

**Operator:** Welcome to EEB's earnings call 1<sup>st</sup> quarter 2017 conference call, my name is Silvia and I'll be your operator for today's call, at this time all participants are in listen only mode, later we will conduct a question and answer session, please note that this conference is being recorded.

I would now turn the call over to Julián Naranjo, Mr. Naranjo you may begin.

**Mr. Naranjo:** Good morning and welcome to our earnings conference call for the 1<sup>st</sup> quarter results of 2017 for Empresa de Energía de Bogotá (EEB) the parent company of Grupo de Energía de Bogotá.

My name is Julián Naranjo, I am EEB's Financing and IR Manager, today's presentation will be made by Mr Felipe Castilla Chief Financial Officer of EEB and Ms Astrid Álvarez Chief Executive Officer of EEB. The presentation is also divided into four parts; first we will briefly review the main developments during this quarter, second we will have a look of EEB's Financial Performance during 1<sup>st</sup> quarter 2017 and the most important financial indicators, third our CEO will make some final comments and key updates on EEB, to conclude this Conference we will be pleased to open the call to a Question and Answer session, now I turn the call over to our CFO, Mr Castilla please go ahead.

**Mr. Castilla:** Thank you Julián, first of all I want to welcome you to our 1<sup>st</sup> quarter 2017 financial presentation; I want to start this presentation with the presentation that we have prepared and is available in the web. First of all I would like to make like a quick overview on how we have been structuring our strategic groups and because we are going to present some numbers corresponding to those strategic groups.

First of all I would like to mention that we had been divided in three strategic groups, one is the *Urban Energy Solutions*, in which we include our associate CODENSA, our subsidiary CÁLIDDA, our associate GAS NATURAL FENOSA that is the gas distribution company here in the city of Bogotá, the distribution of natural gas through our subsidiary CONTUGAS and our participation in EMSA the electricity distribution company that distributes energy in the Department of Meta in Colombia.

Then we have our strategic group of *Interconnecting for Market Development*, in which we have the interconnecting assets, first of all we have all the transmission lines that are inside the EEB financial, TGI that is the natural gas transportation in Colombia, TRECSA the project for transmission lines that we are building in Guatemala, GEBBRAS that is the vehicle that owns four concessions in which we are participating with 51% in Brazil, and our participation with ISA in Peru through those two companies; ISA REP and ISA CONSORCIO TRANSMANTARO in which we have 40% participation.

Lastly, we have the *Low Emission Generation* strategic group, in which EMGESA is the only asset that we have currently.

Going to the following page, just as a reminder, we have in the *Urban Energy Solution* that we are supplying almost six million customers, in electricity distribution we have 3.5 million customers in Colombia, in the natural gas distribution here in Colombia we have 2.1 million costumers and the natural gas distribution in Peru we have 440.000 customers.

For *Interconnecting for Market Development* we have a total of 12.500 kilometers of transmission grid, in which we have in Colombia almost 1.500, in

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Guatemala we have built at this moment 400 kilometers, in the in this side of the transmission lines in Peru we have almost 9.500 and in Brazil we have 1.100 kilometers of transmission lines in that country. And lastly we have for transportation of natural gas more than 4.000 kilometers of pipelines mainly here in Colombia.

On the *Low Emission Generation*, the company that we have that is EMGESA has a 22% of market share generation in this country, and almost 15.000 Gwh of power generated during 2016.

Entering into the main key updates of the first quarter of this year, we have to mention first of all the issuance of the first bond in the local market. On February 28<sup>th</sup> we finalized this issuance and we issued something like 220 million dollars equivalent to 650.000 million Colombian pesos and we had an over-demand by more than double that we finally subscribed. The credit rating of this issuance was AAA on a local by Fitch Ratings and we were able to place the maturities in 7, 15 and 25 years.

That also allowed us to increase, to balance our exposure that EEB has to the Colombian pesos and U.S dollars. In the past we had almost all of our debt concentrated in U.S dollars but with the issuance we are in the process of balancing more our revenues compared with our debt in both currencies.

Of the other issue, the other important issue is that we had the highest dividends in the history of EEB, just as a reminder; a couple of years ago we made an anticipated distribution of dividends and for that reason the amount was higher but if we normalize that amount and put the revenues in the respective year, this distribution corresponds to the highest distribution that EEB has had in whole the history. The issuance was almost 900.000 million Colombian pesos that is equivalent to more than 300 million dollars, that's a dividend of 99 Colombian pesos per share with the dividend yield of 5.5%, one of the highest dividends yield paid here in Colombia.

We also want to remember that due to the payment of reserves that we approved last year; this year we are going to pay the first installment to the minority shareholders and in July we will pay the one tenth of the debt equivalent of 35.000 million Colombian pesos plus the interest that was earned during the past year. In regards to the dividends that we are going to pay, we are prepared that we will pay those until July 5<sup>th</sup> first installment and the second installment is going to be paid until October 31<sup>st</sup> of this year.

Also in the General Assembly that was held by the end of March of this year, was also approved a statutory reform which includes mainly changes in corporate governance.

Going to the following page in regards to TGI, we just want to mention that Resolution 026 of 2017 published in April of the year, addresses issues related to compensation and competitive processes for projects included in the Natural Gas Supply Plan. Those projects include the bidirectionality of the TGI gas pipeline the pipeline from Yumbo to Mariquita, the Loop 10 between Mariquita and Gualanday, also the bidirectionality of the pipeline Barrancabermeja – Ballena and compressors in El Cerrito – Popayán.

Additionally, it defines projects that given the location are complementary to the TGI system, and which will have a competitive selection process, which are mentioned below: the first of all and one of the most important is The

Regasification Plant that has to be built in the Pacific, and also the pipeline that will join that regasification plant with the infrastructure of TGI in Yumbo.

The bid in process is expected that will be launched during the second half of 2017 and we expect that the project will be awarded during the first half of next year. As of year-end, the average transported volume through TGI's infrastructure was almost 430 million cubic feet per day, which represents a market share of almost 47% of the transported volume during the 1<sup>st</sup> quarter of 2017 in Colombia.

And then going to the following page, we have the main updates on Cálidda, the first is just to mention that Fitch Ratings upgraded the corporate and credit rating of the company from "BBB-" to "BBB" with a stable outlook. That shows the confidence and the good results of this company.

Also is important to mention that the client base of the company and invoiced volume has been increased during the first quarter of the year by 26% and 8% respectively compared to the first quarter of last year figures, at the end of the first quarter we have almost 465.000 users compared to the almost 370.000 clients that we had during the first quarter of last year. And the volume was increased to 750 million cubic feet from almost 700 million that we had during the first quarter of 2016.

We also want to mention that during 2016 the network of the company was enlarged by almost 270 kilometers and the distribution system reached almost 700 kilometers of underground pipelines.

The total revenues for the first quarter have increased by 13% compared to last year due to the higher distribution revenues mainly from additional contracted Take or Pay volume and higher connection fees from the natural gas vehicular segment.

And the other important issue is that the EBITDA grew 21% mainly due to the higher income mentioned above for the higher distribution revenues of natural gas and lower operational expenses that happened during the first quarter of last year.

Going to the following slide, we want to just mention what are the main expansion projects, in this graph that you will see we are including the main investment due to through our subsidiaries and to our associates, the total amount we have invested during the first quarter is almost 195 million dollars. The company that has been invested in the higher matter is CTM that is the distribution company, the transmission line company in Peru that we have in association with ISA that has invested almost 35% of those 195 million followed by CODENSA and CÁLIDDA as main companies that has invested.

And by country Peru due to the investment in CTM and in CÁLIDDA has more than half of the investment that has been made during 2017. And by segment, and that was important to mention that the *Interconnecting for Market Development* that correspond to transmission lines and gas pipelines has invested more than 54%. From those amounts 75% correspond to investment due through our associates and almost 25% through our controlled subsidiaries.

In the following page you are able to see how is the progress of the main transmission lines that EEB is building here in Colombia. We are in the process of by year 2020 we are going to receive almost 92 million dollars of additional

revenues and in the first column of the graph you will see the percentage of progress for each project. Those projects were started in year 2013 and the last project will be finalized by year 2020.

Going to the following page, we are showing the main expansion projects made through our subsidiaries; we are not in this graph including the investment through our associates. Our investment plan from year 2013-2020 is more than 3.1 billion dollars. Until year 2016 the company has invested 1.557 million dollars one thousand we are expecting to invest during the remaining years from 2017 to 2020 almost 1.580 million dollars. In that graph we just want to emphasize that we are just including projects that has been launched or projects that has been approved, we are not including any potential projects that can be included in our pipelines.

As is shown in the graph, the main investment that we are doing in the investment plan corresponds to the transmission lines that we are building here in Colombia, and also in the investment that we are making in Cálidda every year just to incorporate something like 100.000 to 120.000 new users per year.

Then we are going to entering to the financial performance on page sixteen, you will see the main numbers that we have compared with the first quarter of last year. First of all I want to mention that we have operating revenue of 771.000 Colombian pesos that are equivalent to 257 million dollars. There is a reduction compared to the first quarter of last year of 16.8% and just I want to emphasize that the main effect on that reduction is the merger between CODENSA and EEC, during the first quarter of last year, EEC was a subsidiary of EEB and the revenues and the expenses were included in the operating revenue and in the operating profit of the company.

Due to the merger between CODENSA and EEC now the results of that company are incorporated in CODENSA that is an associate, at this moment they are not including in the subsidiary's lines of the financial performance. For that reason we had to take out all the revenues and all of the expenses of that company, and they are going to be now under the participation method of associates in our financial.

We also have to mention that in the case of TGI there has been a reduction of the revenues during the first quarter of this year considering that in the same period of last year the country was facing the El Niño phenomena and the volumes were higher in order to supply the thermal electrical plants. During the first quarter of 2017 we have a like a normal situation and those volume has been reduced and in that sense that's the second main aspect in which we have a reduction in our operating revenues.

Going to more specific numbers we also have an increase of almost 4% in the electricity transmission considering that we have on stream new projects, the case of Tesalia and the Quimbo/Cali. We are also having on the natural gas transportation the reduction that I already mentioned of 76.000 million Colombian pesos due to the reduction of the transported volume and also for the FX conversion effects considering that the company has as functional currency the U.S dollars. And also in the natural gas distribution we have an increase of five 5.7% considering Cálidda's new revenues mainly from higher transported volume also for FX conversion effects.

On the operating profit of this quarter compared to the first quarter of last year, we have a result of something like 296.000 Colombian pesos which correspond

to almost 99 million dollars. Those are mainly affected by the merger that I already mentioned and also by the lower revenues due to the less transported volumes at the level of TGI with some increases in other segments of the company.

If we go to the following page, page seventeen; we have how the Financial Performance starting from EBIT goes to the first quarter profit, first of all we have an EBIT of almost 256.000 million Colombian pesos, we have a Financial Income of almost 6.000 million Colombian pesos, Financial Expenses that has been in the range of 136.000 Colombian pesos, an small Net Exchange Difference, the share profit of associates that have an increase of almost 270.000 million Colombian pesos and in this number we are including the effect of the merger of EEC and CODENSA, and also the Tax Income Expense has an increase of 84.000 million Colombian pesos ending with a Profit of 550.000 million Colombian pesos that is equivalent to 172 million dollars.

As I mentioned, the main effects corresponds to Financial Income considering that we already issued the local bond here in Colombia, the company is having some higher cash availability and in that reason we have increased the Financial Income at the level of EEB.

We are also having Financial Expenses that has been increased 6.2% mainly due to the debt interest payments and banking commissions, considering the same reason that we issued that local issuance in February, should the low pollution in February we also have a reduction of 95% in the Net Exchanged Difference and that is due to the revaluation during the period of 4% which impact positively in liabilities denominated in foreign currency.

Under the Equity Method we have an increase of almost 16% in associates mainly from EMGESA and CODENSA due to the operational performance. In Taxes we have an increase of almost 600% due to an increase on deferred tax at the level of TGI for FX effects. And finally we have in the Net Income a little increase of almost 1% due to what I have just mentioned in the above lines for our financial performance.

Going to the financial performance, also we have the graph of how our EBITDA has been behaving during the past year, for first quarter we are considering the last twelve months reduction for the reasons that I have mentioned in the previous slides, but we are expecting that at the end of the year we will have the same or a little bit higher amount compared to what we had by 2016.

In the in the pie that is on the right hand side we are showing that TGI is still the main contributor to our EBITDA with almost 43%. We also have EMGESA and CODENSA that contributes with almost 22% and the fourth asset that is important to mention is CÁLIDDA that contributes with almost 16%. In those four assets we have more than 85% of our EBITDA degenerated at the level of the company.

In the way that we have been the structured our world but the businesses, we have something like 54% of our EBITDA is generated in the segment of *Interconnecting for Market Development*, followed by *Urban Energy Solution* with something like 22% and lastly the *Low Emission Generation* with 17%.

Going to the main indicators, on the case of Net Debt / Consolidated Adjusted EBITDA we have increased compared to the last quarter of last year, that's due to the increase of debt through our local issuance plus the fact that we have a

little reduction in our EBITDA.

In the Consolidated Adjusted EBITDA / Net Interest for the same reason we have a reduction from 7.4 to 6.54 but that number is still well above the 2.25% that is the number that is looked in our covenant and also by our rating agencies.

In the Consolidated Debt Composition as I presented previously, we are including something like almost 9.3% of local issuance and in that sense we are not just almost fully concentrated in U.S dollars, that process will still changing in time, we are just in the first phase of our local issuance and we're expecting to see how much we will issuance during the second semester, and in that sense the exposure to a local currency will increase by the end of 2017.

On the Debt Maturity Profile we're just including the issuance on the local market at seven 7, 15 and 25 years, in that sense we are including our maturity for the 15 bonds that are due on 2032 for 15 years, for 25 years that we are included in 2042.

At this moment I will just let the word to our CEO to make the remarks on the first quarter. Thank you very much.

**Ms. Álvarez:** Good morning to everyone, I would like to start by walking you through this quarter you already seen. I think we had a good Financial Performance over this quarter. The Company will pay dividends in 2017 for an amount of nearly 909 billion to over 3.000 shareholders which evidences the company's strength and profitability in this national monopolized business.

This is a great year for us, we still have great expectations for the next semester with the 20% of democratization of shares, and we're going to proceed probably on the next semester. Our shares show a strong positive behavior on the local market throughout this year with an average value of 1.820 Colombian pesos during the first quarter.

EEB's shares were also placed in the twelve position in COLCAP ranking, this is the local index as you know, with the share of 4.3% turning it into an attractive and stable long term investment and affinity for a local and also for international investors especially as many you know in Canada, United States and not only by its branch return of 8.3% achieved year to date, but also by its outside valuation potential.

Furthermore analysts estimated that the price of 1.982 Colombian pesos per share, and EEB share had a high cost of 1.980 Colombian pesos on 15<sup>th</sup> May, we are very proud because the local market has been appreciating more our shares.

We have to continue our steady growth in terms of Consolidated Adjusted EBITDA which by the end of the first quarter reached one trillion Colombian pesos, a slightly decrease compared to previous year figures mainly due to the too lower revenues due to the merger effect and lower dividends from associates.

EEB got recognized by the major risk rating agencies like Fitch Ratings and Moody's and S&P maintaining the investment grades, not only at the level of EEB but at the level of its subsidiaries mainly TGI and CALIDDA in Peru; companies with stable perspective, reasonable sustainable dividends policy and more other aspects that are on consideration.

Now, I think this is pretty much what I'm going to present you, the presentation before that we had of the first quarter with our Finance Vice President. Now we will open the call to a question and answer session.

**Operator:** Thank you, we will now begin the Question and Answer session, if you have a question please press "star" and then "1" on your touchstone phone, if you wish to be removed from the queue please press the "pond sign" or the "hash key", if you are using a speaker phone, you may need to pick up the handset first before pressing the numbers, once again if you have a question please press "star" then "1" on your touchstone phone.

And the first question comes from Mark Heins from BTG Pactual, go ahead Mark, your line is open.

**Mr. Heins:** Hey guys thank you for the presentation, I have two questions to begin with; the first one is related to your partnership with FURNAS, you know that the last month in Brazil there was the energy transportation auction, and it was carried out and almost you know; every single Transco company there participated.

I was just wondering how was your partnership with FURNAS going to be on the future? And if you're planning to participate in the next auction in the country? The second question is related to CONTUGAS, recently we have been looking at the numbers and then the company seems to have struggled a little bit with the returns that they have posted over the later quarters, my question was; what are you expecting for this subsidiary? Are you planning to capitalize this company even more during the following periods? And what are you overall thoughts about the operation there? Thank you.

**Mr. Castilla:** Thank you very much for your questions. On the first side on relation with FURNAS; due to the volatility that the Brazilian market had by the end of 2015 starting 2016, we just were seeing how the perspective was improving or how the country was behaving during that volatility period. Then the country has a political stability and now we are in the process of seeing how potential projects can be done.

We have been in discussions with FURNAS; they have been proposing the possibility to invest in future projects. We did participate that you mentioned in the first auction that was opened, but we haven't closed the possibility of still growing in Brazil maybe through FURNAS or maybe through other partners, we haven't decided yet but we are just in process of one analyzing what sort of options we have, at this moment we already have a team based in Brazil analyzing that possibilities but we haven't taken any decision at this moment in that regard.

On regards to your second question on CONTUGAS side, the company during the first years considering the course that is just starting; has like a slightly profit on slightly EBITDA generated. And have been capitalizing during last year and this year some specific amounts, but the company has already signed a contract with the power generation that will start in place by the end of year 2018 and it will continue for the following years that will start changing the financial of the company during the coming years.

We are also in expectation what is going to happen with the natural gas supply for the south of the country, considering that CONTUGAS has already built a pipeline that goes from the TGP through the concessions that we have and also

maybe we can use that portion of pipeline that was already built to maybe transport natural gas to the south part of the continent but we are expecting what are going to be the decision made by the Peruvian Government in that regard, but in any case and just to emphasize; starting by the end of 2018 to 2019 the company will change the financials due to this supply contract that we already signed.

**Mr. Heins:** Okay Thank you.

**Operator:** And the next question comes from Dan Espinoza from has been on that from Sura. Daniel Espinoza your line is now open.

**Mr. Espinoza:** Good morning, thank you. The company is expecting to exercise the call auction of any U.S dollars debt in the near future? Thanks.

**Mr. Castilla:** Okay. Yes we have been analyzing the possibility, we have like two call auctions, one at the level of EEB and the other is at the level of TGI.

The call auction at the level of EEB was open by the end of last year and we have been analyzing the possibility of restructuring that bond issue through maybe a syndicated loan, but we are just in the process of structuring that in order to take the final decision.

At the level of TGI the auction was open on March of this year, and we are seeing what are the benefits and what are the ways that are available in the market and based on that we are just in the analytical process and if we decided that is a new opportunity of the market and the conditions are good, we have like a net present value benefit on doing that; maybe we'll structure auctions, but in the case of TGI we haven't taken any decision on that matter.

**Mr. Espinoza:** Thank you.

**Operator:** And next question comes from Andrés Duarte from CORFICOLMBIANA. Andrés Duarte your line is now open.

Our next question comes from Mark Heins from BTG Pactual

**Mr. Heins:** Hi guys, I got another question regarding the regasification plants in the Pacific. I understand that you don't have any specific numbers that you can give us, but I was trying to understand the magnitude of the project, how is it looking from your side? Is it looking attractive? Are you seeing you know, the differential synergies between your pipelines and the regasification plants? And also I was just wondering how was the search for strategic partner for this project? maybe before an SPV. Thank you.

**Mr. Castilla:** Maybe we'll divide your question in several answers. First of all in our strategic plan that we have showed last year, we have been decided that we will work these kind of projects with a strategic partner. In the case that we are going to participate in the process, we are going to do it through a strategic partner.

Secondly, that project makes all the sense for our infrastructure, because considering that TGI is the gas supply that goes from the main gas fields to the main consumption center located in the central part of the country and one of the branches of our infrastructure goes to Cali that is in the west side of Colombia.

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infrastructure makes the more sense to what we have right now. What we believe is that the project has to be built in something like Buenaventura or this around and also you will require a pipeline that go from the plant to our infrastructure and then we would have to make some kind of bidirectionality of the pipelines considering that the supply will come from through the Pacific and then we have it to the main consumption centers.

And in that sense, it will make the full sense in that regard building it and putting it in synergy with what we have right now.

In the selection of the potential partner, we are in the process of looking what other strategic partners can participate on that, but at this moment we haven't decided what sort of partner we will have and what sort of a structure we will include in order to build that project.

Maybe can be divided in several projects maybe one in the plant, maybe other in the pipeline, but we haven't decided in that matter. But in any case we are presenting that we are showing interest in participating in any process that they will open in order to build this facility.

**Mr. Heins:** Okay Thank you.

**Operator:** We have no further questions at this time.

**Mr. Castilla:** Okay, thank you very much for attending the conference call I hope the information is clear for you. Now we will have like a press release with our main numbers. That will be available and I expect that you will be in the next conference call that will be held for the second quarter of the year or before if there is something relevant that we want to inform.

Thank you very much to all and see you next time.

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