

**Operator:** Good morning, ladies and gentlemen and welcome to GEB's earnings call - second quarter 2018 results and key developments. My name is Hilda and I will be your operator for today's call.

Now, all participants are in a listen-only mode. As a reminder, this conference is being recorded.

Under the tab "Download" you will find today's presentation. I would now like to turn the call over to Mrs. Paola Viloría, Financing and Investor Relations Manager of Grupo Energía Bogotá.

Please go ahead, Mrs. Viloría.

**Paola Viloría:** Good morning and welcome to our earnings conference call for the results of the second quarter 2018 of Grupo Energía de Bogotá. My name is Paola Viloría. Today's presentation will be made by Mr. Felipe Castilla, Chief Financial Officer of GEB.

The presentation is divided into four parts. First, our CFO will make some introductory highlights and key updates. Second, we will briefly review the main developments during this quarter. Third, we will have a look at GEB's financial performance during the second half of 2018 and the most important financial indicators. To conclude this conference, we will open the call to a Q&A session.

Now I'll turn the call over to our CFO, Felipe Castilla.

**Felipe Castilla:** Good morning and welcome everybody to our earnings conference for the second quarter 2018. I would like to start by walking you through what we have achieved. As you know, GEB is one of the most relevant groups in Latin America and operates in the entire low emission energy chain, including power generation, transmission, distribution, supply, and natural gas transportation and distribution. Our businesses currently impact over 6 million customers in Colombia, Brazil, Peru, and Guatemala.

Also, on July 31 the second stage of democratization ended. That's just to mention that it is the process in which the majority shareholder sold a portion of its participation in the company, and now more Colombians and local and international institutional investors are owners of GEB.

We have grown by 60% our base of shareholders. Today, more than 7,000 individual shareholders are owners of this group, but if we consider the participation through the pension funds, millions of Colombians have participated in the ownership of the group given the condition of the shareholders agreement within the framework of the democratization program which ended on July 31, 2018 upon completion of the condition precedent, which seeks the protection of minority shareholders. The purpose of the program is to improve corporate governance practices, including continuity in decision making and professionalism of GEB's management team and to ensure the maintenance of a continuous strategy.

We expect that the company will hold a special shareholders meeting regarding some changes in corporate governance matters in the coming months. At such meeting, the company will

present a statutory amendment, the regulation for the ordinary shareholders meeting, and the policy for nomination, remuneration, and succession of the Board of Directors, subject to prior approval by the Board of Directors. Additionally, we expect to convene another special shareholders meeting due to the change in the composition of the Board of Directors.

We keep our financially sound long-term sustainability by our diversified portfolio in large energy companies and by our strategic locations, which provide access to fast-moving markets where many opportunities arise. In that regard, we held our sustained good financial performance during the first half of this year, reaching close to 580 million of consolidated revenues and approximately 220 million operational profit.

On June 28<sup>th</sup> 2018, a first payment of dividends was made corresponding to 50% of the amount decreed over the amount of the 2017 revenues. That was almost 528 billion COP. On October 25<sup>th</sup>, a second equal payment will be made. Each share will return 115 COP per share and has a dividend yield of 5.7%, which marks the company's trend and profitability due to its strong position in natural monopoly businesses. We remind you that this is one of the highest dividend yields currently in the Colombian market.

We have continued our steady growth in terms of consolidated Ebitda, which by the first half of the year reached over 570 million USD, with a material increase of 10.9% respect to the same period last year. This was mainly due to higher revenues from new projects coming on stream and a lower growth in terms of costs and expenses.

GEB keeps its successful record and consolidated as the second transmission entity in Colombia, with approximately 18% market share in the national transmission system (STN). In this regard, GEB is executing 8 of 20 STN projects that are being currently developed in the country, one additional project of STN system under a regulatory mechanism called "extension" and it's in charge of the execution of two in ten expansion projects for the regional transmission system (STR) and executing one private initiative, for a total of 12 projects. Although not all the projects have come into operation, progressively our revenues have increased, which will grow until reaching an accumulated of up to 120 million USD in revenues of those new transmission projects.

Regarding our natural gas segment, TGI was consolidated as the major gas transportation company in Colombia, with networks throughout 14 departments and 157 municipalities, transporting 54% of natural gas consumed in the country, with nearly 4,000 km of pipelines.

We reached a yearly Ebitda of 170 million USD, maintaining an Ebitda margin of 77.8%. We continue preparing our proposal for the public bidding process in the regasification plant in the Pacific Ocean and all the infrastructure required for this project.

In this first half, our company Calidda surpassed 655,000 residential and industry gas connections in Lima and Callao, reaching a network penetration of approximately 74% and over 1.5 million people will benefit by the end of 2020.

Grupo Energia Bogota is today a key partner of the Peruvian government in the massification of natural gas. Contugas continues advancing towards its commitment with the Peruvian

government to bring natural gas to more than 50,000 households by 2020. By the end of the first half, Contugas has fulfilled its original concession commitment of 49,000 connected households.

We also keep actively seeking out opportunities in new businesses and renewable energy generation, transmission, distribution and transportation in the region, mainly in Peru, Brazil, Colombia and Mexico.

In terms of our main associates, Emgesa and Codensa, in a consolidated result reached revenues of almost 1.5 billion USD during the first half, driven by the generation business.

Emgesa became the largest generation company in terms of net installed capacity, with 3,500 MW in Colombia.

The execution of Capex during the first six months was 400 billion COP, focused on the investment plan in the distribution business.

Finally, Gas Natural Fenosa informed that on June 1st 2018 Gamper AcquireCo SAS acquired a stake of 43.71% in the company, which added to the stake of Gamper AcquireCo II SAS, one of its affiliates and also part of Brookfield Infrastructure Group, equal to 11.22% of the company and give Gamper AcquireCo SAS and Gamper AcquireCo II SAS joint control in the company, with a stake of 54.93%.

We continue our growth path, providing outstanding results to our shareholders and more than 70,000 that we have right now pointing to record profits by the end of the year. Now we will turn to the presentation.

Going to page number 5, just a quick reminder of our businesses. As we have seen in previous presentations, we are split in three strategic businesses: in the urban energy solutions (power distribution and natural gas distribution); in interconnection for energy markets (power transmission and natural gas transportation), and lastly on low emission generation through power generation.

On the bottom part of this page you can see that during the first quarter of 2018 the group has consolidated revenues close to 580 million USD year to date, with a growth in comparison with the same period last year of almost 12%. We had a consolidated Ebitda of almost 570 million USD from January to June, with a growth of almost 11% with respect to the same period of last year.

The company, if we see it at the price on June 30 2018, has a market cap of 6.3 billion USD. We have spent 157 million USD in Capex up to June 30 of this year and this investment just corresponds to our subsidiaries.

On average, we have been paying a dividend yield of 5.6% from year 2011 to 2018. As we mentioned in the previous talk, we had last year a dividend yield of 5.7% and what was approved in the General Assembly was to pay more than 1 billion COP by the end of 2017. That corresponds to a dividend of 115 COP per share.

Going to page number six, as you can see we have the main companies positioned in those markets, showing that we have a main presence in Colombia and Peru, but also, as we have mentioned in previous presentations, we have investments in Guatemala and Brazil through transmission projects in those countries.

Going to the key updates on page eight, we will just mention the most important and relevant issues at the group level. First we have to mention that Calidda reported an increase of residential clients with additional 148,000 new customers, if we compare to the last twelve months. Calidda also decreed during the first semester of this year dividends to the shareholders in the amount of almost 53 million USD. From those, 60% corresponds to EEB.

We made some capitalization in Trecca of 11.9 million USD and in Contugas together with TGI, the other shareholder we have, a cumulative capitalization of 41 million USD during that period. On June 28<sup>th</sup>, as we mentioned, we paid the first installment of dividends and there is an equal installment that will be paid in October.

On July 4<sup>th</sup>, we had a notice of offer for the second stage of democratization. It's important to mention that's the process in which the major shareholder was selling up to 20% of its participation in the company. On July 23<sup>rd</sup>, the results of the award of this second stage of democratization were presented. On July 31<sup>st</sup>, the second stage of the process was completed with the recording in the disposed shares account, and on August 1<sup>st</sup> GEB informed the shares and how the share composition has changed for the company.

I already mentioned the announcement at Gas Natural and the acquisition by some companies owned by Brookfield. Also, it's important to mention that the arbitration initiated by the Consorcio Graña y Montero and Conciviles against Contigas was initially in an amount of 80 million USD and this tribunal decided that only in favor of the counterpart was 38 million USD. Also, the arbitration decided that the consortium had to pay to Contugas some replacement valves and the final result for the company was approximately 30 million USD that was placed by the shareholders during the first semester of 2018.

Going to page nine, we will see the main highlights at the level of TGI. First, we have to mention that TGI continues to have control and operate the largest pipeline in Colombia. The company has almost 4,000 km of natural gas pipelines and a capacity of roughly 785 million square feet per day on transportation.

They have an average of firm hired capacity of 716 million cubic feet per day and the company covers roughly 54% of the Colombian market.

On March 11<sup>th</sup>, an early payment was made on the syndicated loan of the credit that was taken by IELAH. That was the acquisition that in 2014 was made by the group in that company, in which they acquired almost 100% of the ownership of the company and the initial credit was roughly 630 million. The company prepaid \$44 million USD and has still a remaining balance of \$40 million of that debt.

Also, it's important to mention the commissioning of the Cusiana-APIAY project, which increased capacity from 33 million cubic feet per day to 64 and of the APIAY-Villavicencio-

Ocoa section, which increased the capacity from 17.2 million cubic feet per day to 22, including completion of construction of two compression stations (Paratebueno and Pompeya).

Also as I mentioned, Contugas is owned by TGI in a 33% and during the first half of this year TGI capitalized roughly \$13 million USD in May.

Also, it's important to mention that the payment of dividends to GEB was made in an amount of \$50 million USD and the remaining portion will be paid in October 2018.

On June 1<sup>st</sup>, the Cusiana Phase IV project came into operation with its compression unit located at the gas station in Puente Guillermo (Santander) and with an additional transportation capacity of 17 million cubic feet per day.

On June 9<sup>th</sup> ended the sub fluvial crossing of the Magdalena River that joins the Department of Caldas and Cundinamarca. That will eliminate the possibility of having a shortage for 84 municipalities and 8 departments in the southwestern part of the country.

On June 14, the Loop Armenia came into operation with 37 km of length and a capacity of more than 8 million cubic feet per day. This loop will supply 8 municipalities of Quindio, 2 municipalities of Valle del Cauca and also distribution companies in the region.

Going to page number ten, on the side of Calidda it's important to mention that Fitch Ratings reaffirmed Calidda's BBB long-term local and foreign Issuer Default Rating (IDR) and senior unsecured notes and maintained a stable outlook for the company.

Standard & Poor's also reaffirmed its BBB- corporate credit and senior unsecured ratings with a stable outlook, and lastly on the rating side Moody's upgraded Calidda from Baa3 foreign currency senior unsecured rating to Baa2 with a stable outlook.

Also, from the client point of view, Calidda is increasing the client base by 31% compared with the figures from last year and currently we have 655,000 users versus 500,000 clients in the same period last year.

Also, we increased consumption from 762 million cubic feet per day to 788 million, comparing with the same period of last year.

During the first half of this year, the network of the company was enlarged by 340 km and the distribution system reached a total of 8,900 km of underground pipelines.

Total revenues and total adjusted revenues for this period increased by 6% and 11% respectively, driven by a higher number of connection services, mainly in the residential segment, and distribution revenues due to the combination of higher invoiced volume and higher distribution tariff.

Calidda's distribution tariff was increased by 11% compared with the tariff valid for previous years after completing the review process. This new tariff regime will be valid starting May 6th, 2018.

The EBITDA also grew accordingly and totaled 145 million for the last 12 months, while the adjusted EBITDA margin reached almost 60%.

Going to page 11, it's important to mention how the shareholding structure has been changed. If we see what we had in previous years, the major shareholder was the city, with 76.28%. The Colombian pension funds had a participation of 70%, Corficolombiana with over 3.5% and we had a small participation by other shareholders of 3.1.

Once we finalized the democratization process, the city reduced its participation from 76% to roughly above 65%, the pension funds increased from 70 to 20.44%, Corficolombiana increased from 3.56% to 5.18%, and others, which are our minority flooding base, increased from 3.1% to 4.71%.

As we mentioned, currently we have more than 7,000 shareholders, increasing from an amount that we had in the previous period of almost 3,000 by the end of last year.

Going to our main expansion projects here in Colombia, on page 13 we see we are executing some transmission projects. Half of them are already generating revenues for the company and we are putting in place all the process in the coming years. Just to remind you that we were awarded during the first half of this year the project Colectora in La Guajira, which is going to collect all the generation by eolian parks.

Going to page 14, as we mentioned, we spent through our subsidiaries roughly 160 million USD during the first half of this year. These investments were more focused on the transmission businesses. We are developing more than 12 projects in that area with TGI with roughly 26% and Calidda for increasing distribution in the city of Lima and El Callao. If you consider those three, we have more than 80% of the expense made, but it's important to mention our investment in Guatemala (roughly 12%) and in Contugas (3.2%).

Going to the financial performance on a consolidated basis on page 16, as you can see the operational revenues for the same period were increasing roughly 100 billion COP to 864,000 COP. On cost and expenses we also had an increase of 496,000 COP to 506,000 COP. I guess it's important to mention that our net profit has increased to 231,000 COP in the first half of last year to 472,000 COP for the same period of each year.

Going to page 17 on financial performance and the operating revenue by segment, we had almost 1.7 billion COP. The increase is mainly driven by the new revenues coming from electricity power transmission with about 42%, driven mainly by new projects that have been coming on stream, some marginal increase on natural gas transportation, and also natural gas distribution, mainly in Calidda.

On gross profit by segment, we had roughly 662,000 COP. That's also mainly driven by the incorporation of electricity transmission and some additional impacts in natural gas distribution through Calidda.

On page 18 you can see our analysis, how we come to an Ebitda with the main impacts on financial income expenses, some small impact on net exchange differences during the first

half, the equity method that we consolidated from our associates, and the participation of the tax income in the company.

Going to page 19, we have how our Ebitda has been... [no audio, 0:27:53.4]

**Operator:** All participants please stand by. We are experiencing some audio difficulties. Please stand by. The conference will resume shortly.

**Felipe Castilla:** We are just including our main financial indicator, at least the one... [no audio, 0:29:17.2]

**Operator:** Ladies and gentlemen, thank you for standing by. Please resume your conference.

**Felipe Castilla:** I'm sorry. I will come back to page 19 to present how our Ebitda has grown and how it's distributed in our main strategic businesses.

As I mentioned, the main contributor in our Ebitda is the interconnecting for market development that correspond to transmission lines, power lines, and also natural gas pipelines, followed by urban energy solutions with a contribution of 33%, and low emission generation with Emgesa, which is the only asset that we have in that group, with 19%.

As I mentioned, roughly 70% of our Ebitda is generated through our subsidiaries and 30% corresponds to the dividends in cash that we received from our associates.

Going to page 20, we are including our main financial indicators. On the left of that graph we are plotting our net debt/consolidated Ebitda for the last 12 months and it's in the range of 2.8%, below any requirement due to our debt or by rating agencies, showing that we still have space if we want to follow our expansion projects.

We also have a consolidated Ebitda/net interest for the last 12 months in the range of 8.7%. That is way above the limit of our debt, which is 2.25%.

On the consolidated net debt composition, by the end of the first half of this year we had a debt roughly above 2.9 billion USD, in which about 16% corresponds to local currency debt and 84 to the USD dollar denominated debt at the group level.

On the bottom right we are including debt maturity and we are in the process of getting a more distributed debt maturity. We are working on handling the terms that are going to be due in 2022 and 2023.

Now I will open the Q&A session. Thank you very much.

**Operator:** Thank you. We will now begin the question and answer session. If you have a question, please press \* and then 1 on your touch-tone phone.

If you wish to be removed from the queue, press the # sign.

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 \* and then 1 on your touch-tone phone.

We have a question from Ricardo Sandoval, from Davivienda Corredores.

**Ricardo Sandoval:** Hi, Felipe. Thank you for the conference. I have two quick questions. The first one is: I was wondering if the tax reduction caused by TGI is just a one-time effect or if we are going to see any other further reduction in the effective tax rate of the company for 2018.

The second question is: if we take only the second quarter results, we can see a reduction of about 9% in the gas distribution business, so I was wondering if we can have more color on it. Thank you.

**Felipe Castilla:** In regard to your first question, I just want to mention that during the second half of 2018 we made some adjustments on life of assets at the TGI level. In that regard, we have an impact on deferred tax that was taken in the past, but now and for the following years there will be more control. For that reason we have presented a decrease in the tax rate for previous years due to that fact compared to 2017, but we do not expect that it will be at the current levels for the coming years.

On the question on the second quarter, I just want to mention that in our businesses it's a practice that during the first half we start a process of hiring new services. In our experience, for some years we have had less execution during the first half that is compensated with larger execution during the second half. I guess we can have a consolidated reduction by the end of the year, but I don't believe that's going to be in the range of 9%. I would say it's more related to lower execution during the first half that will be compensated with higher execution during the second half.

**Ricardo Sandoval:** Perfect. Thank you.

**Operator:** If you have a question, please press \* 1.

The next question comes from Carlos Rodriguez, from Ultraserfinco.

**Carlos Rodriguez:** Good morning, gentlemen. Thank you for the conference call. I have two questions. The first one is: would you be interested in the assets that EPM is currently selling?

The second one is more on your opinion about the placement carried out by Bogota that reached barely 10%, taking into account that initial expectations were 20% of divestment. I want your own opinion. Thank you very much.

**Felipe Castilla:** Carlos, thank you for your questions. In regard to the possibility of selling assets by EPM, first of all, we are just placed on energy. If that is the case, we will be more interested in energy assets. That means that any asset related to water management is not in our scope and in that sense we are not interested. In the case of the selling of shares in ISA, at this moment I have no idea, but maybe it's not in our interest. But if there are assets related to our core activities, such as transmission lines or power distribution companies, that sort of assets, we'll analyze that possibility.

In regard to your second question on the selling, it's important to mention that the first half of this year was a complex moment for emerging markets. What we foresee, independent of the selling of the 20% of the company, it's that for emerging markets it's a situation in which investors started to decide not to invest and also take out cash from emerging markets mainly to developed countries as US, given the signal at that moment.

What we analyzed at that moment was to reduce our expectations from selling up to 20% and starting a process to sell 8% with the possibility to increase up to 16%, given those market conditions. We believe that our operation was very successful. I guess that we sold 10.4% of the participation in the second stage. I guess that the participation of local markets was very good. We sold almost 600 million USD in the local markets, and even given that very difficult situation in international markets, we sold something like 50 million USD with international investors. We consider that given the current condition, which was not related to the company's condition but more to the market's condition, it was very successful. I guess that 10.4% was above our expectations and the main shareholder, which is the city, will define how to proceed with the selling of the remaining portion, because they have the authorization to sell up to 20%.

**Carlos Rodriguez:** Ok. Thank you very much.

**Operator:** The next question comes from Angela Gonzalez, from Credicorp Capital.

**Felipe Castilla:** Angela, we are waiting for your question.

**Angela Gonzalez:** Sorry. I was in mute. Thank you for the presentation, Felipe. I have several questions. The first one is regarding the current debt levels. I would like to know if the company is interested in purchasing Electricaribe. I would also like to know if you could provide an update on Buenaventura's regasification plant. I understand this project has presented several delays and I would like to know if you have an expected date when Upme is going to award it. Last but not least, I would like to know a bit more on Trecca's capitalization.

**Felipe Castilla:** Ok. Thank you for your questions. In regards to the possibility of purchase in Electricaribe, I will just mention that our main company in Colombia in that sector is Codensa and if we want to participate it has to be decided at the level of the company and at this moment we haven't taken any decision on that regard. That's about your first question.

On the second question regarding the regasification plant, I want to mention that we are very interested in participating in that process. We understand that the government has been delaying the start of the bid. As we mentioned, we have been working in the preparation of the proposal, because they have to be associated with some specific projects and for months we have been working in that proposal. We understand that the process will be opened during the first half of 2019, but it will depend on how the government handles that. This is our idea of how we will proceed.

On the Trecca side, until now we have been placing as capitalization roughly 12 million USD. We believe that an equal amount will be capitalized during the remaining months of this year and by the end of 2018 we will be capitalizing roughly 25 million USD at Trecca level.

**Angela Gonzalez:** Thank you.

**Operator:** Thank you. As a reminder, if you have a question, please press \* 1 on your touch-tone phone.

The next question comes from Juan Trujillo, from Porvenir.

**Juan Trujillo:** We want to know if you have any updates on the divestiture progress of Promigas.

**Felipe Castilla:** Thank you for your question. No. We don't have any other update apart from the ones we have been presented in the past. That process at this moment is on hold by the company. If the market conditions change, we will make the proper announcement, but this process is on hold right now.

**Operator:** Thank you. If you have a question, please press \* and then 1.

At this moment we show no further questions. I will now turn the call back to Mr. Castilla for final remarks.

**Felipe Castilla:** Ok. GEB wants to thank you for your participation in this session. We will welcome you for the next quarter's presentation. Thank you very much and see you next time.

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