

**Operator:** Welcome to the Q1 2019 Conference Call of Grupo Energía Bogotá. My name is Hilda and I will be your operator for today's call.

At this moment all participants are in listen only mode, later on there will be a question and answer session. Please remember that this Teleconference is being recorded.

From this moment, I turn the call over to Mrs. Valeria Marconi, Investor Relations Officer of Grupo Energía Bogotá. Mrs. Marconi, you may begin.

**Mrs. Marconi:** Good morning and welcome to the Q1 2019 Results Conference of Grupo Energía Bogotá. Today's presentation will be headed by Felipe Castilla, Financial Vice-President of GEB. We are joined by Álvaro Villasante, Generation VP, as well as other collaborators from different areas who will promptly answer to your concerns.

The presentation is divided into three parts; first, our Financial Vice-President will open with some highlights and key updates for Q1 2019, followed by a presentation of the operational and financial performance of GEB during Q1 2019 and, to conclude, we will open the call for a question and answer session.

Now I turn the call over to our Financial Vice-President Felipe Castilla; go ahead, Mr. Castilla.

**Mr. Castilla:** Good morning everyone. To better follow this presentation, on our web page you will find the presentation prepared for this purpose.

First, I suggest you go to page 5; this page contains the first important point, which is to reinforce the issue of the Group's strategic division.

We have our three areas, which are Distribution, Transport and Transmission and Generation.

The first key piece of relevant information for the end of Q1 2019 worth noting is that we had consolidated revenues of over COP 1 trillion, which represents a growth of almost 19% compared to the same period of last year.

Our Operational Income for Q1 was of COP 440 billion, which represents an increase of over 55% compared to Q1 2018. And our Net Income is of nearly COP 521 billion, which represents a 52.2% increase compared to the same period last year.

As you can see, these are very satisfactory results and a very positive performance for Q1 2019.

As additional information, I would like to mention that as of the end of the first quarter we have a Company with a market value close to COP 19 billion, equivalent to about USD 6 billion.

At the level of our controlled subsidiaries, our investment during Q1 was of an amount close to USD 70 million.

Regarding the declared income corresponding to 2018, we saw a dividend yield of 6.3%, one of the highest returns in the Colombian market.

And, as we will see later, we have an income distribution project for FY 2018 close

to COP 1.2 trillion, which represents a growth of 13% in relation to the declared dividend of the previous year. This is proof of the good performance the Group saw during 2018 and of the good news that we can present in Q1 of this year.

Moving to page 7 of our presentation, we will briefly mention some relevant events that occurred during Q1. The first thing is that on February 19, we announced our intention to present a takeover bid to acquire 100% of Dunas Energía del Perú, a Peruvian energy distribution company in the Ica Region.

On March 28 we held our General Shareholders' Assembly, where we approved our financial statements for the close of 2018 and where, as mentioned earlier, an income distribution project of nearly COP 1.2 trillion was presented, which corresponds to a dividend of COP 130 per share and a 13% growth in comparison with what we declared for FY 2017.

On March 18, GEB shares reached a historical high of COP 2,175 per share, with an appreciation close to 23% compared to the closing price as of December 31, 2018, which was at COP 1,770.

At the level of TGI, and I believe this extends to all the Group Companies, adoption of IFRS 16 in the financial statements began, which corresponds to lease management as provided by regulation.

Dividend distribution amounted to USD 90 million dollars, where the Group saw a participation of almost 100% of participation.

In terms of projects, exit points were delivered in Floresta (Boyacá) and in Paratebueno (Cundinamarca).

The realignment of the Gualanday Dina gas pipeline was put into operation.

We began our visit with the ANLA to review the evaluation of the potential gas pipeline between Buenaventura and Yumbo.

Lastly, an environmental diagnosis for the location of the regasification plant began. This is a strategic asset for the Company and preliminary work is being done, but we are still waiting for release of the final specifications necessary for the construction of this project.

At the Cálidda level, as of the end of Q1 we already have over 800 thousand customers connected in Lima and Callao. With those clients, the number natural gas users in Lima is of over 3 million people, and we could say that the project for this year is to connect more than 150 thousand new customers.

In April, two rating agencies, Fitch Ratings and S & P Global, reaffirmed the foreign currency credit ratings of BBB for Fitch and of BBB- for S&P, showing the trust of such rating agencies have in our company's performance.

At the local level, Peruvian firm Equilibrium gave it the AAA rating, the highest level for local rating in Peru.

Dividends corresponding to 2018 were also declared near to USD 60 million; here, it is important to note that the Group's participation is of 60%.

Contugas, another natural gas distribution company in Peru, disbursed an intercompany credit for one of the Group's vehicles with EEB Gas S.A.S for a

value of USD 11 million.

There were local credit renewals of working capital in the amount of USD 20 million.

Moreover, one of the obligations included in BOOT contract (a concession contract of the Company) was met, with more than 50 thousand customers already enabled in the fifth year of operation. As of the end of February, the total number was of 50,609 households.

Moving on to page 9, you will see a broad picture of the Group's performance during Q1. You can see that the operational revenue increased compared to the same period of the previous year by 19.3%, going from COP 881 billion to COP 1.055 trillion. Let's see the main impacts of this increase on our income.

In the case of costs and expenses, we saw an increase of 13.3%, going from COP 611 billion to nearly COP 693 billion.

This represents a significant increase in our operating income, which went from COP 283 billion to COP 440 billion, with an increase of over 55%.

The good news is that our consolidated net income went from COP 342 billion to nearly COP 521 billion. Obviously, when analyzing the difference between the operational part and the net income, it is necessary to incorporate the equity method. That is a very significant number for company finances.

Moving on to the more detailed explanations of the consolidated financial statements, the revenue increase of 19.3% was due to increases in the electricity transmission segment close to COP 33 billion. Here is mainly The main item here is the inclusion of the UPME-04-2014 projects, which is the reinforcement part of South West Heliconia, Pereira, Cali and Yumbo.

In Guatemala, our company EEBIS generated revenue due to the conclusion of the lines and substations for companies Cempro and Pronico, as well as the La Vega substation.

Regarding natural gas, we saw increases of over 19% mainly due to TGI, arising as a result of the contracts associated with the Cusiana - Vasconia Phase 3 Project, as well as the incorporation of the delta stamp fee charge to the transport services contracts corresponding to the works of the Armenia Loop and to the decrease of contractual suspension hours for remittent maintenance.

In the area of natural gas distribution, we saw an increase of over COP 78 billion mainly represented by Cálidda, where higher revenues are reported due to the network expansion, as we mentioned, with new users entering into operation; the increase in natural gas distribution according to contracted capacity and the increase in consumption and transport are other contributing factors.

Here it is also relevant to mention that during Q1 there was additional revenue due to some industrial assets, such as a cement plant in Lima with consumptions above the estimates.

Regarding costs and operational expenses, we saw an increase of 13.3%, going from COP 611,400 million to about COP 693 billion.

In the area of electricity transmission, we had a small decrease close to COP 2

billion due to the decrease in maintenance costs and assigned costs and expenses compared to the previous year. Here it is also important to mention that usually, in Q1 of any year, the beginning of the contractual processes may have minor executions. We may recover this area through costs and expenses during the remainder of the year due to this sub-execution.

And at the Trecca level we had a tax reduction as a result of lower easement acquisitions compared Q1 of the preceding year.

In the natural gas transportation segment, there is an increase of close to COP 28 billion COP (25%) as a result of the variation of higher depreciation and amortization costs, as well as of increases in maintenance and repair contracts with third parties. Here it is important to mention that over the last three years, the company has been increasing the major maintenance items to provide the best security to the infrastructure.

Finally, we have the most relevant cost: the natural gas distribution segment, which saw an increase of nearly 9%. This increase is obviously related to Cálidda, adjusted to the new users which are associated with additional costs. It also relates to Contugas due to depreciation recognition (as there was a change in the depreciation mechanism of depreciation) and to the asset impairment recently seen by the Company.

Continuing on to page 11, we have the subject of how to visualize EBITDA generation according to the methodology used by credit rating agencies. In Q1 we have an EBITDA of COP 2.9 trillion; here it is important to mention that the portion of the dark blue bar which corresponds to controlled companies is the EBITDA generated during the year, while the light blue bar is what we collect through our associates and cash received through dividends. Here we'll see a lag compared to the time they were generated, as 2018 dividends are received in 2019, which generates that gap.

If we see it in USD, we have an EBITDA close to USD 931 million. In the graphs to the left, we can see how the main contributors are natural gas transport and electricity generation, followed by the electricity distribution, electricity transmission and natural gas distribution segments.

If we see it by strategic segments of the Company, we have transport and transmission segment close to 42% of EBITDA generation, the distribution segment close to 32% and the generation segment at 26.7%.

Going to page 12, we have the main financial indicators. Here you can see how the Debt / EBITDA ratio for the last 12 months is of 2.8 in Q1; here it is important to mention that one of the impacts relates with the dividends' declaration of our non-controlled companies, which makes our indicator improve. If you compare it against the same indicator of the previous year we are at the same level. Let's say that this is one of the control factors of the company, but we obviously still have room to make some kind of indebtedness for the company's growth.

In the following chart we see the relation of the consolidated EBITDA over Net Interests. Here we are a bit looser; according to the covenants and requirements of rating agencies we have to be above 2.25. We closed Q1 with a level of 7.2, which shows that we are not as adjusted in fulfilling this indicator.

In debt composition, until the end of the first quarter there were some marginal debts, more in the short term. We maintained our ratio between USD and local

currency debt in 84 and 16%. This is an issue that, based on the requirements and the potential acquisition of the aforementioned project, will increase in the remainder of the year.

In the maturity profile we have a concentration of maturities in the 2023; for 2028 we have the debt management operation put in place for TGI, moving its expiration from 2022 to 2028, and the numbers for 2032, 2042 and 2047 correspond to the maturities of the local bonds issued in 2017.

On page 14 of our presentation we have the transmission projects in execution right now. We expect these projects to generate an annual revenue of about USD 98.3 million.

The first projects corresponding to Chivor, Armenia, Thessaly, North Sogamoso Norte and South Western Reinforcement are already generating revenue, still operational but generating income. We also hope that the initiative that was made for Ecopetrol in San Fernando, La Loma (another STR initiative,) Altamira and the Collector startup can be entered into Company revenue on the dates that appear in the third column.

Now on executed Capex, as I mentioned initially, in companies contracted or in controlled assets, the Company have invested close to 70 million dollars at the end of Q1. Here, we are not including investments executed through non-controlled companies.

The major executions were in the transmission segment, on the projects that I have just mentioned that are still in execution, as well as with Cálidda and the ambitious plan of 150 thousand installations during this year.

On page 16 we have investment plans. Here we have the base scenario, which is still under review, but our expectations for it would be an investment including what was done in 2018 as well as the following 5 years. So, we would be talking about projected investments of around USD 2.4 billion, but as I said, this information is currently under review; if you see 2019, we have not incorporated the potential acquisition of the energy distribution company in Peru.

This concludes my presentation, and now I leave the next section for any questions you may have for me.

Thank you very much.

**Operator:** Thank you. From this moment, the Q&A session will begin. You may ask questions in Spanish or English.

If you have a question please press (\*1) on your phone, if you wish to be removed from the waiting list please type the pound key (#).

Remember, if you have a question in either Spanish or English, press (\*1).

At this moment we have a question from Mr. Diego Buitrago, from Bancolombia.

**Mr. Buitrago:** Good morning, thank you very much for the presentation. I would like to know a little about the evolution of the acquisition process of Dunas Energía in Peru, what is going on with it at the time? When do you expect to have news? Thank you.

**Mr. Castilla:** Diego, thank you very much. We will let our Vice-President of Distribution,

Transportation and Transmission, Andrés Baracaldo, answer to your question.

**Mr.**

**Baracaldo:** Good morning Diego, we are currently in the process of requesting authorization from Indecopi which the competent regulating body and the SIC's equivalent in Peru. We have already delivered much of the information and are waiting for Indecopi's response regarding the transaction.

After that response, we will proceed to the next steps of the acquisition process, which would basically be filing the acquisition bid. However, there is no specific timetable; there are maximum terms set forth by Indecopi, but there is no specific timeline on when we will receive that authorization.

We believe that authorization should be received in the next two months.

**Mr. Buitrago:** Okay, and how long would the maximum period you mentioned last?

**Mr.**

**Baracaldo:** What happens is that they have the power to ask for more information which would delay the process. I cannot estimate a schedule and say: "I'm certain there will be a response in about X months," because the entity could request further information. Our best estimation is that the process will be completed in the next two months.

**Mr. Buitrago:** I also want to ask a little about the process with Enel America: what are your expectations, and what is its status? When do you think there may be news? Or is that a process that could take years, for example?

**Mr.**

**Baracaldo:** Diego, we have been revealing this to the market to the extent that actions have been taken. You know that in the incorporation of these companies, towards the end of the 1990s, an agreement was signed among the shareholders called the 'investment framework agreement,' establishing the relationship we would have.

Our interpretation and our conviction is that we do not agree with certain actions taken by our other shareholder, and what we have done is to convene an arbitration tribunal, as that is the established procedure for conflict resolution between the shareholders.

As we have revealed in past opportunities, the main points of contention that we have, not the only ones but the main ones, have to do with the historical percentage of dividend distribution of the two Companies and which has changed in recent years. Also, there is the vision we have of unconventional renewable energy projects and the participation of Emgesa in this kind of business.

This issue has been brought to court, initially several were convened, at this time what has been done is to try to unify under a single court to make a definition of these aspects.

There is an established procedure that must be followed: the appointment of the corresponding arbitrators, establishing the parties. If it is not done by draw of names, as it is now, we have to wait for the court to be fully constituted and we hope the court will take the necessary time to make a resolution.

**Mr. Buitrago:** Ok, last question, on the decision to divest the participation in Promigas. That process was on standby due to market conditions, what changes have been there in the process?

**Mr.**

**Baracaldo:** Well, in regard to this process, from the financial point of view, we continue to maintain this asset as an asset for sale and the corresponding accounting treatment is being followed.

At this moment the process is suspended, no decision has been made neither to sell it nor to cancel it definitively and, when such decision is made, we will make the corresponding disclosure.

**Mr. Buitrago:** Thank you very much.

**Operator:** Once again, if there are any questions press (\*1.) The next question comes from Mr. Andrés Moncada from BTG Pactual.

**Mr. Moncada:** Good morning, thank you very much for the presentation. I wanted to ask Felipe about possible impairments or provisions needed in Contugas that could affect GEB's consolidated results in any quarter of this year, similar to what we saw in 4Q last year. Thank you very much.

**Mr. Castilla:** Andrés, thank you very much for your question. I'm going to remind you a little of what we did last year, and what can be foreseen in the situation of the Company.

By the end of 2018, the company made two types of adjustments. First of all, given that there are accounts receivable and these accounts have a certain antiquity, the decision, based on the processes that the company has in place against the companies that have not paid their obligations, is to advance legal proceedings before different instances. So, based on the probability our legal advisors gave us on how to win these processes, we wrote off the portion in order to write off those accounts receivable.

Obviously, these processes are also going to take a while to be defined, and what we also did was that, based on the new projections of the company and considering a potential project that was expected to enter into 2019 and which is now financial closure, we expect that these new revenue will be displaced in time, which causes two impacts on the Company.

On the one hand, cash flow is affected, and second, the write-off of that percentage of accounts receivable created an impact of nearly USD 50 million in 2018.

We expect that this year all accounts receivable that are following their legal course will also align with the probabilities our legal advisors gave, so we are able to make the corresponding write-off or provision.

And regarding cash flow, we have to re-evaluate if the projects are going to enter on the dates foreseen last year or if there is any modification.

That would imply involve re-making our projections of forward cash flows versus invested capital probably in the second half of this year, as well as to review what kind of impact would be expected.

**Mr. Moncada:** In that sense, what amount of accounts receivable is missing for provisions?

**Mr. Castilla:** Well, the ordinary portion. The ordinary portion we are talking of about ..., but accounts receivable are of the order of about USD 12 million per year.

Give me a second...

Andrés, a clarification: we have the provision of accounts receivable until the end of 2018; we made a provision of 25% of what was valid until that date.

For 2019, provisioning of ordinary accounts receivable continues to be generated. We will have to set a provision for that portion of the same 25% or according with the probability provided by the legal advisors who have been handling the cases. This will have to be completed until the processes are defined.

Ordinary accounts receivable are of about USD 12 million dollars, which would obviously need the portion that I just mentioned.

**Mr. Moncada:** Ok, thank you very much.

**Operator:** The next question comes from Mr. Rodríguez Sánchez, from Corredores Davivienda.

**Mr. Rodríguez:** Good morning, thank you very much for the presentation. I would like to know if you have any expectation of changes in the structure, given that there are new debt requirements, in light of the possibility of a new investment plan in Cálidda and of a change in Capex requirements after the acquisition of Dunas in Peru.

Thank you.

**Mr. Castilla:** Thank you very much for your question. This year at the Group level we foresee an additional indebtedness that could be of up to USD 500 - 600 million. I mention the range because of the potential acquisitions that could occur during the remainder of the year.

What would that portion generate us? Obviously, the Dunas project implies a relevant portion of the additional indebtedness.

Internally, at the level of transmission projects, investments of close to USD 170 million are planned this year.

Some capitalizations on existing companies are also planned, which obviously gives us, at the Group level, a range of no less than USD 400 million.

At the level of Cálidda, the expected indebtedness for this year would be between USD 100 to USD 110 million, which would correspond to the investment processes that the Company has been undertaking in order to incorporate those 150,000 new users.

**Mr. Rodríguez:** Understood, thank you very much.

**Operator:** Next question comes from Andrés Duarte from Corficolombiana.

**Mr. Duarte:** Good morning, thank you so much for the presentation.

Two questions, the first is whether the process is ongoing with Enel implies that you, while the process is not completed, cannot venture into electricity generation and distribution activities independent of Emgesa and Codensa? That is the first question.

The second is if you can update us regarding the expected dates regarding updates or regulatory changes in gas transport and electricity transmission.

Thank you.

**Mr.**

**Villasante:** Hello, good day. Regarding the first question, as mentioned by Felipe, our relation in the aforementioned companies comes from an investment framework agreement which, according to our philosophy, implies that all investments the Group makes in Colombia in these two businesses must be carried out through these vehicles, as has always been our vision.

So, answering your question, our vision is that the Group's generation business must be carried out in Colombia through Emgesa, while the distribution and natural growth business must be performed through Condensa.

**Mr. Duarte:** Ok.

**Mr. Castilla:** I just want to make a clarification, obviously this is only for Colombia.

**Mr. Duarte:** Sure, now that you clarified, I have a third question, if I may. Is there something in the *pi plane* regarding acquisitions of unconventional projects outside of Colombia?

**Sr.**

**Villasante:** I'll answer that as well. As we have stated on multiple occasions, the Group, within its growth strategy, is actively looking at other markets outside the country in terms of growth in renewable energy generation; we are working on different opportunities, and when we have any news to report, we will share them with you.

**Unknown:** Good morning, regarding the second question on regulatory verifications for the subject of gas transportation, the proposed regulatory agenda of the Creg stated that there was a new proposal for the tariff methodology that should be issued during Q1 this year. So far, what we know is that this proposal is in the Ministry of Mines, they're evaluating it and is expected to be published for discussion by agents later this month or by early June.

There would be about three additional months for a final proposal; that's what is on the agenda.

And regarding electric power transmission, it is expected that in Q3 of this year a new regulatory proposal will be discussed, and then a final methodology will be approved by the end of the year.

**Mr. Duarte:** Thank you very much.

**Operator:** At this moment we have no further questions; I give the word to Mrs. Marconi.

**Mrs. Marconi:** Well, thank you very much to all for your participation, we are all very attentive to any additional questions you may have. We will do our best to answer all your concerns through the Investor Relations area.

And if we cannot do so, we will distribute them to the corresponding areas or to the Group's subsidiaries.

Happy day for everyone, we'll stay in touch.

Thank you.

**Operator:** Thank you all, today's Conference is now concluded. If you want to hear this Conference again, please contact the Company.

Thank you for participating. You may now disconnect.