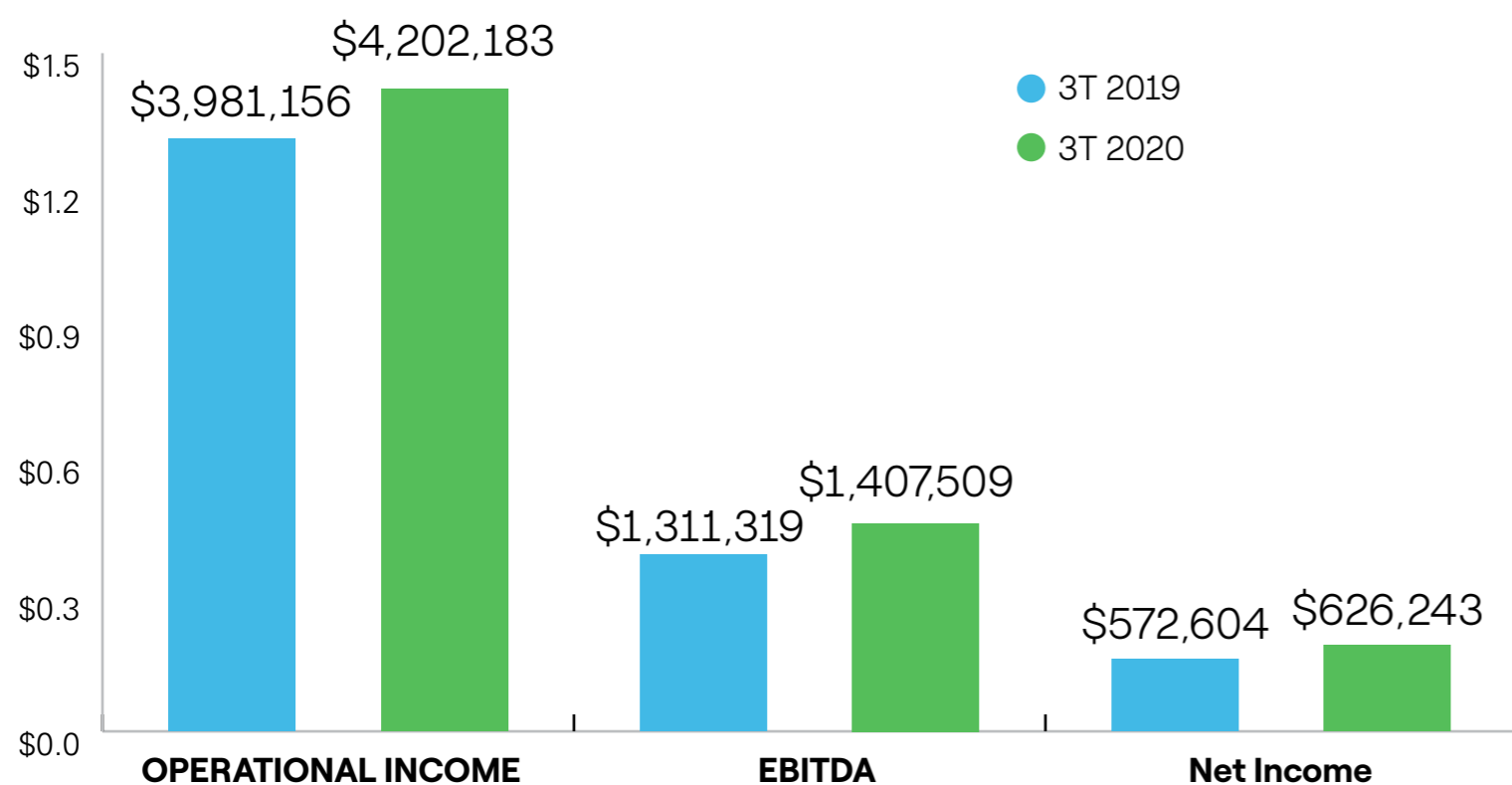
The results obtained in Quality indicators at the end of the third quarter satisfactorily meet the goals set by the company for the year and the path established by the regulator.

Operational Indicators	3Q 2019	3Q 2020	Var
<b>No. of Customers</b>	3.502.458	3.584.631	2,2,35%
<b>Total Demand</b>	11.613	11.028	-5,04%
<b>Regulated Codensa</b>	7.749	7.441	-3,97%
<b>Tolls</b>	3.601	3.290	-8,64%
<b>Peajes OR y aux</b>	263	297	12,93%
<b>Losses</b>	7,74%	7,54%	-0,20%
<b>SAIDI</b>	573	415	-27,58%
<b>SAIFI</b>	8,45	6,61	-21,78%

# FINANCIAL RESULTS

**Codensa's EBITDA was**  
**\$1.407.509 million**  
**pesos as of September 30, 2020**

## Financial Indicators:



\*Figures in trillion COP

The contribution margin grew 8.4% compared to the same period last year, reaching \$1.8 billion pesos. The above result is the result of the following effects:

- i) An increase in the business' regulated tariff derived from an increase in the Producer Price Index (PPI) to which the distribution remuneration component is indexed and the approval of the new distribution charge, which adjusts the regulatory asset base, recognizes service quality incentives and incorporates recognition of the AOM (Administration, Operation and Maintenance) costs of energy loss management.
- ii) Better results in E-Solutions' margin, mainly in products such as Crédito Fácil Codensa due to the application of the Open Book model with Colpatria and the implementation of Aseo's billing and collection since August of the previous year.



# FINANCIAL RESULTS

## Effect compensated by

- i) Higher transitory variable costs due to restrictions in the energy system that will be recovered in later periods.
- ii) Higher costs associated with the special contribution of the Superintendence of Domestic Public Services for the strengthening of the Business Fund, approved as a transitional measure within the National Development Plan.
- iii) The granting of the 10% discount to clients of strata 1 and 2 who made timely payment of their bill derived from the financial relief policies promoted by the National Government in the midst of the pandemic.
- iv) Lower income due to the reduction of tariffs applicable to the infrastructure rental business, according to the new regulation.

On the other hand, fixed costs, represented by personnel and operation and maintenance costs, grew by 12.3% compared to the same period in 2019, reaching a total of MxN390,167 million. The main causes driving the growth are: i) salary adjustments for the CPI and the minimum wage, as well as additional benefits derived from the Collective Bargaining Agreement; ii) higher costs associated with a greater number of maintenance operations in the area of influence as a result of the execution of the Service Quality Improvement Plan; and, additional costs derived from the pandemic related to donations, protection elements, biosafety protocols and customer service.

**As a result, EBITDA for the first nine months of 2020 was \$1.4 billion pesos, a 7.3% increase over the same period in 2019.**

- Depreciations and amortizations show a growth of 21.1% with respect to the previous year mainly due to an increase in: i. the base of depreciable fixed assets as a result of the investment plan executed during the course of 2020 and ii. greater provisions derived from the deterioration of the commercial portfolio due to the effect of the pandemic.

As of September, the suspension is resumed for all the strata of the residential segment.

**Thus, Codensa obtained an operating profit at September 30, 2020 of \$1.02 billion pesos, which represents an increase of 3.0% compared to the same period in 2019.**



## Net financial expense was \$138.399 million pesos

Net financial expenditure for the first nine months of 2020 showed a 3.4% reduction compared to the same period a year ago, explained by the following factors:

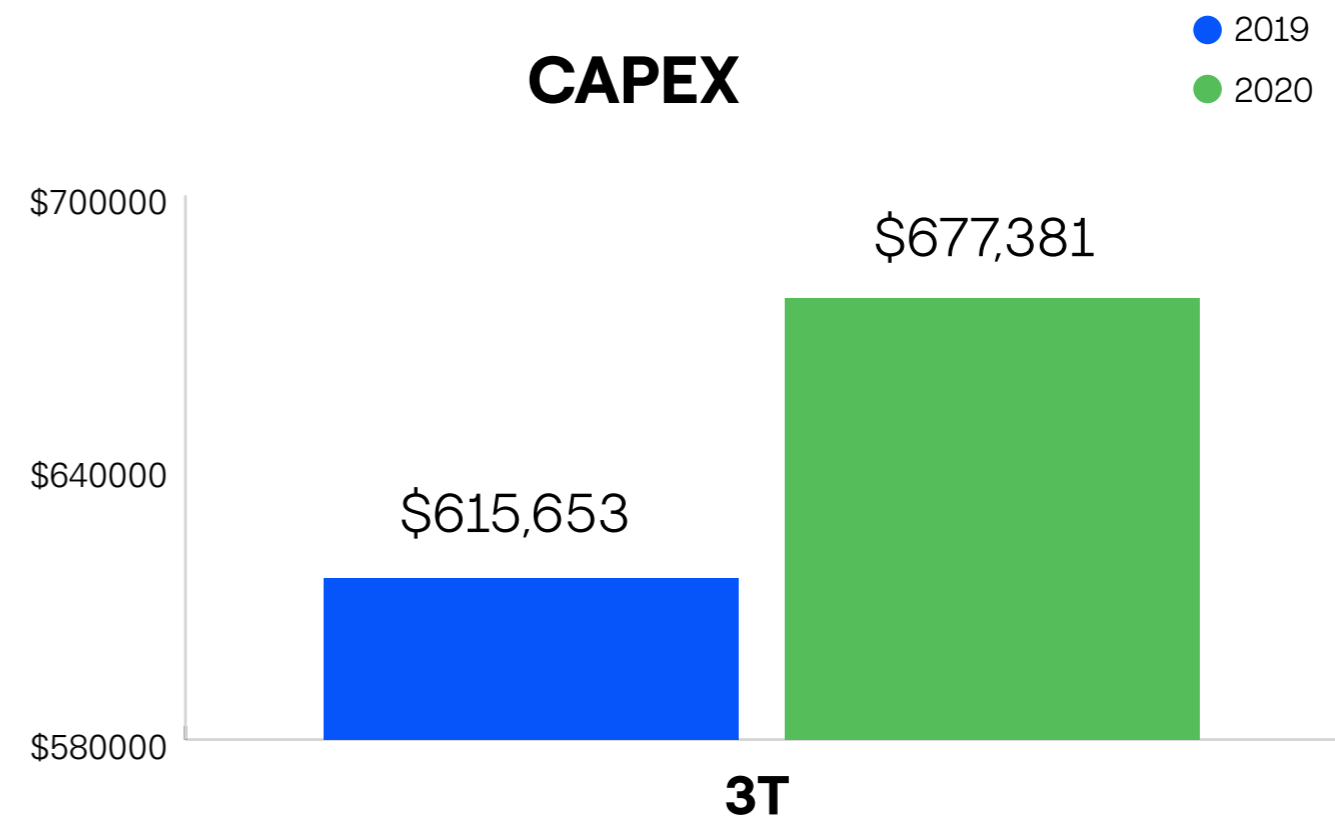
- i) The financial expense of the debt was reduced by 1.6%, totaling \$155,574 million pesos, as a result of an assertive financing strategy at competitive rates through the closing of credit operations under development lines that support the development of the rural sector, added to the successful placement of bonds in the local market that demonstrates the resilience and financial strength of the Company, as well as the confidence of investors, even in the midst of an unprecedented situation due to the pandemic.
- ii) Likewise, other financial expenses increased due to the exchange rate difference caused by the devaluation of the peso in foreign currency liabilities, reaching \$12.571 million.
- iii) On the other hand, financial income recorded \$29.744 million, showing an increase of (+67.8%) mainly explained by the higher average cash level compared to the previous year.

**With the above, Codensa reported a profit before taxes (EBT) of \$878.234 million pesos in the first nine months of 2020, 3,9% higher than a year ago.**

**Codensa's net income amounted to \$626,243 million pesos**

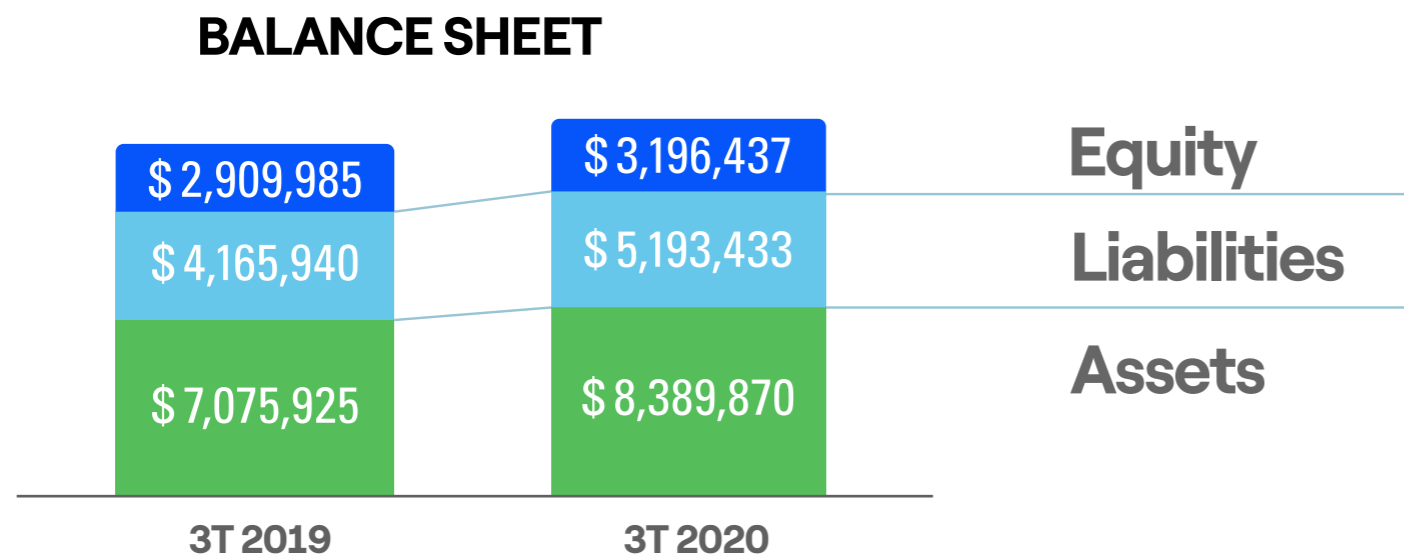
Codensa recorded a net profit of \$626.243 million pesos for the first nine months of 2020, an increase of 9,4% over the same period of the previous year, in line with EBIT, a lower tax value resulting from a lower effective tax rate in accordance with the growth law and the use of tax benefits added to the reduction in financial expenses.

INVESTMENTS OF  
**\$677.381**  
 MILLION PESOS



\*Figures in million COP

# BALANCE SHEET STRUCTURE



\*Figures in Million COP

**As of September 30, 2020, the Company's assets amounted to \$8.389.870 million pesos, of which property, plant, and equipment represented 71,4%, totaling \$5.988.183 million pesos, accounts receivable represented 10,7%, totaling \$901.370 million pesos, and cash and cash equivalents represented 7,8% at \$653.733 million pesos.**

Compared to the cut-off date of December 31, 2019, total assets showed an increase of 15.7%, mainly explained by an increase in property, plant and equipment, which corresponds to the investments made in the adaptation, modernization and expansion of the network; On the other hand, there was also an increase in accounts receivable as a result of the decrease in the economic capacity of clients due to the contraction of the economy and the reduction of jobs derived from the emergency generated by Covid-19 and the isolation ordered to contain its contagion, and an increase in cash and cash equivalents after the takeover of financing at the end of August through the placement of bonds in the local market.

Codensa's total liabilities at the end of September 2020 were \$5.193.433 million pesos, increasing 26,5% compared to the end of 2019, mainly explained by the placement of bonds that constitute the tenth tranche of the program and the subscription of credits to finance the investment plan.

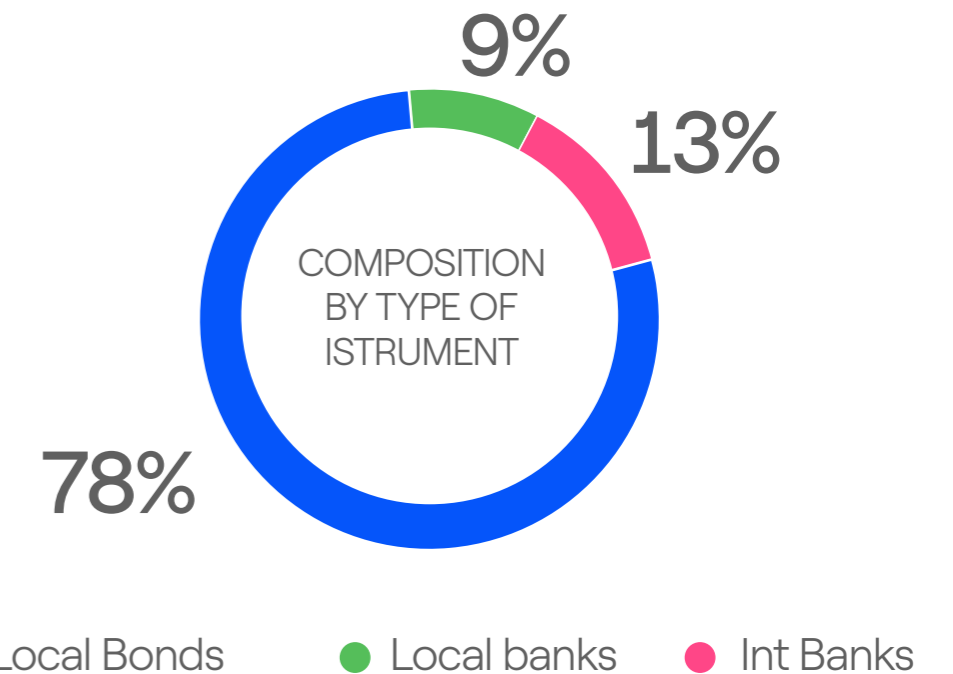
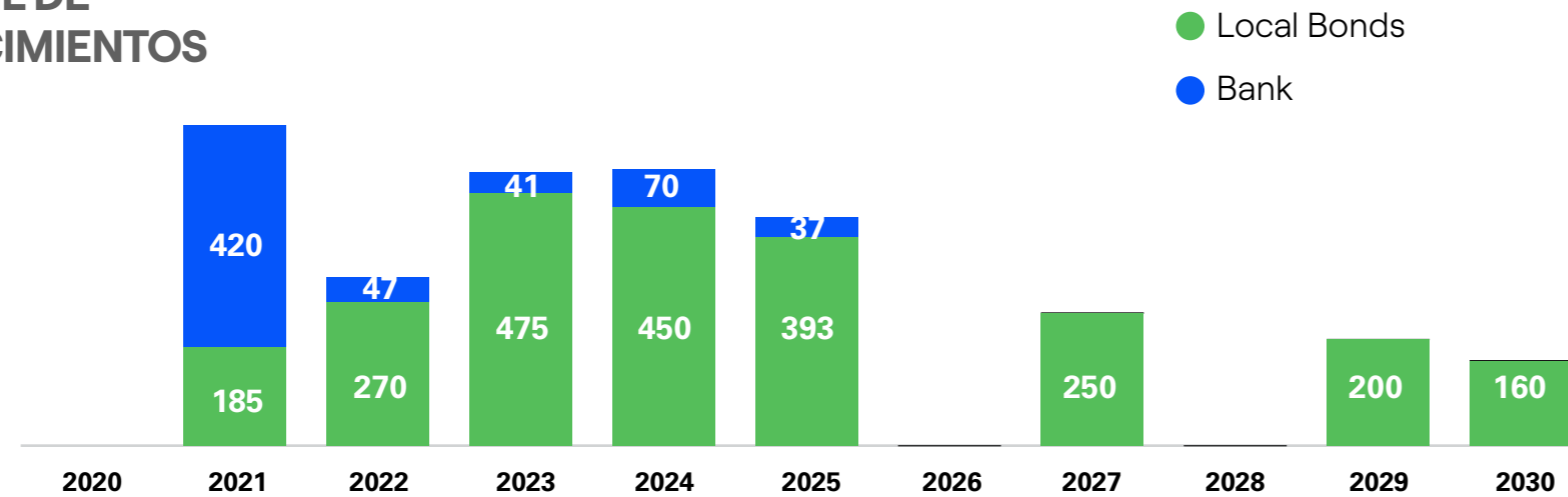
The Company's equity was \$3.196.437 million, an increase of 1.7% compared to December 31, 2019, explained by the increase in retained earnings.

With regard to the company's financial structure, liabilities represented 62% of total assets and equity 38%.

During the first nine months of 2020, Codensa paid \$329.849 million pesos in dividends to its shareholders, corresponding to the last installment of 2018 profits and the first payment of dividends corresponding to 2019 profits.

# FINANCIAL DEBT

PERFIL DE VENCIMIENTOS



100% COP  
CURRENCY



2,83X  
AVERAGE LIFE

1,6X  
NET DEBT / EBITDA



5,57%  
AVERAGE RATE

At the end of September 2020, Codensa's financial debt, including interest, amounted to \$3.149.238 million pesos, an increase of 33,3% with respect to the balance of December 2019.

For this purpose, a loan was contracted with BBVA for \$200.000 million pesos in January, a credit operation was closed with Bank of Tokyo for \$397.500 million pesos in April, and an intercompany loan was taken out in July for \$80.000 million, and in the month of

August the placement of the first lot of the Tenth Tranche of the program for the issue and placement of Ordinary Bonds and Commercial Papers for \$500,000 million and the disbursement of a credit with the Financiera de Desarrollo Territorial -Findeter, within the framework of legislative decree 517 of 2020, for the amount of COP\$5,110 million, the latter to be used for working capital.

Likewise, during the period, the payment of inter-company loans was made for COP\$92,658 million, and the capital amortization of short-term loans for COP\$4,371 million.

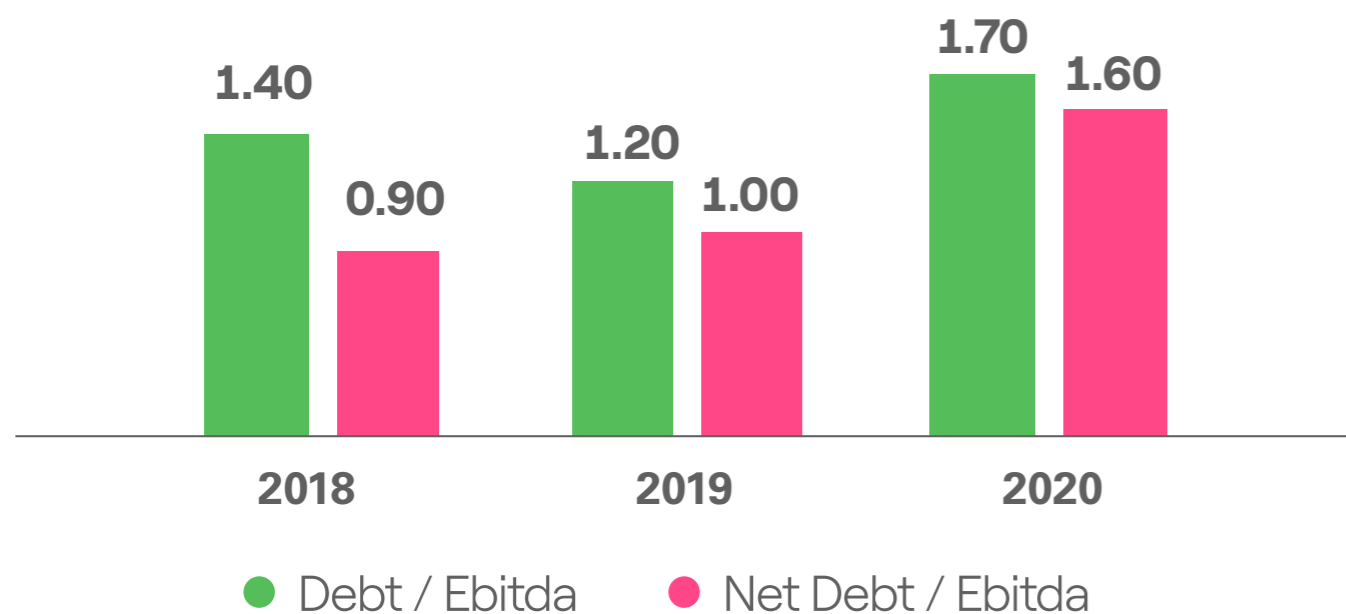
Also, during the period, we paid the fourth tranche of the program for \$90.000 million, cancelled the loan with the Bank of Tokyo for \$81.000 million, paid intercompany loans for \$172.658 million and amortized the capital of loans for \$25.375 million.

# FINANCIAL DEBT

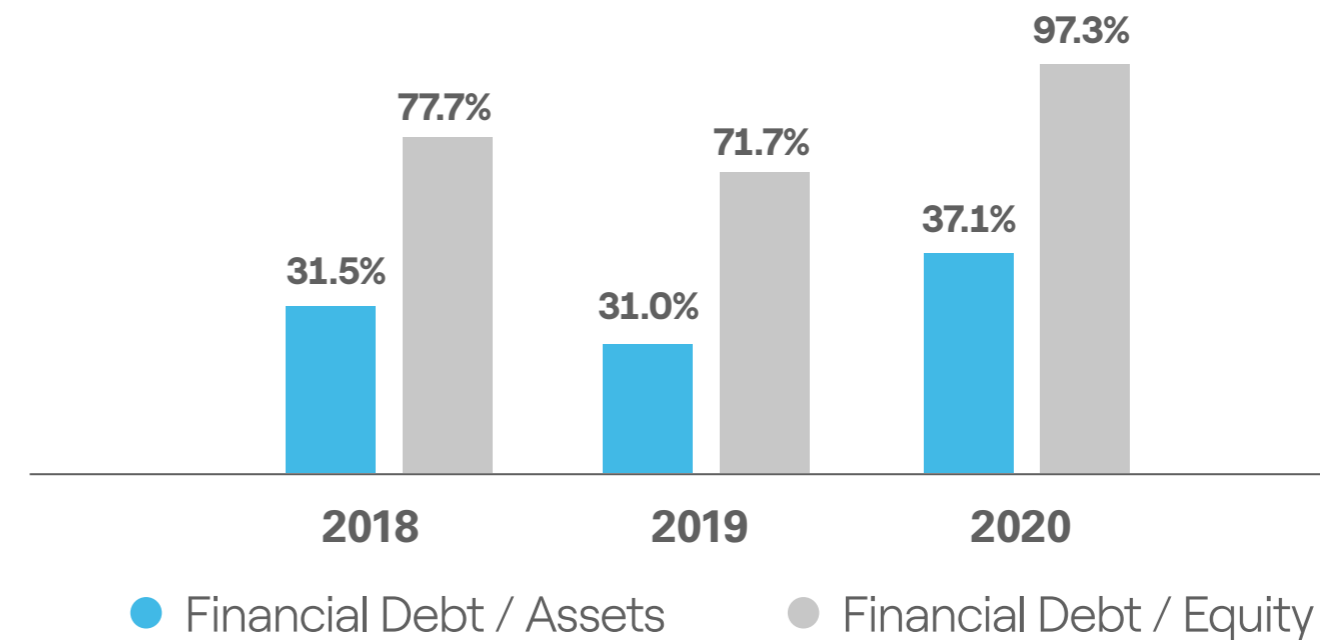
At the end of September 2020, Codensa's total financial debt was denominated in pesos and its average life was 2.76 years.

Codensa S.A. E.S.P. ha mantenido su calificación en AAA con perspectiva estable, que refleja el perfil crediticio sólido, el cual resulta de indicadores operativos robustos, generación de flujo de caja operativo (FCO) predecible y niveles conservadores de apalancamiento y liquidez.

DEBT COVERAGE



LEVERAGE



# FINANCIAL DEBT

The following table details the conditions of Codensa's financial debt with a cut-off date of September 30, 2020:

Instrument	Coupon/Interest	Placement Rate	Maturity	Nominal (MM COP)	Average Life (years)	Rating (local)
Fifth Emission Bonds (Second Program Stretch)	Serie B12: IPC + 4.80%	IPC + 4.80%	November 15, 2025	\$ 193.340	5,13	AAA
Sixth Emission Bonds (Third Program Section)	Serie B7: IPC + 3.53%	IPC + 3.53%	September 25, 2021	\$ 185.000	0,99	AAA
Eighth Emission Bonds (Fifth Program Leg)	Serie E5: 7.39%	7.39%	March 9, 2022	\$ 270.000	1,44	AAA
Ninth Emission Bonds (Sixth Program Section)	Serie E7: 6.46%	6.46%	June 08, 2024	\$ 200.000	3.69	AAA
Tenth Emission Bonds (Seventh Program Leg)	Serie E7: 6.74%	6.74%	April 11, 2025	\$ 200.000	4.53	AAA
	Serie B12: IPC + 3.59%	IPC + 3.59%	April 11, 2030	\$ 160.000	9.53	AAA
Decim Bondsor First Issue (Eighth Program Leg)	Serie B5: IPC + 2.82%	IPC + 2.82%	April 11, 2025	\$ 195.000	3.06	AAA
	Serie E4: 6.30%	6.30%	March 7, 2023	\$ 280.000	2.43	AAA
Decim Bondsor Second Issue (Ninth Program Leg)	Serie B10: IPC + 3.56%	IPC + 3.56%	March 7, 2029	\$ 200.000	8.44	AAA
	Serie E4: 4.70%	4.70%	August 25, 2024	\$ 250.000	3.90	AAA
Decim Bondsor Second Issue (Tenth Program)	Serie B7: IPC + 2.45%	IPC + 2.45%	August 27, 2027	\$ 250.000	6.90	AAA
<b>Total Bonds</b>				<b>\$ 2.383.340</b>	<b>4,36</b>	
Indexed credit to pesos Bank of Tokyo MUFJ	5.80% EA	N/A	April 7, 2021	\$ 81,000	0,52	N/A
Territorial Development Financial Institution- Findeter	0%	N/A	August 28, 2023	\$ 41,667	2,91	N/A
Banco BBVA S.A.	IBR 6M + 0,90% NASV	N/A	June 13, 2022	\$ 17,043	0,63	N/A
Banco BBVA S.A.	IBR 6M + 1,05% NASV	N/A	January 14, 2025	\$ 200,000	3,04	N/A
Banco de Bogotá	IBR + 1,25% MV	N/A	April 5, 2026	\$16,159	3,06	N/A
Local Banking Credits	Promedio 3,75%	N/A			0,05	N/A
<b>Total Loans</b>				<b>\$ 656.987</b>	<b>1,37</b>	
Intercompany Emgesa	4,59% E.A.	N/A	October 1, 2020	\$ 80.000	0,00	
<b>Total Intercompany</b>				<b>\$ 80.000</b>	<b>0,00</b>	
<b>Total</b>				<b>\$3.119.814</b>	<b>2,76</b>	

If you require additional information, please contact our **Investor Relations (IR) team:**

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# OPERATIONAL RESULTS AS OF SEPTEMBER 2020



Thus, the cumulative results from January to September 2020 for the SAIDI duration index stand at 414.6 minutes and for the SAIFI frequency index at 6.61 times, representing an improvement of 27% in SAIDI and 22% in SAIFI compared to the same period in 2019.

These results have been achieved by the timely completion of the 2020 Integrated Quality Plan which involves investment activities, maintenance and other measures such as continuous and intensive cycles of forest intervention, continuous improvement of operational management, installation of remote control equipment and change of structures among others.

Similarly, an outstanding compliance is obtained in the IMPROVEMENT AGREEMENT signed with the Superintendence of Public Utilities in January 2020, highlighting the following results for the third quarter:

- There is a reduction in service quality indicators of 79.5% in SAIDI and 68.8% in SAIFI grouped in the area defined in the agreement.

- With the investment projects executed by ENEL Codensa in Bogotá during the course of 2020, it is estimated that the quality of service perceived by approximately 930,000 clients has improved.
- The commitment to improve the quality of service in the municipalities that are part of the agreement is reflected in the execution of maintenance and investment works, with 108% and 93% compliance, respectively, so far in 2020.

The improvement agreement has allowed us to strengthen the communication channels with Network Operators with whom we share borders, which will result in an improvement in the quality of service perceived by users located in these municipalities.

The following is a summary of the main operational results as of September 2020: