

## EEB's Earnings Call Results and Key Developments – 1Half 2015

### 1. Operator Instructions

Good morning ladies and gentlemen and welcome to the EEB's Earnings Call Results and Key Developments. As a reminder this conference call is being recorded. Under the tab 'Download' you will find today's presentation. I would now like to turn the call over to Mr. Felipe Castilla, CFO's EEB, parent company of Grupo Energía de Bogotá. Please go ahead Mr. Castilla.

### 2. Felipe Castilla

Good morning and welcome to our Earnings Conference Call for the first quarter 2015 of Empresa de Energía de Bogotá –EEB, the parent company of Grupo Energía de Bogotá. My name is Felipe Castilla. I am EEB's CFO. The slide deck is available on the web and posted on EEB's website. Today's presentation will be made by Mr. Ricardo Roa, Chief Executive Officer of EEB and then by myself. The presentation is also divided into three parts: first, our CEO will make some introductory comments and key updates about our strategy consolidation and management during the first half of 2015. Next, we will review EEB's financial performance during this first half and the most important financial indicators. To conclude this conference, we will be pleased to open the call to a Q&A session. Now, I turn the call over to our CEO, Mr. Ricardo Roa. Please go ahead.

### 3. Ricardo Roa, Chief Executive Officer of EEB

Good morning everybody, I will like to give to all of you a warm welcome to our conference call about the second quarter results of 2015.

Before we start, as you know, this quarter results are the second presented under International Financial Reporting Standards, as a result some accounting adjustments are still taking place and will take place on the first adoption year.

We will start this conference by giving you an overview on the consolidation of our strategic milestones. First of all, we are proud to announce that, last week we successfully closed our 157 million dollars acquisition of four electricity transmission companies, a 51% stake in each that consolidates our presence at the regional level and fits our strategy of acquiring businesses where we have control. Our regional partner in these companies is Furnas which have full knowledge of the Brazilian market.

We would also like to announce that Ecopetrol completed the first phase of the selling process of EEB's shares. The amount sold was 3.8% of the total outstanding EEB's shares. This was acquired by the Pension Funds which increased its stake as shareholders reaching almost 14% in EEB shareholders base.

On the other hand, in our home market, Colombia, we keep contributing to the development of the country through additional projects that have been awarded in the last quarter by UPME Rio Cordoba and San Fernando la Reforma Ecopetrol projects. These projects will start on operation in the next three years and in total the joint expected annual income during the next 25 years is of around 86 million dollars. As a remark, I would like to mention that CREG –local regulatory body- sets through their asset base methodologies, remuneration on electricity transmissions which are indexed to the US dollar, providing EEB with natural hedge against foreign exchange fluctuations.

In terms of our Peruvian subsidiaries, as of June 2015 Cálidda reached a total number of almost three hundred thousand clients connected to its network. Among them new industrial and residential clients are considered. Cálidda has also built 12 additional kilometers of steel network and 557 additional kilometers of polyethylene network. Currently, Cálidda has presence in 20 districts in Perú, which allow us to carry out our long-term strategy.

Contugas, our natural gas distribution company, as of June this year has reached almost 35 thousand residential clients and 12 new industrial clients which boosted natural gas transported volume by 420%, from 7.3 million standard cubic feet per day as of June 2014 to 35.3 million standard cubic feet per day as of June 2015. We remind that Contugas

recently signed a distribution contract with two power generators plants [Egasa/Egesur] for an amount of USD 1.2 million per month.

In terms of TRECOSA our Guatemalan subsidiary has already come on stream, and this year we expect to receive on average 7.5 million dollars. For the next year, an stream of income of 16 million dollars, and for the year 2017, 26 million dollars respectively.

In regards of our **associate companies**, we highlight that they had a good quarter performance and some of them, as you probably noticed decreed dividends in an anticipated way to EEB last year which would have been accounted this year. We would also like to announce that in next quarter this year, El Quimbo, a project of our partner Emgesa, will start operations. This project will have 400 MW in capacity, an investment of 1.2 million dollars.

At the level of **mobility projects**, EEB is currently analyzing the possibility of engaging in a new business through Empresa de Movilidad de Bogotá (EMB). These projects are (i) First Line of the Metro, (ii) Local train, and (iii) Modernization Phases 1 and 2 of Trasmilenio.

To conclude, I would like to refer that even though the current macroeconomic environment, Latin America has better macroeconomic policies, such as floating exchange rates and lower public debt, which have allowed many countries to adjust smoothly to worldwide climate. Colombia and Peru, have handled their affairs responsibly and are still growing, but much more slowly. We also have some natural hedges given the company operates in countries under regulated monopolies whose remuneration is linked to US dollars in most cases. This context gives the company macroeconomic stability, therefore more opportunities for EEB's economic growth.

In summary, I'd like to highlight that EEB has had a positive balance during first half of 2015 by reaching an EBITDA Year to Date of 410 million dollars. From a total investment plan for the next 5 years of 1.8 million dollars, we have already compromised 934 million dollars, a 51% for the next five years.

We will see in depth some of these figures, and I will now pass the word to Mr. Castilla, our CFO.

Thank you every body for your time and have a good day.

#### **4. Felipe Castilla, Chief Financial Officer of EEB**

Welcome to everybody, this is Felipe Castilla CFO of EEB, I will like first of all to give you a warm welcome and before I start with the financial review as a remark I would like to remind you that according to the Law 1314 of 2009 and the Regulatory Decree 2784 of December 2012 EEB is reporting updated preliminary results of its financial statements under IFRS. As you know, this new accounting principles framework will have some impact regarding our transition from COLGAAP to IFRS in terms of our consolidated financial position, as assets and liabilities and equity and financial performance, income, expenses and profits,

Starting now with the EEB overview and key updates for the first half of this year. As you can see in the EEB overview we have our businesses divided by sectors: electricity, natural gas and services, and the countries in which we are working. Here we have Colombia, Peru, and Guatemala, and Brazil. On the following slide, you can see the key updates, and corporate highlights. As it was mentioned by Mr. Roa and in my introductory comments you can see the convergence process to IFRS. We started, just for comparison purposes, started our IFRS results starting January 1st, 2014 and our first comparative balance sheet under IFRS will be at the end of this year, December 31st, 2015.

The Shareholders Assembly recently also authorized the legal representative of the Corporation to enter into liability management operations on the EEB bond, which maturity is in the 2021 for an effective amount of USD 749 million, as well as issuing bonds in the international capital markets for up to USD 1 billion and/or in the local capital markets for an amount equivalent in local currency to USD 500 million to finance its investment plan. If the market conditions are good for the company in the second semester of 2015, we will pursuit this transaction.

We also want to mention that Ecopetrol sold part [3.8%] of its stake in our company and therefore concluding phase 1 of the selling stake program. Just to remind you that Ecopetrol currently owns almost 3.03% of the shares of EEB. We are working closely with them to conclude phase 2 and sell out the remaining portion.

On the following slide you can see, that we made the financial closing of this transaction. As also was mentioned by our CEO, the Brazil acquisition was closed last week. We had signed an SPA on March 27 to purchase 51% of four electricity transmission concessions in Brazil. The signed contract contemplates the acquisition of Transenergía Renovável S.A., Transenergía Sao Paulo S.A., Goiás Transmissao S.A., and MGE Transmissao S.A. concessions. And our strategic partner is Furnas that holds 49% of the equity in the four concessions. These projects are located in the states of Mato Grosso, Goiás, Mato Grosso do Sul, Sao Paulo, Mina Gerais, and Espirito do Santo. This investment reached 157.9 million dollars (equivalent to BRL 547.9 million). . The expected revenues are in the range of BRL 100 million per year. That's a project that has 1,100 km in a 500 kV tension and we have 10 new substations and we are expanding 5 new substations and at this moment.

We will start in the coming months evaluating possible synergies with our local operative business EEB Transmission.

Then we have TRECSEA. This project shows an execution of 53%. At the end of last quarter as it has been presented there are five substations that are in operation. And we expect that further substations are coming on stream and the total investment as of the first half of this year amounted almost USD 330 million dollars. Annual income during 2015 of USD 7.5 mm. During 2016 USD 16 mm, and USD 26 million

**IELAH TGI Merging.** Currently, TGI is working on the merger with IELAH; this merger is expected to take place on the 1H 2016, which is the **Final Phase** of the acquisition plan.

**TGI:** In compliance with Law 1314 of 2009, and regulatory decree 2784 of December 2012, the company initiated a convergence process from Colombian Accounting Norms to International Financial Reporting Standards – IFRS. Since the company is part of group 1, the period of mandatory transition began on 1 January 2014 and the first comparative balance sheets under IFRS will be as of 31 December 2015.

TGI's average transported volume through its infrastructure reached 499.5 Mmcf/d, and maintained a 51.3% market share closing first half 2015.

**Calidda:** As Mr. Ricardo mentioned at the end of 2Q 2015, Calidda has a client base of **299,790** customers. Calidda enjoys a local market share of **83%** in number of clients.

**Contugas:** Company had over **32,555** enable clients. The gas pipeline will have capacity in excess of 300 MMCFD and will connect 50,000 residential clients during the first six years after start up of Commercial Operation. **On May 2015**, Contugas formalized the distribution agreement with EGASA / Egesur (2 power generators average consumption is 24.59 mmcf/d), will generate a monthly turnover of ~USD 1.2 MM, which detail the payment process is framed in the mechanism of compensation of Supreme Decree 035-2013-EM, which was approved by the Ministry of Energy on 13 April.

Now, entering into the expansion projects, in the slide we have our subsidiaries, as you see in the electricity transmission segment we have an investment for the first quarter in the range of 202 million dollars which corresponds to UPME projects under execution. Our big number corresponds to the M&A is not included here.

Following now with the Associates, the main investment that is undergoing at this moment corresponds to the Electricity Generation that is the Proyecto El Quimbo that is currently executed by Emgesa. it's a project of 400 MW with a total investment of \$1.2 billion dollars and the execution by the end of first quarter is 94% and we expect that the full operation will be in the last quarter of 2015.

Now entering into the financial review, you go the graph of the financials then, first we have the consolidated results under IFRS. On the Operating Revenues we have an increase of +22.7% that corresponds to natural gas distribution and electricity transmission segments. We have an increase in electricity transmission for the coming on stream of the Alférez Substation and SVC Tunal that started generating revenues for the company. On the natural side, given the new clients connected by Cálidda and Contugas.

I will also mention that the operational costs and expenses showed an increase due now for the electricity transmission and execution of UPME's projects and cost related to the new connections at the level of Contugas and Cálidda.

On the **Operational Profit** we have an increase of almost 31% being the natural gas business the one that contributes the most with almost 65%

Moving to the next slide. we have an increase of almost 20.4% of profit from operating activities and as it was mentioned before declared anticipated dividends to EEB that otherwise, we would have received this year

On the Net Income we have a reduction of 23.2% reducing from 641,567 to 492,511 million pesos, all the numbers are starting to account under IFRS and they have as I have mentioned before two main effects: dividends received in advance by associates in the range of \$607,000 million pesos and some of the losses, accounting losses for exchange rate differences. We also have a higher income tax of \$105,000 million pesos and a decrease in equity method associates of \$42,002 million pesos.

In the graph that is located in the right, in the right side you can see that the net profit for second quarter 2014 was 492,511 pesos. If we include just the effect of the dividends paid last year the second quarter normalized net income would be \$1,099,916 million pesos.

The next graph shows how has been the EBITDA projection, And also it is important to mention that 52% of our EBITDA is generated in controlled businesses, while 48% is under non-controlled businesses and that is a strategy that we have been following in the

past year in which the company wants to hold the control on the companies in which it invests.

As you can see in the consolidated adjusted EBITDA there are, the three main generations at this moment corresponds to the natural gas transportation, that is, our TGI subsidiary. We also have electricity generation of 25% of our EBITDA and now it is important to mention that natural gas distribution is holding 11% including.

On the next graph you can see the Debt Metrics we have solid financials. We, in the Net Debt on the Consolidated Adjusted EBITDA we are below the 4.5 times. We are in the range of 2.41 mainly as a result of increase in our cash and investments and an increase in the EBITDA LTM. On the consolidated adjusted EBITDA on Interest we are above the limit of 2.25, we are in the level of 15.83. On the consolidated debt composition our debt is mainly consolidated in US dollars and the only exception is the debt that we have in our subsidiary EEC but almost 99% of our debt is in US dollars. In the other graph you can see the maturities of all our debt. You can see that the main payment is due in 2019 that corresponds to the debt, the syndicated debt that we have for the acquisition of the TGI shares and the debt that we have concentrated in our subsidiary Contugas in Peru.

In the following graph you will see EEB share performance. The market is, by the end June you can see that the market is in the level of %78 and EEB is above/at par 100, and in that sense you can see that we have been in the market in the range of 20 to 25 percent. We have an average target price of almost \$1,950. We have a dividend payout ratio for 2014 of 74% and our average rate for the period 2008 to 2014 is in average 65%. Our dividend yield for 2014 was 4.2%. It is important to mention that last year paid the highest dividend in the history of the company and for the, the average for the period of 2010-2014 was 3.5%. As you see in the, in the bar graph last year we paid \$5 cents per share that as you see in the graph are the highest dividends paid by the company in its history.

At this moment we will follow with the Q&A session and thank you very much.

## **Questions and Answers**

### **1. Mobility Question**

related to passenger mass transit projects comprising an electric component. Similarly, EEB is analyzing solar energy generation projects and the possibility of using EEB's power infrastructure in Colombia, Peru and Guatemala to sublease the grid for fiber optics cable. Regarding Tram of Facatativá and Soacha a fairness opinion was hired for the technical, legal and financial assessment of these two projects, taking into account a 20% stake through EMB. Its results will be delivered during mid-September 2015.

At the same time, our Investment Committee approved the undertaking of a technical and financial opportunity assessment to participate as the originator group in the project "Metro Ligero avenida 68", with an investment of up to 20%. EEB is conducting a technical-financial assessment to participate in this private initiative by approving the same. This project is currently under its feasibility stage, which is being conducted by Transmilenio S.A.

On the other hand, EEB has just entered into a confidentiality agreement with BYD to review the technical, legal and financial viability of electric power generation projects with solar panels in Brazil and it is preparing a MOU with Ufinet to learn about the economic suitability of using EEB's existing infrastructure for the commercial exploitation of fiber optics.