

Earnings Call. EEB Results and Key Development Full Results 2014

Operator:

Good day, ladies and gentlemen, and welcome to EEB's Earnings Call: Results and Key Developments. Under the downloads tab you will find this presentation. As a reminder, this conference call is being recorded and if anyone should require operator's assistance in the call today please press * then zero on your touchtone phone. I would now like to turn the call over to Mr. Nicolas Mancini, Financing and Investor Relations Manager of EEB, parent company of Grupo Energía de Bogotá. Please go ahead Mr. Mancini.

Nicolas Mancini:

Thank you. Good morning, and welcome to our earnings conference call for the full year 2014 of Empresa de Energía de Bogotá -EEB-, the parent company of Grupo Energía de Bogotá. My name is Nicolas Mancini; I'm the Financing and Investor Relations Manager of EEB. A slide deck is available by webcast, and will be posted on EEB's website. Today's presentation will be made by Mr. Ricardo Roa, Chief Executive Officer of EEB, and by Mr. Felipe Castilla, EEB's Chief Financial Officer.

This presentation is also divided into four parts. First, our CEO will make some introductory comments and key updates about our business and capital expenditures strategy. Next, we will review a summary of the business opportunities we are engaged in. Third, we will present EEB's financial results for the full year and the most important financial indicators. After that, we will be pleased to open the call to a Q&A session.

Now, I will turn the call over to our CEO Mr. Ricardo Roa.

Ricardo Roa:

Good morning. I would like to give to all of you a warm welcome to our earnings conference call full year results of 2014. We will start by giving you an overview of the strategy and recent developments, then a brief overview of our future plans and then we will provide some insights on our key financial recent developments.

First of all, I would like to tell you that EEB had an outstanding year; we kept consolidating

the company as a very important player on the regional energy industry, and our financial metrics are sound and rated as investment grade by the relevant rating agencies.

Our expansion strategy has been redefined by our Board of Directors: we have reviewed our expansion capital expenditures, since some of the opportunities of local and overseas Mergers and Acquisitions -M&A transactions, in particular acquiring ISAGEN, are not anymore our target, given local antitrust restrictions established by SIC (Superintendence of Industry and Commerce) to this process. In that sense, our expected CAPEX for the period 2015-2019 is approximately USD 1.8 billion. Most of this program will be allocated on the electricity business segment in Colombia, since we are heavily investing locally (UPME projects) and at a regional level through potential acquisitions on that business segment. I would like to emphasize that with this plan, we are committed to the maintenance of our investment grade ratings, since all of our new investments will be financed in a prudent fashion.

From the operational side, I would like to mention our recent developments on electricity business: Last year, our operating transmission business unit put into operation the Alférez substation and the SVC Tunal (A compression system in Bogota) which combined will increase reliability and generate an annual income of USD 8.5 million. Last month (February/2015), we were awarded by the UPME with the Southwestern Reinforcement project, a nearly USD 350 million investment, which will reinforce the entire national transmission system and ensure the possibility to provide for the country's future energy supply and generate an expected annual income for EEB of approximately USD 24.37 million during the next 25 years (once in operation in third quarter 2018).

We are also proud about our officially inaugurated Tesalia Substation and its associated transmission lines located in the Huila Department, a project aimed at strengthening the Colombian power system. Tesalia substation connects the most important power generation center providing electricity in the country, via the Hydroelectric Plant of *El Quimbo* with the National Grid. Thus, it will support the growing electricity demand in Colombia. EEB's investment for this first phase of the project amounted to USD 20 million (approximately COP 45 billion). Construction of the project was completed in a record time of 14 months and 134 local workers were hired from the municipalities of the project's direct area of influence to build the substation and the transmission line.

This initiative complements the previous eight electricity transmission projects already awarded by UPME to EEB in 2012 and 2013 (Armenia; Alférez; Tesalia; Chivor II; Sogamoso-Norte-Nueva Esperanza; Cartagena-Bolívar; Río Córdoba; SVC Tunal) and which combined will improve EEB's annual revenues in this segment by USD 84.6 million (fixed for the next 25 years). This infrastructure has already increased EEB's market share up to 10% in the National Transmission System and will increase up to 15% in the coming years, being the second largest transmission company in Colombia.

On the electricity distribution segment: our subsidiary Empresa de Energía de Cundinamarca -EEC- had a very good year, and reached an EBITDA of USD 28.4 million. At the same time, the company reduced energy losses in 9.93% and increased its number of customers in 4%. EEC's capital expenditures in the next three years will reach approximately USD 84.1 million.

Last but not least, on the generation business segment, as announced by our non-consolidated affiliate Emgesa, El Quimbo, one of the third largest hydro projects in the Country (400 MW capacity) will be completed the second half of this year. The current progress of this project as of December last year achieved 85%.

In terms of our natural gas activities, transportation business in Colombia through our controlled company Transportadora de Gas Internacional -TGI- boosted our yearly rate of growth of operating income and also completed *La Sabana*, a compression station in Bogotá, a USD 54 million project, adding up new transport capacity to its existing gas pipelines. TGI also paid dividends to its parent company EEB, an amount of COP 646.5 billion corresponding to the reserves and profits for the period 2013, as well as to distributable profit for the period comprising January to August 2014. We also concluded an important acquisition milestone, that many of you are aware. We reacquired 31.92% of TGI's shares through a special purpose vehicle IELAH (in Spain). We are currently in the third final phase, which is the final absorption of IELAH into TGI. This phase should be completed by the end of this year.

Finally, it is worth to highlight that in December 2014, TGI was acknowledged as one of the great places to work in Colombia, and occupied place number 11 within companies

with less than 500 workers. In terms of our Peruvian subsidiaries, on the natural gas transportation and distribution field, last year Contugas had investments of USD 368 million, started commercial operations on April/2014 and we are fulfilling our contractual obligations with the Peruvian state in terms of client connections. Meanwhile, Cálidda successfully concluded last year with over 255,000 clients connected to its network and new intensive projects and clients in place, mainly power companies.

At our non-operational side, dividends decreed in two moments by our non-consolidated affiliates (Emgesa, Codensa and Gas Natural) boosted net income results by 16%. The exchange difference account also represented a decrease of 186% due to the appreciation of dollar. We ended up 2014 with a consolidated net income of COP 980.8 billion.

Business opportunities:

M&A in Colombia - Opportunities

I believe that, given the current situation of the oil industry, many players are looking for opportunities to sell their non-strategic assets related to the transmission of electricity and transportation of natural gas in Colombia. From our perspective, we would be interested in exploring these investment opportunities in the country.

Minority Interest - Opportunities

From the perspective of our minority interests in ISAGEN and ISA, we would be also interested in divesting, if necessary to finance our investment plan. As many of you already know, these are historical stakes, which are non-strategic assets and potentially could fund part of our expansion in core assets. Anyway, if we decide to sell these assets, we would need to fulfill the procedures contemplated in the Colombian law. Law 226 of 1995.

Geographic markets and business segments - Opportunities

I would like to mention that this year, we also plan to participate on bidding processes and acquisitions, both internationally and locally:

Natural Gas

I will start by mentioning that as regards transportation, there is a need for closer

regulation of reliability. Our company has submitted projects to the Colombian government amounting around USD 2.3 billion to guarantee reliability in the supply and transportation of gas.

Colombia - Electricity

Currently, EEB has eight ongoing UPME projects in different regions of the country, which has consolidated the company as the second power transmission company in Colombia and the first in growth in the past two years. We expect to participate in many UPME tenders to foster our contribution. These projects amount to around USD 1.1 billion.

Mobility in Colombia

Besides our businesses in natural gas and electricity, during 2014 our subsidiary Empresa de Movilidad de Bogotá –EMB has assessed its involvement in a series of Public-Private Associations projects, seeking the development of electric components that may render an efficient solution to current mobility problems in the city: These projects are valued at USD 1.2 billion. Let me tell you something about this:

APP Bogotá Eléctrika: It consists of a private initiative without the contribution of public monies. Its objective is to render electricity to trunking stations of Phases I and II of Transmilenio and the start-up of operations with buses that are zero or low emission.

APPs Tren-Tram Tren de Cercanías Corredores Sur y Occidente: It relates to a private initiative requiring contribution of public monies. The main objective of these Tren-Tram APPs is to render operative the electric tram system in railroad corridors in the south of Bogota (La Sabana – Soacha) and on the west (La Sabana – Facatativá) existing stations.

I remind that for our subsidiary EEB Mobility to initiate any of these projects depends upon results and due diligence of project feasibility by a specialized third party.

Mergers and Acquisitions - Overseas

These would be businesses that are already operating related to gas transportation and distribution in regional markets.

Electricity transmission and distribution opportunities in countries such as Brazil and Chile.

Finally, I would like to mention that this is a challenging year for us. We expect to complete our infrastructure project in Guatemala once we overcome some difficulties related to the project. It is also worth mentioning that TREC SA has already partially come on stream by launching five substations. The plan is to bring into operation the remaining 19 substations and to conclude the 850 kms of transmission lines. Now, I turn the call over to Mr. Felipe Castilla, EEB's CFO.

Mr. Felipe Castilla:

Thank you Mr. Roa. Good morning to everybody, I would like to present our main updates for year 2014. First of all, I would like to mention that this year we had a very good year in relation with the ratings that we received from the main credit rating agencies. First, in August, Moody's affirmed EEB corporate debt and issued rating BAA and upgraded our outlook from stable to positive. On the Standard and Poor's side, they upgraded the EEB corporate debt rating from BB+ to BBB- getting the investment grade and affirmed issuer rating from BBB- with a stable outlook. And finally, from the Fitch's rating they were upgraded EEB corporate grade and issuer grade from BBB- to BBB, with a stable outlook. On the local side, we were affirmed as a AAA, that is the highest possible within the national scale.

The second main issue that we would like to mention is the anticipated dividends declared to EEB. EMGESA, CODENSA, Gas Natural and TGI closed financial statements for the period ending August 31st, 2014, and these companies declared dividends to EEB for an amount of more than COP600 billion, which will be paid during 2015. Otherwise, on a regular basis, these dividends would have been declared on the 1Q of this year. Also, as an additional highlight, EEB declared dividends with an interim financial statements closing as of October 31, 2014. EEB's net profit during this period reached almost COP2 trillion, exceeding almost by 54% the results when compared to results recorded in 2013. EEB also declared dividends to its shareholders amounting to COP1.3 trillion, that is more or less equivalent to US\$500 million. The highest dividends that have been declared by EEB during its history, which is equivalent to almost COP\$120 per share, of which COP\$105 correspond to ordinary dividends and COP\$14.64 to extraordinary dividends. These dividends will be paid during 2015, in the months of June and October and this represents an increase per share of 84% with respect to that declared last year in March.

The other event is that EEB entered into an interadministrative collaboration agreement with Financiera de Desarrollo Nacional, with the purpose of joining efforts to structure, in a comprehensive manner, the project known as First Underground Line in Bogota, that is The Metro, pursuant to the framework of the interadministrative agreement entered into between Financiera de Desarrollo Nacional and Instituto de Desarrollo Urbano, IDU.

We are also proud that we received the best PR practices. We have received the recognition in September by the Colombian Stock Exchange. This award is for companies trading in the Public Stock Market and outstand and maintain high standards in the disclosure of financial and non-financial information in a clear, timely and easily accessible manner, both in English and in Spanish.

During the year, and we are also mentioning something that happened in 1Q 2015, we were awarded with several UPME projects. In February we were awarded, as mentioned by Mr. Roa, with the reinforcement of the southwest in the country, it is a 500KW project, that will improve the transmission within the Departments of Antioquia, Caldas, Quindio, Risaralda and Valle. This project is in the range of US\$320 to US\$350 million in investment, and we will receive annual revenues in the amount of about US\$24 million.

In October of last quarter in the last quarter, we were awarded with a project Rio Cordoba substation with an estimated investment of \$15 million and annual revenues of 1.8 million. This project includes the design, acquisition of equipment, construction, operation and maintenance of 220 kV in Rio Cordoba.

As mentioned, we would like to mention something about the update on Upme projects, the Tesalia Project. The Tesalia Substation is the enhancement of the Altamira Substation and the stretch of the Tesalia-Altamira line came on-stream, last year. The reconfiguration of the Betania-Jamondino line also started operations. At this moment, these projects reaches something like above 72% in progress. The Armenia Project, as June of 2014, the ANLA, National Association for environmental licenses notified EEB of resolution that dated June 2014, whereby an environment license was granted for this project. With respect to the easements, 75 tower sites have been released by means of registration and legal inspection accounting for 90% of all the tower sites of the project. With ANLA's

authorization, EEB defined that towers are installed in the limit of the Conservation district Barbas Bremen and are located in areas already involved, which today develops agricultural and economic activities and not areas of forest or preservation. At this moment, the project shows above 80% progress.

Our TRECSA project in Guatemala, the project shows an execution above 81% by the end of this year. Also we have to mention that five substations are already in operation, Pacifico, La Vega II, Tatic, San Agustin, Rancho (now this is a 69 kV substation), as well as 122 kilometers in transmission lines that are already in service. That hasn't started generating new revenues for the company. Further substations are coming on stream, which is subject to change by the administrator of the wholesale market. By the end of the year, we have invested in this project US\$304 million.

The other main events that we have to mention is the acquisition of almost 32% of TGI. In July, we closed the acquisition of 32% of the shares that were sold by The Rohatyn Group, former CVCI. We incorporated a vehicle that acquired the vehicle IELAH and at this moment we are in the process of merging those vehicles and the idea is that for the second half of this year, the Phase III in which we will merge the vehicle in Spain with TGI in Colombia. TGI decreed dividends in October and paid to the different shareholders US\$271 million in that case. EEB received 68% and our special purpose vehicle IELAH received almost 32% of the dividends associated to distribution of reserves and net profits of 2014 and the profits that were generated during the first eight months of 2014. On the TGI side, we also started operations in our new La Sabana Compression Station. Also in 2014, we, in average, we transported volumes in the infrastructure surrounding 500 million cubic feet, representing per day, representing an increase of almost 9% compared to the previous year and 17% with respect to 2012. That means that in a couple of years, we have been able to transport almost 24% more natural gas in our pipeline.

On the Calidda side, OSINERGMIN, that is the regulator in Peru published the resolution that set Calidda's tariff scheme for a four year period that draws from May 8, 2014 to May 7, 2018. This approved the average distribution tariff was increased by almost 6.4% when compared with the previous period's tariff. Besides, OSINERGMIN resolution establishes an investment plan that the Company has to accomplish for the period 2014-2017, in the amount of US\$428 million. At the end of 2014, Calidda has a client base of 255,000 new

customers, 56% more than in 2013. At this moment, our plan is to increment new users in the range of 8,000 to 100,000 new users per year.

On Contugas, we want to mention that this project is already online, started April 2014. At the closing of this year, the project was complete, and the total investment was \$368 million. Company has at this moment, almost 30,000 enabled clients. The gas pipeline will have capacity in excess of 300 million cubic feet per year and will connect 50,000 residential clients during the first six years after the startup of commercial operations.

Next slide please. In terms of, now we are going to see how the controlled subsidiaries, the investment CapEx. In terms, we have invested for the year 2014, US\$1.2 billion that includes the acquisition of the 32% of TGI that amounted the sum of US\$880 million. Calidda represents the 25% of the total CapEx if we exclude the M&A transactions related to TGI. As you can see on the bottom right chart, most of our CapEx was concentrated in Colombia representing almost 51% of the total amount.

Next slide please. On the non-controlled subsidiaries, as you can see, the total CapEx amounted for this non-controlled subsidiaries was for the year 2014, US\$682 million where Emgesa contributed with 53% there by the execution of El Quimbo project in Colombia.

Next slide please. Now going over the financial review, I would like to mention that our outstanding financial results for 2014 consolidated us as one of the most economically important energy groups in the region, always maximizing profit for our shareholders as reflected in our increasing profit during this period. The consolidated operational revenues grew by almost 18% as of December 2014 due to first, in terms of electricity transmission business in Colombia, Alferéz substation began operation in March and collected revenues because of construction agreements and connection conflicts. Also because regarding the distribution businesses, we increased the collection of power sales made by Empresa de Energía de Cundinamarca - EEC. We have also greater revenues on gas transport in Colombia by TGI due to new contracts and the current rate scheme in force, which remunerates investments and is also denominated in US dollars which exchange rate vis-à-vis the Colombian peso increased by nearly 20% during 2014. We also have an increase of revenues from our natural gas distribution business in Peru due to a greater number of connections during the year in both residential and commercial segments,

including new enabled and connected clients to Calidda's network and to a greater distributed and invoiced volume.

Finally, the sale of internal installations to residential clients and greater revenues of connection rights from industrial clients in Contugas also contributed to the consolidated performance of our revenue. The cost of sales increased by 18.3% as a result of greater connection of enabled residential clients in Contugas as well as the cost of internal installations, consumption and supply fees, maintenance and repair in the main gas network and amortization to the concession in Calidda.

On the other hand, we had an increase in EEC due to the higher rate in the power purchases both in contracts as well as in the spot market, greater costs resulting from increases in payroll and outsourced operations and the renegotiation of contractual provisions.

Finally, operational profit grew at a higher pace when compared to operational revenues given the operational expenses decreased at TGI and EEC level by 8.5%. As a result of the foregoing, operational profits reached COP790,000 million during 2014, growing at 30% when compared to the preceding year.

Next slide please. Regarding our non-operational performance, dividends received grew by 73% as of December 2014, particularly due to the anticipated dividends, as mentioned before, declared by our non-controlled companies Emgesa, Codensa, and Gas Natural, in October 2014, based on early closing of financial statements for the period ending August 2014. These dividends reached the total amount in dollar equivalent to USD \$631 million for the full year.

However, the company has a negative effect on the foreign exchange account mainly as a result of re-expressing the indebtedness denominated in foreign currencies. Remember that we have our reported assets in US / pesos, but our debt in foreign exchange -- in foreign monies. And in that sense, this difference, considering an almost 20% devaluation in Colombian pesos to enter this effect.

The Colombian peso has experienced devaluation, which increases debt value and asset

value long position in foreign currency. Last but not least, net income of December 2014 closed at COP981 billion representing a growth of 16.3% when compared to 2014 explained mainly by the increase of our operational profits.

Next slide please. Now moving forward to the EBITDA evolution, at the end of 2014 operational EBITDA from controlled subsidiaries participated with 57% of the consolidated adjusted EBITDA. Please remember that we made an anticipated closing and as you see in the graph located in the left, in the bottom left side, we have divided but this portion corresponds to the anticipated dividends and one portion correspond to a regular year. In that sense, if you see in the graph, we have an EBITDA of COP2.5 trillion, but if you consider the anticipated dividends it would be COP1.95 trillion for the year. And this dotted square that appears in the graph corresponds to the dividends that on a regular year will be posted in the following year.

On the other hand, ordinary dividends from non-controlled companies contributed with the remaining 43% in that sense, as you see in the graph, 57% of our EBITDA was generated by controlled businesses and the remaining portion for non-controlled. Therefore, as you can see in the lower left figure, the total amount for 2014 excluding anticipated dividends is COP1.9 trillion. If we include anticipated dividends declared to EEB, our EBITDA for the last quarter of 2014 was almost COP880 billion, consequently, the EBITDA for the last 12 months amounted to 0.5 trillion. That means a compound annual growth of 17.5% from 2006 until 2014.

Next slide please. This slide shows the financial debt for 2014, which increased by 34.2% due to first, the new debt entered by special purpose vehicle IELAH that acquired an international amount of USD345 million to partially finance the acquisition of 31.92% of TGI shares. The disbursement of a new syndicated loan by Contugas, this new facility which is up to USD342 million, and the repayment of the previous short-term syndicated loan that we had at the level of \$215 million. The net additional debt reached in the case of Contugas was USD127 million. We also have some repayment of the debt with the multilateral bank CAF for an amount of USD14 million. That debt is in the level of the EEB and we have also an issue of debt at the level of EEC to finance the current investment plan.

As you can see in the top left figure, the net leverage indicator shows there is a slight increase when compared to 2013, derived from the new debt installment during the last quarter of 2014, specifically at IELAH level. Meanwhile, the interest coverage indicator shows a marginal increase due to a higher growth in adjusted consolidated EBITDA vis-à-vis a lower increase in the net financial expenses. Now if we look at the debt maturity profile, we can see a debt maturity concentration in 2019 that corresponds to the syndicated loan that I already mentioned at the IELAH level that is expiring in September 2019, is a bullet amortization and the interest rate for this loan is Libor plus a spread of 225 basis points. Second, the syndicated loan entered by Contugas in September of last year, expiring in September 2019, amortizing their bullet, with an interest rate of Libor plus a spread of 350 basic points.

Next slide please. Finally, I would like to point out the good performance of EEB share during 2014 obtaining a market capitalization of US\$6.5 billion and a price valuation of 17.24% in respect with the price that started the year. If you see the graph, the market, the Colombian market ended at the level of almost 93 that corresponds to that the share of EEB performs almost 25% above the market. The average target price that some analysts have defined for us is approximately COP\$2,000, COP1,950 in addition the dividend per share for the last quarter of 2014 was \$0.06 per dollar, per share. And the dividend payout ratio was approximately 70% in average between 2008 and 2014. That's, at this moment, what I have to tell you. I will let the call to the Operator.

Operator:

Ladies and gentleman if you have a question at this time, please press * and then 1 on your touchtone phone. If your question has been answered or if you wish to remove yourself from the queue please press the pound sign. Again, please press * then 1 now to ask a question or make a comment.

Questions & Answers Session

And our first question comes from the line of Diego Buitrago of Bancolombia. Mr. Buitrago, your line is open. Mr. Buitrago, your line is open, please go ahead. Mr. Buitrago, please check your mute button. Our next question comes from the line of Andres Cardona of BTG Pactual. Sir, your line is open.

Andres Cardona, Analyst:

Good morning, guys. Thank you for the call. I actually have five questions -- four questions if I may. Do you have guidance for firm capacity and volumes transport for TGI for 2015? That would be the first one. The second one is, if you can walk us into the outlook that you have for the gas for 2016 as it has dropped 9% during 2014 and it was supported by thermal plants, do you -- can give us an outlook for the demand? The third question is, if you can update us about the repurchase program or intention that you have to buy the Ecopetrol portion or stake that you have at Empresa de Energía de Bogotá, and the last one would be if you can flag to us the main changes that we saw for the quarter results with the IFRS accounting.

Ricardo Roa, Chief Executive Officer:

Okay. The first question. The volumes transported by natural gas for TGI increased with the net results. Between 2010 until 2012, TGI transported gas, like 221 MCFPD - on average between 2012 to 2014, TGI has increased their volume transport of gas to 550 million cubic feet per day in average. That means an important increase in order to the expansion that includes TGI due to the capacity of transportation gas, from 470 MCFPD million cubic feet per day, until 40 -- sorry 70, 30 MCFPD, transportation, currently. The further factor that include the volume transportation is the phenomenon, El Nino that increased the demand of gas for the electric sector in important volumes of gas transportation. Like in normal conditions, the electric sector requires like 15% to 18% of the natural gas without re-transporting our infrastructure. But in the phenomenon El Nino this participation can be increased between 25% to 28% of the natural gas that we will include into the infrastructure.

Related to the Ecopetrol, if buy, Ecopetrol, if EEB is still interested in buying the stake of Ecopetrol, the answer is, after closely reviewing the economic feasibility of this transaction, we have decided not to participate in this process.

Operator:

Thank you. Our next question comes from the line of --

Ricardo Roa, Chief Executive Officer:

Sorry, sorry, we have another answer related to the International Financial Reporting Standards. Can you, Felipe Castilla, please answer the question?

Felipe Castilla, Chief Financial Officer:

Yeah, if I understood the questions, you were asking whether, let's see, what we are working on the change from the Colombian GAAP to IFRS. Last year we started the process as we were considered in Group one according to the defined groups that has been established in Colombia. We, at this moment, we have already the transition balance from previous year just compared and we are starting the implementation to present our results for 2015 on this new standard. As you may know, this is a gradual process that starts in Colombia. We are just in the process of analyzing what is the impact of these changes and what will have that impact on our financial statement. Maybe we will be ready to present you in the next conference call what has been the end results but I can anticipate that are more related to deferred assets and revaluation and some of the deferred accounts, but we will have to present you in the next call, what are going to be those main end results.

Operator:

Thank you. Our next question comes from Mitchell Moss of Lord Abbett. Mr. Moss, your line is open.

Mitchell Moss, Analyst:

Hi, guys. Thanks for the call. Just a little bit of clarification on slide six and slide nine where you discussed the Southwest reinforcement. I just wanted to understand the 24.37 million, is that revenue or income because on slide six it's referred to as revenue and on nine it's referred to as income.

Felipe Castilla, Chief Financial Officer:

Yeah, they are revenues. As you know, when you participate in a public bid with Upme, what you have to present is what is going to be the revenues that you expect to receive for a 25-year period in constant dollars. And that's what we have included, that's the new revenue that is going to be received through this project. And as I already mentioned our estimated CapEx is in the range of 300 to 350 million and that was what this project was awarded on the first quarter of this year.

Mitchell Moss, Analyst:

So when I think about that revenue and versus the CapEx, assuming some margin, it looks like the return on investment, if I pick 325 million for instance, it looks like that return on investment is going to be well below 10%, and so, I would just like to understand a little bit more about how you guys are thinking about what types of returns you're looking for in these projects.

Felipe Castilla, Chief Financial Officer:

The thing is that, we have like a different kind of expected returns depending on the type of project. For this kind of projects, we are on that range. I guess that we are in the range of having like, a two digits return. I cannot go in very deeply, because it is part of our privacy because this is a very competitive market. But we are in the range of having the profit of -- in the two-digit range.

Mitchell Moss, Analyst:

Range, so you're saying, you're around 10% or more on a return on investment?

Felipe Castilla, Chief Financial Officer:

Yeah, it's in that range. I can't say that it's going from 10 to 11, or 10 to 12, but it's in that range.

Mitchell Moss, Analyst:

And that's your return on assets or return on equity?

Felipe Castilla, Chief Financial Officer:

Of projects.

Mitchell Moss, Analyst:

Okay. And then looking out on slide 14, when you're thinking about the proportion of contribution you're getting from EBITDA versus from dividends, and -- you're at almost 60% EBITDA, around 40%, 45% dividends, going -- looking forward, is there a number or proportion that you're targeting in terms of how much sort of cash flow you'd like to get from a majority-owned operational EBITDA versus how much you'd like to be getting as a

Felipe Castilla, Chief Financial Officer:

Let's say, as we have been presenting in previous conference calls, our idea of our, let's say, growing program has been more directed to the possibility of control the business, control the operations. But at this moment, we also have to control what is the debt capacity that the group has, and in that sense we have targeted in a specific number. I guess that, at this moment, we are analyzing in detail how can we grow in the way that we are able to finance that kind of project. We -- at this moment, we have been using our indebtedness capacity, but we are also analyzing the possibility of divesting on a strategic asset and that will increase our possibility to grow in controlled businesses, but in a particular way we cannot say at this moment that we are targeting some specific numbers. I guess that at this moment what we want to show is that our strategy of having controlled businesses has been successful and every day we are able to control our businesses and they contribute more with our EBITDA.

Mitchell Moss, Analyst:

Okay, great. Thank you so much, guys.

Operator:

Thank you. Our next question comes from David Villan of Asesores en Valores. Sir, your line is open. Please go ahead.

David Villan Solano, Analyst:

Thank you. Good morning and thanks for the conference. I have two questions. The first one is a -- I want to know which is the impact the company estimates in the next year for the tax reform in Colombia and I want to know if the company has some strategy to protect the high dividends in this year related with the tax reform -- with the impact in the net income. And the second question is about Mexico. I know last year TGI was interested into specific projects. I want to know the results of these projects and maybe what is thinking the company in Mexico related with the energetic reform in this country. Thank you.

Ricardo Roa, Chief Executive Officer:

The first question, maybe I'm not sure if I understood completely your question but what I

can explain you is that the company is always looking the legal means to optimize the taxes that are on the company. I guess that you can infer that some of the closings that we had during the last year maybe they have some impact on that. We are also analyzing other possibilities to optimize the amount of taxes that we should pay in order to have the most optimal relation always in compliance with law. We have to be very clear that we go and take any actions and I guess that we are at this moment analyzing our options on depreciation and other possibilities to reduce the tax burden on the company. That's what I have to tell you. I don't know if I answered your question.

Okay. Related to the projects to -- introduce our business in Mexico it was related to the transportation gas project within the frame of the Reforma Energetica of Mexico, the client was Comisión Federal de Energía and PM. We are evaluating this project and the -- are not interested that we introduce in countries like Mexico to develop a Greenfield Project. That's the reason we are not interested at the moment in this kind of project. Through TGI we are exploring the possibility to obtain Compañía Mexicana de Gas, was a transaction that has like one and a half year, but this -- the client decided not to sell the participation that he has in Compañía Mexicana Gas and the process was closed.

David Villan Solano, Analyst:

Okay, thank you.

Operator:

Thank you. Our next question comes from Rafael España of Serfinco. Sir, your line is open.

Rafael España:

Thank you so much. I would like to know if you can give us some guidance on consolidated revenues for 2015 and if you can also for adjusted EBITDA. A second question is about CapEx, can you clarify me if you have a specific estimation for consolidated CapEx to be executed by 2015, not for the whole period until 2018, but for just 2015. And the third question is, can you elaborate a little bit more into the Guatemala difficulties that Mr. Roa mentioned in the presentation? Thank you so much.

Felipe Castilla, Chief Financial Officer:

Okay. In relation with the -- the first question was related to -- if we have an estimation of non-consolidated dividends for 2015. As you can see in some of the general assemblies that I have scheduled for this month, there has been a project in the side of Emgesa and Codensa, they have proposed two different dividends proposals. And in that sense we have to expect just to give you an answer until the general assembly decides what is going to be the final amount that will be agreed and that will be paid to the shareholders. And what I have clear is that the dividends that are going to be declared in this general assembly, in the case of Emgesa and Codensa, they will not be paid during 2015, they will be paid in 2016 because we have one year to be paid. And I leave this answer open because we will have to wait until they define -- until the general assembly defines what will be the -- considering that the dividend from Emgesa and Codensa are the most relevant in the case of EEB.

On the answer related to the CapEx, I quite didn't understand your question. What, let's say, what -- the most important -- the most relevant investment that is undergoing at this moment corresponds to the Quimbo project. At this moment, what the project has been considering is that the cost yield will be 1.1 billion. But what we have analyzed is that the Project will -- maybe will cost a little bit higher than that value but at this moment I cannot tell you how much will be the final cost of the project, but the first analysis said to us that the value is going to be increased. I don't know. Let's say, the project is, by the end of the year is 85% of completion. But we expect is that on the second half, maybe in the month of June, the project will be completed and they will take something like 30 days to fill the reservoir and in that moment maybe end of July or maybe August, the project will be ready for -- it will be on line. I don't know if I answered your question but please let me know.

Rafael España:

Yes. About the revenues, I was talking about, not for your dividends but the operating revenues, the consolidated, do you have -- this year your growth by 17.7%, next year what is the rate at which you estimate to grow?

Felipe Castilla, Chief Financial Officer:

For the year, that is, one of the issues that you have to take into account is that it will be dependent on the exchange rate, because part of our revenues comes from U.S. denominated tariff. In the case of TGI, most of the tariff is in U.S. dollars, like two-thirds

and also in the case of Calidda, Contugas and TRECOSA, and it will depend on how the exchange rate will evolve. At this moment, I don't bring with me the estimated figures, but if you want, I can submit you that information.

Rafael España:

Okay. Thank you so much. And about Guatemala, can you elaborate a little bit more what are the difficulties that you are experiencing over there? Thank you.

Ricardo Roa, Chief Executive Officer:

Okay. In Guatemala, the difficulties are involved with relationship with the communities there. The negotiation of their rights of way with the owners there are very difficult. The physical advance of the project now is around 50%. We have presented to the Guatemala government a requirement to increase the schedule like one year and a half, to obtain advances like 85% that we are exploring and analyzing that we can go to this issue.

Rafael España:

And you have any consideration or estimation about the possibility of obtaining that 1.5 year of extension?

Ricardo Roa, Chief Executive Officer:

We have in one -- in our schedule the project can be finalized in two years. But we asked requirement to the government like 24 months, 24 to 30 months to finalize the project. But we know that the government cannot give us like more than 18 or 20 months to finalize the project.

Rafael España:

Okay, thank you so much.

Operator:

Thank you. Our next question comes from Jaime Pedroza of Credicorp Capital. Sir, your line is open. Please go ahead.

Jaime Alejandro Pedroza, Analyst:

Thank you. Good morning and thank you for the call. I have one question related with the

tariff revision in Colombia of power transmission. I would like to know what is your opinion about the tariff revision that is taking place in Colombia. And if it's possible, some kind of guidance of which could be the impact of this revision on the power transmission business of EEB.

Ricardo Roa, Chief Executive Officer:

Okay. Related to the conditions of regulatory tenders, the electricity transmission in Colombia, the infrastructure, we see the results of tender offers is remunerated under a fixed rate planned for 25 years where each participant of the tender offer includes their annual rate, the best value which is considered will remunerate best investment to be undertaken in this period. We have analyzed related to the possibility that the regulatory entity decreased the VAT[ph] to the transmission and distribution activities, electricity and gas in Colombia, but at the moment we are -- we have conversation with the regulatory entity and with the government in order to protect the actual conditions.

Felipe Castilla, Chief Financial Officer:

So, just to complement what Mr. Roa said. It is considered that at this moment, something like 70% of our revenue in the transmission business comes from remuneration from the STN, and in that new resolution, they have decreased the revenues of the business. I guess that this is not the final; we have to review it and see what is going to be the final impact. But this, in any case, take into account that in the next year, we will be remunerated on a major basis for the new UPME project that, as mentioned by Mr. Roa, that will be remunerated in U.S. dollars and we will, let's say, that 70% maybe will be converted to 50/50 or less than 50% and the other portion is going to be the end revenues. But also take into account that the transmission business in EEB contributes with 3% of our EBITDA. In that sense, although we are very worried about what is going to be the remuneration, in the full picture the impact will be immaterial.

Jaime Alejandro Pedroza, Analyst:

Okay. Thank you very much.

Operator:

Thank you. Our next question comes from Diego Buitrago of Bancolombia. Sir, your line is open. Please go ahead.

Diego Buitrago, Analyst:

Good morning, thanks for the presentation. Sorry that I had a problem with the communication before. We want to know more details regarding why do you have interest in Brazil and how do you see the outlook in this country. Thanks.

Ricardo Roa, Chief Executive Officer:

Okay. We are exploring possibilities to introduce our business in Brazil related to the transmission lines project. We know that actually in Brazil, we have many options to be there and we know the experience of ISA in that country, but we are exploring possibilities related to the transmission access in Brazil only. We are near to define a possibility there but we are going to tell you in the next conference call, but we are near to introduce our business in Brazil. We believe it should be participation only related to the transmission lines. We note that there are a lot of opportunities to invest in Greenfield Projects, generation of renewable alternatives to produce energy, and we think that we can explore in alternatives to participate in this project too.

Diego Buitrago, Analyst:

(...) is also considering participating in a venture with another partner or is EEB individually that is going to participate in the expansion plan in other countries?

Ricardo Roa, Chief Executive Officer:

We are thinking about participating not alone, with a partner there, preferably a partner there.

Diego Buitrago, Analyst:

Okay, thank you.

Operator:

Thank you. (Operator Instructions)

Our next question comes from Andrés Cardona of BTG Pactual. Sir, your line is open.

Andres Cardona, Analyst:

Guys, just a follow-on I have an audio problem. Just to confirm, you said that you are not

going to buy the share that Ecopetrol is selling. And the second one just to clarify about IFRS is if you have to consolidate Emgesa and Codensa or the disclosure will continue to be in the non-operational incomes. And the last one would be, given the tax reform, it could be that you decide to continue paying dividends anticipated just to get this benefit -- tax benefit that you get this year, could it be a possibility or not really? Thank you.

Ricardo Roa, Chief Executive Officer:

Okay. The first question. We are talking about, after closely reviewing the economic feasibility of this transaction related to the updated Ecopetrol where we decided not to participate in this process related to EEB participation in Ecopetrol. Related to the second point, we -- related to Emgesa and Codensa non controlled position, that was the role from the transformation of the Grupo Energía de Bogotá in 2016 -- in 2006 or '07, when its transformation was done. We think that, we in this moment are not exploring a possibility to have control in this company, there was no (unintelligible).

Andres Cardona, Analyst:

No, no, the question for you guys is, if you have to consolidate the revenues of Emgesa and Codensa in financial statements, not increase the stake.

Ricardo Roa, Chief Executive Officer:

What we will use is what is considering the IFRS as an associated company and we will consolidate the portion in which we are participating. We are following what under IFRS rule was established.

Andres Cardona, Analyst:

Okay.

Felipe Castilla, Chief Financial Officer:

And the last question, can you remind me?

Andres Cardona, Analyst:

Yes, it is that during the tax reform --

Felipe Castilla, Chief Financial Officer:

The dividends, the tax reform establishes that you will have to pay, just in order not to place in your profit and losses statement the full 4-year period for this richness tax, they have established that every year will be posted, but the rule also establishes that you are able to pay no more than 25% of the tax that you paid the previous year. In that sense, it's not like a rule that we will have an anticipated payment for each of the following years but I guess that in every year we will have to make some kind of analysis and establish what will be the best result for our company and for our shareholders.

Andres Cardona, Analyst:

Okay. Do you think as the best case we should not assume anticipated dividends for 2015 exercise?

Felipe Castilla, Chief Financial Officer:

Yes. No, and let's say if you go and see what is the material posted in the general assembly, we have presented that we are not going, the administration has presented that we are not going to pay dividends for the two last months of last year and in that sense --

Andres Cardona, Analyst:

No, but the real question, Felipe is if, let's say, going to October this year, we can see again anticipated dividends payment from Emgesa, Codensa, Gas Natural or EEB and even EEB consolidated declared dividends to get this tax benefit.

Felipe Castilla, Chief Financial Officer:

My view at this moment is I don't foresee that we are going to be in an anticipated closing. But I can tell you that it is going to be marketing in strong. I guess that we have to analyze what amount.

Andres Cardona, Analyst:

Okay, good. Thank you, guys.

Operator:

Thank you. Our last question comes from Rafael España of Serfinco. Sir, your line is open. Please go ahead.

Thank you so much. It's just to clarify. In regards to the tariff provision for transmission, you consider it non-material or material. I just got out of the communication for a second and I couldn't listen. Thank you.

Felipe Castilla, Chief Financial Officer:

Let's say, what we presented that it is for the full company is a non-material impact.

Rafael España:

Thank you so much.

Felipe Castilla, Chief Financial Officer:

I cannot tell you that for the tariff it is going to be a material impact, but for the full company it's non-material impact.

Rafael España:

Yeah, it is because the company, the revenues for that segment is just about 8%. Yes, that was you were saying.

Felipe Castilla, Chief Financial Officer:

Yes. That's the reason.

Rafael España:

Thank you so much.

Operator:

Thank you. I'd now like to return the call over to Felipe Castilla, for final remarks. Mr. Castilla?

Felipe Castilla, Chief Financial Officer:

At this moment, I guess that we want to thank you for attending this presentation. I guess that we had a lot of questions and we expect that we clarified all the enquiries that the market has. And once again, in my name and in the name of all the people in EEB, I want to thank you for this wonderful year and we expect to present our next results and

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commitments that we will establish in the next conference call.



Operator:

Ladies and gentlemen, thank you for your attendance of today's conference. This concludes the program and you may all disconnect. Have a wonderful day.