

Conference Call Text

1Q 13 Results and Significant developments ConTugas – Special Report

Slide 1: OPERATOR SANDRA

Welcome to the Investor's Conference Call Grupo Energía de Bogotá Results and Key Developments 1Q 2013 Special Report Contugas. My name is Sandra and I'll be your operator for today's call. At this time all participants are in a listen only mode. Later we will conduct a question and the answer session. Please note that this conference is being recorded. I will now turn the call over to Mr. Rafael Salamanca from Grupo de Energía de Bogotá Investors Relations Office Team. Mr. Salamanca, you may begin.

RAFAEL SALAMANCA

Thank you Sandra. We'll like to welcome everybody to this first quarter 2013 earnings conference call of Empresa de Energía de Bogotá, parent company of Grupo Energía de Bogotá. Today we will have a special report of our Peruvian subsidiary Contugas, responsible for the construction and operation of one of the largest natural gas transportation and distribution projects in Peru. We gladly present our speakers this morning, we have Mrs. Sandra Fonseca, our CEO of Grupo Energía de Bogotá, Mr. Jorge Pinzon, our CFO and Mr. Enrique Cadena, General Manager of our Peruvian subsidiary, Contugas. We have also this morning, Mr. Juan Felipe González, from the Investors Relations Office Team. My name is Rafael Salamanca in the Groups Investors Relations Office.

Slide 2: RAFAEL SALAMANCA

We will begin this conference with some introductory remarks from our new, we will provide an overview of the Group's structure, and our business strategy. We will continue an analysis of our 1Q-13 results and key financial indicators and finally we will provide some additional information on Contugas, including its business strategy and financial results. At the end of the conference call we will be ready to answer your questions and comments. Now I'll turn the call to Mrs. Sandra Fonseca, our CEO.

Slide 3: SANDRA FONSECA

Thank you Rafael. I want to send my welcome to everyone who is participating in this call. I will like to take a few minutes to review the recent accomplishments of the Group and more importantly our vision of the future. Capital Markets investors, and in general all of our stakeholders, are witnesses of the successful performance of EEB in recent years. We have grown from a strong player in Colombia to a group with a major international presence. By concentrating our investments in one well-defined segment of the energy sector, we have become a regional leader in electricity and natural gas sector. Finally, we have made the transition from a company with only a small presence in the capital markets to become one of the Colombia's largest issuers

of equity and international bonds, as you know. Our challenge is to use this solid base in order to fully take advantage of the new opportunities and of course new challenges that our position provides. We are entering a new era; the numbers that have been reported in the press reflect the magnitude of the challenge. We expect to invest approximately nearly US\$6.000 Million over the next five years, investing in our successful strategy of focusing on energy transportation. We will continue working over the coming years to make ourselves the number one business group for energy transportation at the regional level. We will continue growing in a regulated natural monopolies through the strategy of grow with a regional vision. You may already know that we are participating in two important bidding processes in Chile, for the construction and operation of power transmission assets. This is not only the opportunity that we are evaluating; this is not the only opportunity that we are evaluating, we believe that there exists interesting opportunities to increase natural gas transportation and distribution capacity in Colombia and also in Peru and to increase our participation in the electricity market in Colombia, Peru and Central America. I've just seen, as which in Guatemala, and I'm pleased to report that we are making good progress in our transmission investment there. In the past our focus has been on the development of projects that serve local demand in the countries we were, where we operate. I have the impression that the interconnection project will have a greater importance in the coming years and we definitely expect our group to be ready to take advantage of these opportunities when they arrive. Also we are looking for opportunities in already operating companies. I also believe that the company should expand the range of potential geographic market. We will seek to take advantage of the opportunities in other countries of the region where we don't currently have a presence and that offer a fine regulatory environment. The challenges are great but without a doubt the resources of the company that I have been entrusted to lead are equal to the challenges. I'm confident that we'll achieve our goals for the benefit of our shareholders and all of course our stakeholders. So, thank you very much.

JUAN FELIPE GONZALEZ

Thank you Sandra and good morning everyone. This is Juan Felipe Gonzales from the IR Team and I have the responsibility to conduct part of the presentation today, starting with, I think is worth it, remembering what is our strategy and an overview of Grupo Energía de Bogotá, remember that Grupo Energía de Bogotá is a regional leader in the Energy sector. We have investments in the electricity and natural gas, we do not do and won't do EMP in the natural gas segment and we have a regional scope, meaning that currently we have operations in Colombia, Peru and Guatemala and of course the group is seeking for new opportunities in other countries in the region, especially Chile. The company was founded in 1896, so it's a long-standing company with a lot of experience in the energy market. The controller shareholder is the District of Bogotá, that holds 76% of the shares and the group is one of the main issuers of shares and debt in the Colombian corporate world. Our strategy is focused on the transportation and distribution of energy with a regional scope as I mentioned before. Since we focus on natural monopolies and since we also have investments in non-controlled companies our current strategy is to grow through controlled subsidiaries, so most of the investments that we are conducting right now are, we are doing so through controlled companies. We have ambitious projects in execution, that's one of our main characteristics, is not very common in all utility companies. The president has

mentioned in the media that the current business plan is worth US\$2.7 Billion so it's a very ambitious plan under execution. We work in countries where we feel comfortable, in terms of the regulatory framework, and we believe that's the case in Colombia, Peru and Guatemala and also Chile, which is the country that we want to be in. Of course we work in a business that is, ah, capital intensive, so we need to have good access to the capital markets and we believe we have a record on that front, we are a major issuer of debt, in 144A market and we also are one of the main issuers of shares in Colombia. Our investments, we have investments in all the value chain of electricity and almost all the value chain of natural gas.

Slide 5: JUAN FELIPE GONZALEZ

Let's please review the key developments for this first quarter of 2013. On March 31st, shareholders assembly approved a payment of dividends of Cop\$43.96 per share. These dividends paid to minor shareholders right now but I think that one of the main messages here is that this dividends distribution is in line with the company policy of distributing almost 100% of Net Income. That's what the shareholders assembly approved last March. And also the attractive dividend deal compared to other companies, to other similar companies. Also in this first quarter the stock was included in the COLCAP, one of the main indexes in the Colombian stock market, the reason behind it was the increase volume that the share receive, that we, that the share received last year, so it was increased almost three times of the volume compared to 2011 and this enabled the stock to be part of this COLCAP index. Also, on April EEB was awarded with a project in Colombia, the project is called Chivor II, and it's on the transmission, electricity transmission segment and the estimated CAPEX is around US\$101 Million. And also very important to mention is that the board of directors of EEB allowed the company or approved presenting a bidding offer in a process in Chile to construct and operate an electricity transmission line. The total value, estimated value or CAPEX of this project is US\$165 Million and the result of this process will be announced in June 2013. Also the Board of Directors approved the creation of a service company in Colombia, I'm sorry, in Peru, similar to the company that was created in Guatemala. This is a company that will provide engineering services in Peru in both in the national gas sector and the electricity sector. And our president Sandra announced or confirmed the interest of EEB of participating in the project for the interconnection of Colombia and Panama. And she noted, and this is very important, that the company expects a competitive process.

Slide 6: JUAN FELIPE GONZALEZ

In terms of key developments for TGI, the shareholders approved meeting, did not approve distributing, I'm sorry, did not approve distributing Net Income in relation to the operations of 2012 and so, the legal reserves were constituted for around Cop\$157.000 Million and this reserves will protect earnings from a change fluctuation. Also important to mention that on May 7th, Standard and Poor's raised TGI current investment trade rating from BB to BBB- and at the end of 2012 the regulatory body, the Colombian regulatory body CREG approved an adjustment in the tariffs that will be reflected in approximately 10% of increase of Net Income that's what TGI expects, starting in 2012, I'm sorry, 2013.

In relation to Calidda, on April 3rd 2013 the company was able to close a debt issuance in the international markets for US\$320 Million, that was a very successful operation, and this resources will be used to, for both, to finance the expansion plan of the company and to improve the debt maturity profile.

In relation to the Guatemalan company called EEBIS, EEBIS in Guatemala was awarded projects for approximately US\$73 Million in the first quarter of this year and these projects are related to interconnection through the CECSA system.

And finally and in relation to TRECSA, the Board of Directors of EEB approved guarantees an intercompany loan for US\$230 Million for the periods between 2013 and 2014. Remember that the finance structure of this company is 50% equity and 50% debt, the equity resources are already there so with this guarantees provided by EEB the company will go through the debt markets in Central America in order to raise the remaining 50%.

Slide8: JUAN FELIPE GONZALEZ

Let's quickly review the key financial results of the first quarter of 2013. Starting with operating revenues, you will find the consolidated financial results that the company had a significant increase in Operating Income, we are on 25%, the principal variables explaining this increase are of course the entrance in operation of the third phase of Cusiana in the third quarter of last year. Also the increase in tariff that CREG allowed TGI to charge its customers and finally we'll have to remember that in the first quarter of 2012, the company incurred in cost, in one time cost related to the debt maturity, the debt management operation that the company did in that time. In relation to Net Income you will also find a big increase of around 22% in Net Income, basically explained by of course the increase in Operating Income but also the increase in dividend payments by Emgesa, Codensa and Gas Natural.

Slide 9: JUAN FELIPE GONZALEZ

In relation to debt indicators, that's the next slide, Rafael please, leverage indicator as usual is very low, so it means that the company has a lot of space in order to finance it's business plan, the leverage indicator had a reduction, basically because of an increase in EBITDA but also because of the reduction in Net Debt because the company's recent payments in relation with the short term debt. You will also find an increase in the coverage indicator, it's a very high increase and the explanation behind it is again the increase in EBITDA and also the lower financial expenses, remember that EEB and TGI, both companies did two successful debt operations in 2011 and 2012, so this operations have resulted in a high decrease in financial expenses. And that's all from my part so I will turn the presentation to Enrique Cadena of Contugas.

Slide 11: ENRIQUE CADENA

Good Morning everybody. Good Morning everybody. I will like to talk you the report, give you an overview of the gas, the natural gas industry is in Peru. Based on sources from the Energy Department in Peru, we have more than the 11 Million or 11 Teras of natural gas reserves, in compared with the balance with the demand we report that the country has enough reserves to

serve the demand that is already placed for the next 10 to 15 years based on the distribution system that already is being developed. That showcases a good confident future in terms of there is enough resources to develop all our business in Contugas. So not only that is a good information but also gas, a couple of fields that are in the development process very close to Malvinas which is the main source of natural gas that has a huge perspective on natural gas reserves. That gives us again confidence that the future of natural gas in Peru is very positive. Also a good item that has prove interest in terms of future of natural gas in Peru, is the policy that the government put in place a couple of years ago is committed to develop a mass distribution of natural gas all over the country and that's something that is working in the base of Peru and we sure expect results in the next 5 to 10 years in terms of new business not only for Contugas but also for the group. Focusing on Ica, we have a population of more that 1000 thousand people in the department, the GDP grow has performed in average over the GDP of the country of Peru. Last year it grew a 5.9% over 2012 and it has, the department, two main areas that, the country assigned as the hub for petrochemical and industrial which are Pisco and Marcona, Pisco is the area that is developing very quickly as the hub for new field, mill fishing companies, but also petrochemical companies, and Marcona is in the process of developing a hub for power generation and petrochemical which gives us a good perspective for the next years in terms of grow and future. In terms of technical and construction wise the area is dessert and plains which is that improvise a few struggles and difficulties in terms of construction and we want to see those results in terms of the progress that we have made in the year of construction of the project. In addition of that, the pipeline that bring the natural gas from Malvinas to Ica is in the expansion process and already we have said that there going to be finished that based on the information that they are providing by the end of 2015, or beginning of 2016.

Slide 12: ENRIQUE CADENA

Focusing on our distribution business, Contugas provides natural gas to the main five cities of the department, which are Ica, Pisco, Nazca, Marcona and Chincha.

The concession is 30 years and the length of the pipe is about, is over 200 Km, 251 is the trunk and 50 for our branches, the right of way, almost 87% of the total right of way is owned by the Peruvian government which provided a very confident position in terms of not having any difficulties in terms of the right of way. The principal obligation that we have is 24 months after the closing date we have to finish the pipe, which already we can report that we are on schedule and we won't have any issue in terms of complying that goal.

In terms of connection of households we have 31.000 for the first year and 50.000 for the next five years after the closing date, which is something that are making a good progress in terms of the price.

Slide 13: ENRIQUE CADENA

Giving an overview about our strengths we, the first strength that we see on the project is that we are a natural monopoly with a stable framework, regulatory framework, we have an exclusive right to distribute natural gas over the life of the concession, 30 years, and we, due to economy itself that we have in the pipe we have a natural monopoly in the area. This is an essential infrastructure

for the Peru, we are considered one of the main projects, we are given some benefits in terms of the process and frame here in Peru, based on that, and that gives us the strength to move the project very quickly with the support of the government, this is enable an economic impact in the serviced area, we believe that this project is going to create a very develop process in the next four to five years for renewed industries and projects into the area and hoping of increasing even more the increase of the GDP in the area. The potential demand that we have already in the project has been growing in the last three to four years especially in the fields agro industrial power plant generation and petrochemical sectors, and both projects are in the process of develop in the region.

The other strength that we have is that we have a predictable and stable long-term revenues after signing the contract, which is the type of business the group likes to have, we have a regulatory that allows to establish the revenues from the distribution system, the tariffs are denominated in dollars and adjusted by the combination of inflation and index, the tariffs have an initial period of five years with no changes or no revision from the government in the future tariffs after that will be reviewed every four years for to recognize of any investment that we have on additional in CAPEX or in OPEX. And we all have long-term take or pay contracts with a minimum of 10 years that give us predictable stable long-term revenue for that period.

And the other strength that we have is the competitive of the natural gas, of the prices of the natural gas, right now with the 52 that are in Ica and in general in Peru we have savings compared to the national goal, any company or household that converts to natural gas, the savings are between 43% to 75% which is a very interesting saving for any industry who wants to compete in this environment right now.

And the last strength that we have is our sponsor, which is the Group Empresa de Energía de Bogotá, which is the leader in natural gas transportation and distribution in Colombia and Peru.

Slide 14: ENRIQUE CADENA

Talking about the regulatory framework we have an standard price, the distribution price is based on demand we have three scenarios that assure to allocate or recognize all the investment that we have on every scenario of growth through our tariffs.

As we said before we have an initial tariff for years from the start of the commercial operations and we have a cap subsidy of US\$150 per client to help repay the installation of any household that we allocate in Ica.

In terms of demand we have about 51% of the demand will be located as we have right now, based on the requirements of natural gas, will be in electricity, 44% will be in the industrial, 5% will be in vehicles and a small part which is between 1 or 2% will be in residential and commercial.

The demand by location, of our FIBI, we have 57% in Marcona, 33% in Pisco, 3 to 5% in Chinchipe in the perimeter that is very very close to our hub or our main city gate will be 4 to 6%.

Peru has a very distributed demand in terms of the field that we have in Ica.

Slide 15: ENRIQUE CADENA

As a project, as a construction process we already have as March of a 75% of advances, as right now we are reaching the 80% progress of the project, we have more than 150 Km of high-pressure

pipeline already welded and ready to take. We have 148 Km of low pressure network as today we have more than 240 km of low pressure built, more than 2.000 customers we have at March, today we have more than 15.000 residential clients already installed and we can say that 100% of the right of way as of today will already be negotiated and we are holding for a process that extends to more than four or five months, on the 21% but in terms of agreements we have 100% of the right of way already negotiated, which gives us a strong confidence that we won't have an issue in terms of right of way.

On environmental and social actions, Contugas pretends to the Environmental Impact Study, which is EIS, to the Ministerio de Minas, carried out a workshop and required public hearing and we received the observations and we already have that approval, as of December 15th of 2010.

As today the company has complied with 100% of all the requirements of that study and we won't have any issue in terms of environmental or social related items.

Slide 16: ENRIQUE CADENA

As you can see the map this is the progress in any of the branches that we have, in terms of Chinchá already in place the whole construction, we are prepared to have, to serve all the industries in that area, we have 87% of the trunk of the area between Humay and Pisco, and today we have about 93% of that between Humay and Pisco, and Humay Ica we have 89% at March, as today we have about 94% of that part of pipe and from Ica to Riogrande we have 35% on March and today we have about 45% of that already in place and to Marcona we already have the pipe welded and we are in the process of finish all the right of way and cleaning the right of way which will have a 40 to 45% of that pipe in the month.

Slide 17: ENRIQUE CADENA

In terms of CAPEX, we have an investment of US\$345 Million, which is divided by 98% from capital, 23% which that is the impartment from IGV that is a contract that we have with the government and 133 in construction loan. We are looking for getting a credit for US\$215 Million to finish the project.

Now, if you have any questions for us we will be ready to answer.

OPERATOR SANDRA

Thank you, we will now begin the question and answers session. If you have a question please press star, then one on your touch-tone phone. If you wish to be removed from the queue please press the pound sign or the hash key. If you are using a speakerphone, you may need to pick up the hand set first before pressing the numbers. Once again if you have a question, please press star then one on your touch-tone phone. The first question is from Guillermo Alarcón from Davivienda. Please go ahead.

GUILLERMO ALARCON

Thank you, good morning, I want to ask, you say that you are bidding in a project in Chile, I would like to know if you know what would be like the income, that such project will mean to Empresa de Energía. And my second question is related to the EBITDA margin, if you look at the EBITDA margin for the end of the year like in the, some years ago and now, you see a reduction in the EBITDA margin, so I will like to know, what are you like forecasting for the next year, related with the EBITDA margin of the whole group. Thank you.

SANDRA FONSECA

Guillermo, as you know we are in the process of expecting the results of the bid in Chile, so I will like not to say anything about our offer because is a competitive process, so maybe if you can wait until June 1st, we will have the results, but we are very confident that we are in a good position to win those two processes.

Juan Felipe González: Thank you and Guillermo in relation to the decrease in EBITDA margin I suppose you're referring to the consolidated EBITDA margin, the reasons behind it are related to TGI's operations. First of all, you have to take into account that incremented cost at the beginning of last year, especially those related to the debt management operation that the company did in that period, and also you would have to take into account that the company has exercised some BOMT contracts that were operated by third parties so TGI is now assuming those operating costs.

What the company expects, and I'm talking to you only about TGI, is a stable EBITDA margin, for the future, I'm sorry.

GUILLERMO ALARCÓN

Thank you.

OPERATOR SANDRA

If there are any additional questions, please press star, then one on your touch-tone phone. Standing by for questions.

And at this time we have no further questions. We have, excuse me, we have a follow up question, coming from Guillermo Alarcón from Davivienda. Please go ahead.

GUILLERMO ALARCON

Thank you. I would like, I want to ask in terms of your like Income forecast, I know you are like in regulated markets which are stable, but I don't know if you have like a guidance about your, the consolidated income for the next years, as you are participating in some process, what do you expect, your income to grow more than inflation or around inflation, I don't know, I would like to know if you have some guidance about you income forecast for the consolidated group. Thank you.

JUAN FELIPE GONZALEZ

Thank you, Guillermo again, as you know since we have some covenant related to processes related to EEB and TGI we are not very flexible in terms of giving projections to the market. But what you say is the clue in order to disclose what the future of this company could be. Most, or at least 80% of the revenues of EEB on a consolidated basis are regulated revenues, the remaining 20% are revenues or income coming from Emgesa, basically, which is a non-regulated business, so if you look through the history, I mean, what I'm trying to say here is that the history is like a good guidance in terms of what could happen for future, in the future in the terms of the company's revenues.

GUILLERMO ALARCON

Ok, thank you.

OPERATOR SANDRA

Thank you, and the next question is from Federico Suárez from Citivalores.

Please go ahead.

FEDERICO SUAREZ

Yes, thank you for the call, I would like to know if you have a targeted percentage of revenues going forward for natural gas vehicles for the Contugas operation.

ENRIQUE CADENA

Say again, please.

FEDERICO SUAREZ

Do you have an expected percentage of revenues as a target for the natural gas vehicles sector, meaning is that a growth potential factor for Contugas in Peru?

ENRIQUE CADENA

Yes, we have a couple of projects that are allocated in two important areas which are Marcona and Pisco and are around that area, which are focusing on doing that, which is taking the gas from our pipes and deliver to some of the areas around the Ica, based on vehicles. So we have a percentage can be right now we have about between 5 to 8% of that percentage of the total demand that we'll be focusing on that. The other thing that is growing very fast, as we make

progress on our build of the pipe, and this is something that we are, that we see a good future from our business.

FEDERICO SUAREZ

Thank you very much.

OPERATOR SANDRA

Once again if there is any additional questions, please press star then one on you touch-tone phone. And at this time we have no further questions.

I'll turn in back to our speakers for any final remarks.

RAFAEL SALAMANCA

We would like to thank everybody for attending this call and we hope to see you in our next quarterly results conference calls. Thank you very much and have a nice day. Bye.

OPERATOR SANDRA

Thank you ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.