



Grupo Energía Bogotá

GEB

Earning's Conference Call

1Q 2018

Operator: Welcome to the GEB's 1st quarter 2018 Conference Call, my name is Hilda and I'll be your operator for today, at this time all participants are in listen only mode, later we will conduct a question and answer session, as a reminder this conference call is being recorded, you will find today's presentation under the tab *download*.

I would now like to turn the call over to Ms. Paola Viloria Investor Relations Officer at GEB, Ms. Viloria you may begin.

Ms. Viloria: Good morning and welcome to our Earnings Conference Call for the results of the 1st quarter results of 2018 for Grupo de Energía de Bogotá.

The presentation is also divided into four parts; first our Distribution Vice President 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 of GEB's Financial Performance during 1st quarter and the most important financial indicators, 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 Distribution Vice President Andrés Baracaldo, please go ahead.

Mr. Baracaldo: Good morning and welcome everybody to our Earnings Conference results for the 1st quarter 2018. I would like to start by walking you through what we have achieved during this quarter. As most of you know, GEB is the only energy group in Latin America to operate in the entire low emissions energy chains, 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 for the first time, we recently were included in the Sustainability Yearbook of RobecoSAM, recognition as "Industry Mover" which highlights the best performance in corporate sustainability in the world.

We keep our financially long-term sustainability by diversified portfolio in large energy companies and by our strategic locations which provide us access to fast moving markets where many opportunities arise. In that regard we held our sustain good financial performance during the first quarter this year reaching close to 299 million dollars of consolidated revenues and approximately 99 million dollars of operational profits.

GEB's General Shareholders Assembly last March 22nd declared a dividend of 115 Colombian Pesos per share, representing more than 380 million dollars to over 3,000 shareholders. The company will pay regular dividends in two installments, one in June 2018 and the other one in October 2018, which marks the company's strength and profitability due to its strong position in natural monopoly businesses. We remind you that this is one of the highest dividend yields in the Colombian market.

Our shares showed a strong positive behavior in the local market throughout the quarter, with an average value of 2,030 Colombian Pesos per share and a closing price for the end of this period of 2,030 Colombian Pesos.

GEB's shares were also placed in the tenth positioning in Colcap ranking with 4.2%,



turning it into an attractive and stable long-term investment opportunity for local and international investors, not only by its price return of 12.9% in the last 12 months, but also by what we think is its upside future potential.

We have continued or a steady growth in terms of consolidated EBITDA, which by the end of the year reached over 411 million dollars with an increase of 2.3% relative to the same quarter in the previous year, this was mainly due to higher revenues coming from new projects coming into operation and at lower growth in terms of cost and expenses.

GEB keep its successful record and consolidated as the second transmission entity in the Colombian market with approximately 15% market share. In this regard GEB executed 8 out of 20 transmission projects in the national transmission system, one additional project under the mechanism called as an extension, it is also in charge of the execution of 2 out of 12 expansion projects for the regional transmission system and executed one private initiative for a total of 12 projects.

By the year 2025 GEB will receive over an estimated 120 million dollars in annual revenues due to these new transmission projects.

Regarding our natural gas segment, TGI 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 and with nearly 4,000 kilometers of pipelines.

We kept our good track record and reached a yearly EBITDA of 91.6 million dollars maintaining an EBITDA margin of 83.12%.

We are also preparing our proposals for the public bidding process in the Regasification Plant in the Pacific coast, and all the infrastructure that is associated with this project.

In Guatemala through TRECSA, we are making good progress with the development of the PET1 project, which as most of you will remember, is the construction of new 230 kv transmission lines through 541 miles and the related expansion and construction works in new substations.

We have already energized more than 72% of the project and keep working closely with EEBIS Guatemala in other major infrastructure projects in the country.

As a reminder the Guatemalan Government extended the final phase of this project to November 2020.

Also in the quarter our company Cálidda surpassed 612,000 gas connections in Lima and Callao, reached a network penetration of approximately 72%.

Grupo Energía Bogotá continues to be the partner of the Peruvian Government in the process of massing of natural gas in the country.

We also reached important results in our company Contugas with an EBITDA of 2.9 million dollars and the company 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 quarter, Contugas has fulfilled its original concession commitment of 4,392 connected households, which represents 95% of that target.

Contugas received a capital injection of 3.5 million dollars in January and 3.5 million



dollars in February.

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

In terms of our main associates Emgesa and Codensa, they reached aggregated revenue 715 million dollars during the first quarter and successfully placed bonds in the local market, in that case in particular Codensa; worth of 360 billion Colombian Pesos, with maturity of 12 years, with an average funding rate of 6.79% in Colombian Pesos. Both companies executed a combined Cap Ex of 137 billion Colombian Pesos.

I would like to thank you for attending our Conference Call, and for presenting our financial results for the first quarter 2018 now I turn the call to Mr. Felipe Castilla CFO of GEB.

Mr. Castilla: Thank you Andrés, good morning to everybody. Maybe we can go now to the presentation that you have available. First of all we have our index, we are going to review something of what we said, GEB overview.

The key updates that we had during the first quarter of this year, not only at the level of GEB but also at the level of our main associates.

Then we are going to see how we are progressing with our expansion projects.

On the fourth place we will see our financial performance and lastly we will have short session of Q and A.

And now we can go to page number four, we just show you what is GEB at the glance, these graphs you already know, is the way that we have been dividing in strategic businesses. First of all we have our strategic business of Urban Energy Solutions that corresponds to Power Distribution and Natural Gas Distribution.

Secondly we have our strategic business of Interconnection for Energy Markets in which we have power transmission lines and also Natural Gas Transportation, and lastly we have Low Emission Generation in which we have everything that corresponds to power generation.

Also you see how our main numbers were in last year and what we have in each of those businesses.

Going to page number six, just to show you in what countries we have a presence, we have presence in Guatemala, Peru, Brazil and Colombia, and in the box that you see our main subsidiaries, you can appreciate what is the location that that company has in the corresponding markets.

As you see we are present and we are number one or number two in all of the businesses in the regions that we work, except for Brazil in which we are just initiating our activities in that country.

Going to the Key Updates on page number eight, on the first quarter we just mentioned that we were awarded by UPME on the construction of the Colectora line that a 500 Kv project of the transmission lines between Colectora – Cuestecitas and Cuestecitas – La Loma, a project that will drive the development of non-conventional sources of renewable energies that we build in the Department of La Guajira.



Also on February 1st, GEB obtained a place in the RobecoSAM Sustainability Yearbook for the first time and recognition as "Industry Mover", which recognizes the companies with the best performance in corporate sustainability in the world.

Also in March we held our ordinary session of the General Shareholders Assembly, we decreed more than one billion Colombian Pesos of dividends for year 2017 that corresponds of a dividend year low 5.7% equivalent to 115 Colombian Pesos per share, which we will pay on two equal installments, one in June, in this month, and the other in October.

Some of our subsidiaries, we want to mention that we made a capitalization in Contugas for 3.5 million dollars in January and also 3.5 million dollars in February. We also capitalized our subsidiary Trecca for 12 million dollars in March.

Going to the main key updates on TGI for the first quarter, first of all, we reaffirm the interest the Group has through TGI on participating in the project of the Pacific Regasification Plant and as you know the terms, the preliminary terms were put on the second quarter of the year for the for the general pond.

On March 11th the Company prepaid a portion of the old loan that has the vehicle IELAH in which was acquired the remaining portion of the shares that were sold by the CBCI vehicle, and on that debt we have a portion of 40 million dollars that is remaining to be paid.

Also on the startup of the Cusiana – Apiay project, which expands the capacity from 33 million cubic feet per day to 64, and from the Apiay – Villavicencio – Ocoa that the stretch from 17 million cubic feet per day to 22 million cubic feet per day.

Also the construction of two Compression Stations the Paratebueno and Pompeya in the same place.

And on March 20th the ordinary session of the General Assembly declared dividends to be paid equivalent to 100 million dollars that will be delivered in two payments to the main shareholder of the Group on June and on October.

Going to the main updates on Cálidda for the first quarter, the first important notice to mention is the client base and invoiced volume increased in the quarter by 32% and 1% respectively compared to the 1st quarter of 2017.

Our network length was enlarged by almost 900 kilometers, whereby the distribution system reached a total of 8,600 kilometers of underground pipelines.

In the first quarter the monthly average of natural gas produced in that country was more than 1,000 million cubic feet per day, showing a decrease of 30% when compared them on the monthly average total volume produced in the first quarter of last year of 1,200 million cubic feet per day.

During the same period, Cálidda's distributed volume decreased 3.3% mainly explained by lower gas consumption from power generators due to the rainy season and half of the electricity produced by hydraulic plants, and lastly, during the first quarter Cálidda connected almost 35,000 customers on a total of 147,000 clients as of the last twelve months.

In the residential segment, Cálidda has operations in 22 out of the 49 districts of that City which are the following: Villa El Salvador, Comas, San Juan de Lurigancho, El Agustino,



San Miguel, Santiago de Surco, Jesús María, Magdalena, Pueblo Libre, Cercado de Lima, Los Olivos, San Martín de Porres, San Juan de Miraflores, Santa Anita, Villa María del Triunfo, Ate, Callao, Independencia, Carabaylo, Lurín, San Vicente de Cañete and Puente Piedra.

Going to the expansion projects of GEB on page 12, in this table we have already included what do is our new project of Colectora, which will have annual revenues of almost 21.5 million dollars and for these new projects, the new revenues that the company will have in the coming years are going to be in the range of 115 million dollars.

Going to what we have been executing during the first quarter as you can see in the pie on page 13, we have spent almost 160 million dollars mainly on 3 companies, on CTM that is our non-controlled subsidiary in Peru, a company whose line of business is Transmission Lines. On transmission, internally here in the group we have almost 16% of the investment during that period, and on TGI 11%

On the pies that you have on the right-hand side, you can see that Urban Energy Solutions correspond to 38% of those investments, on Interconnection for Energy Markets 56%, and the remaining portion of 5% is from the Low Emission Generation.

If you see how those investments are split between associates and subsidiaries, almost 62% are made by our associates and in the case of our main subsidiaries we are spending 48% of those 160 million dollars.

If we split it by country, 58% of the investment has been made here in Colombia, 33% in Peru and the remaining portion of 9% from our subsidiaries in Guatemala.

Going to the financial performance that you see on page 15, you will see how our Operational Revenues have been increased from the first quarter of 2017 to the first quarter of this year from 771,000 million Colombian Pesos to 831,000 million Colombian Pesos with an increase of significantly almost 60,000 million Colombian Pesos.

Costs and Expenses has been increased from 515,000 million Colombian Pesos to 548,000 million Colombian Pesos.

The Operational Profit has been increased from 256,000 million Colombian Pesos to 283,000 million Colombian Pesos.

And our Net Profit has been reduced from 535,000 million Colombian Pesos to 342,000 million Colombian Pesos and that mainly correspond to some adjustment on the deferred tax on our subsidiary TGI because as you can see all the numbers, our operations have been increasing with respect to the first quarter of last year.

Going to the page 16, you can see how our Operating Revenue has been in the range of 831,000 million Colombian Pesos that correspond to Electricity Transmission with an increase of almost 31,000 million Colombian Pesos, which represents an increase of 42% compared to the same period of last year.

On the Natural Gas Transportation we have an increase of 10,000 million Colombian Pesos that correspond to an increase of almost 3.5% compared with the same period of last year.

On Natural Gas Distribution we have an increase of 18,500 million Colombian Pesos which represents an increase of 4.6%.



On the Gross Profit, we have a gross profit of 313,000 million Colombian Pesos, but compared with the same profit of first quarter of last year, we have an increase of 5.7% mainly on the Electricity transmission which has been increased 50% for almost 16,000 million Colombian Pesos.

In the next page, on page seventeen, you can have a brief analysis how our EBIT has been increased to our net profit for the last year and all correspondent effects in that graph.

Going to page 18, we are showing how our Consolidated EBITDA has been behaving during the first quarter of this year, we have an EBITDA on the right-hand side, on their bar chart you can see that our EBITDA for the last 12 months is in the range of almost 2.5 billion Colombian Pesos, that is pretty the same number that we have for the last year, a little increase of 30,000 million Colombian Pesos.

If you see how that Consolidated EBITDA is divided by segment, the Electricity Generation correspond to 28%, Electricity Transmission 18%, Electricity Distribution 20%, Natural Gas Transportation 24% and Natural gas Distribution 10%.

Just showing how our main strategic businesses are contributing with this EBITDA, you can see the main contributor is the Interconnection for Market Development and then the Urban Energy Solutions and lastly we have the Low Emission Generation.

Going through the Financial Performance, our main indicators, one of the main indicators that we follow is that one corresponds to Net Debt on Consolidated EBITDA, that in the range for the first quarter of 2.85 times, we keep that index below 4.5, the difference between the 4.5 and the proven ratio is the space that we'll have in order to leverage the company in order to growth.

In the other main indicator we have the Consolidated EBITDA on Net Interest, we just for some of the covenants that we have in our debt we have to have it above 2.25 times, for this first quarter was 7.56 times, that shows that we are very above what is the limit that is required in our covenants.

On the Consolidated Debt Composition you see in the last year we have been trying to increase our exposure to local currency and our Total Debt in the range of 2.9 billion dollars that correspond to almost 70% of the local bond issue that we issued last year.

And in the Debt Maturity also we are trying to move the maturity of our main loans, also we are getting loans on the long term, as you see in the local issue we have been extended our life to end at 2020, 2028, 2032, 2042 and 2047, and we are in the process of having some kind of liability management mainly for the debt that is due for last year.

At this moment we will give some session of Q and A and please go ahead with any question that you may have, thank you.

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 touch tone 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" and then "1" on your touch tone phone.

The first question comes from Daniel Duarte from Corficolombiana.

Mr. Duarte: Good morning everyone, thanks a lot for the presentation, I would just like to ask how

much progress made on the pricing of the second phase of the Promigas sale? And also how much do you expect to receive from the operation with Transmilenio in Bogota. Thank you.

Mr. Castilla: For the first question, we have followed all the obligations we have under the law 226, we already sent a very small portion in the first phase that is called Solidarity Segment and we are still in the process of selling the remaining portion. At this moment we haven't taken the decision to follow with that phase and as soon as we have a decision on that we will announce to the market when we are going to sell it and what the selling price for the piece of the shares.

Really I didn't understand your second question, in regard to that can do expand a little bit on that?

Mr. Duarte: Yes sure, I was just wondering how many benefits are you expecting in your books to be materialized with the operation with the Transmilenio?

Mr. Baracaldo: Hi is Andrés Baracaldo, as you know, I mean we have stakes in both TGI and Gas Natural, so we obviously benefit through those two companies for any increase in the use of natural gas in the city of Bogota, but as well it hasn't actually been defined what is going to be the total fleet of buses that are going to use natural gas, so at this point in time we cannot give you a precise answer as to what is going to be the expected in volumes that we expect to see from the operation of buses with natural gas in Bogota, as soon as we have more information we'll be happy to provide that detail.

Mr. Duarte: Ok Thank you.

Operator: The next question comes from Juan Chipa from Porvenir.

Mr. Chipa: Hi, thank you for the presentation, I have basically one question, it is what kind of perspectives do you have regarding the energy generation segment and the energy market in general due to the current situation at Hidroituango? Your perspectives regarding energy prices and investment for the coming years in the sector, what can you tell us? Thanks.

Mr. Baracaldo: I think that we can say is that, I mean we're obviously working on the different scenarios that could happen depending on what is the final effect on Hidroituango, obviously we don't have any specific information as to wait what may or may not happen with the projects, and what we have is a range of scenarios as to what will be the effect of what is currently going on in the market, so I don't think at this point in time we could comment because we don't really know what is going to be the effect in the project, we don't know how bad the situation is going to be once the current crisis is somehow controlled.

Obviously numbers of scenarios are possible, from the project not being viable to the product being delayed, and of course the effect on electricity prices will change significantly depending on what is the scenario.

I guess what we can say that we are preparing for that scenario, through Emgesa, through the different companies that will be affected by that potential impact, but I don't think that in this point in time we can actually comment on what is going to be the effect because we don't really know what is going to be the final outcome of the project.

Mr. Chipa: Ok, thank you so much.

- Operator:** Thank you, the next question comes from Angela Gonzalez from Credit Corp.
- Ms. Gonzalez:** Good morning, thank you for the presentation, I understand that the annual contraction of 5% in profit before taxes is mainly result of an equity method, could you provide me more details regarding this share of the income? Also I have another question, and related to Transener acquisition, are you considering in bidding for a stake in Transener in Argentina? Thank you.
- Mr. Castilla:** Angela can you repeat the first question? I didn't get what was yours, in what account you see that you want some explanation?
- Ms. Gonzalez:** Oh yeah, well, I see that; I want to understand better why the profits before taxes presented a reduction of almost 5%, I see that mainly the reduction is due to the Peso revaluation and also the equity method, so I would like to know more detail regarding the equity method account.
- Mr. Castilla:** Yes, what is going to be affected in our case, as you mentioned, one is related to the revaluation because the FX for the quarter was lower than the one that we started the year and that has some effects, and also there is some results on some of our associates that has been decreased, in the case of Codensa we had been having a lower results than we expected, those are the two main explanations on that regard.
- On regard to Transener I will let Andrés to answer that.
- Mr. Baracaldo:** Hi Angela, I guess what we can say is that it is an asset of our interest, obviously it is in Argentina, has close to 20,000 kilometers of transmission lines in this Company, and in principle we are interested but I guess the threshold there will be what happens on the macro situation in Argentina. All of you have followed what has happened recently in Argentina. So it will actually depend on how that situation evolves and see once the opportunity arises, we are comfortable with that macro risk.
- Ms. Gonzalez:** Ok, thank you for your answer, I have also a third question, I know it's quite soon to know the answer of this, I want to know if you have measured the impact of the volcano explosion in Guatemala on Trecca assets?
- Mr. Castilla:** No, let's say, that is a tragedy for that country, but in our case on the operational side we don't have any impact on our infrastructure or people.
- Ms. Gonzalez:** Ok, thank you, thank you so much.
- Operator:** As a reminder, if you have any questions please press "star" and "1" using your touch tone phone. The next question comes from Diego Buitrago from Bancolombia.
- Mr. Buitrago:** Good morning everyone, thank you for the presentation, I have two questions. The first one is regarding the Creg resolutions, the Creg project resolutions, regarding Ituango's emergency, I want to know what you could tell us about the resolutions, if Emgesa or GEB is going to participate in the auction for new generation projects that Creg is convoking for 2022 and 2023.
- And the second one is regarding the deferred taxes in Colombia, what could we expect regarding this account for 2018? Thank you.
- Mr. Castilla:** Ok, in regard to the first question on the Creg resolutions, the project resolutions that are in place, I guess that they will give some opportunities for some of our associates, in the case of Emgesa we see that it will be some chances that will be assured for the next



coming years and I guess that there are some opportunities given the current situation. That's what we have to mention on that regard.

On the deferred taxes, I guess that we have big impact on 2017 because we adjusted the economic life of the project with respect to the tax life, in that regard we have an adjustment, a big adjustment on 2017 that we don't expect that will occur during the coming years, I guess that we will have more related deferred taxes in relation on how the exchange rate is going to behave and not in regard to the adjustment that we made during 2017.

Mr. Buitrago: Thank you.

Operator: Thank you. We have no further questions at this time.

Mr. Castilla: Thanks to everybody, thank you very much for having the opportunity to present our results of the first quarter, we expect that in the second quarter we can have the same feeling and we will show you our results. Thank you very much and see you in the next time.

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