

EEB's Earnings Call Results and Key Developments

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. Nicolás Mancini, Financing and Investor Relations Manager of EEB, parent company of Grupo Energía de Bogotá. Please go ahead Mr. Mancini.

Nicolás Mancini, Financing and Investor Relations Manager of EEB

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 Nicolás Mancini. I am the Financing and Investor Relations Manager of EEB. 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 Mr. Felipe Castilla, EEB's Chief Financial Officer. 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 quarter 2015. Next, we will review EEB's financial performance during this quarter 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.

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 first quarter results of 2015. Before we start, as you know this quarter results are presented under international financial reporting standards, as a result some accounting adjustments will take place for the year. Therefore, we have prepared a presentation you can download it in the webcast section and also in our website under the tab IFRS and investor section. This will walk you through the IFRS information process. If you still have any questions please contact us.

We will start this conference by giving you an overview on the consolidation of our strategic milestones. First of all I will like to tell you that EEB had a very positive first quarter. We keep consolidating the company and growing at an important pace as proved in recently UPME biddings. We are proud to highlight that EEB this year has been awarded in Colombia with three new electricity transmission projects. First, Reinforcement of the South West Project with an estimated CAPEX in the range of 330 to 350 and that should be on stream on September 30, 2018. Second project, La Loma, 500 kV and an investment in the range of 19 to 25 million dollars and it should be on stream by November 30, 2015. Third project, Río Córdoba Substation, with an estimated CAPEX in the range of 15 to 20 million dollars and it should be on stream November 30, 2015. Last but not least, EEB was also selected by Ecopetrol to develop La Reforma 230 kV substation an investment amount of approximately 30 to 35 million dollars and should be on stream by April 30, 2017. This initiative complements the previous eight electricity transmission projects awarded by UPME to EEB in 2012 and 2013, and last year Armenia, Alférez, Tesalia, Chivor II, Sogamoso-Norte-Nueva Esperanza, Cartagena-Bolívar, Río Córdoba, SVC Tunal, and which combined will improve EEB's annual revenues in this segment by approximately 100 million dollars, fixed for the next 25 years. The infrastructure has already increased EEB's market share up to 10 percent in the national transmission system and will increase up to the range of 15 and 17 percent in the coming years, being the second largest transmission company in Colombia.

At the level of our mergers and acquisitions, we are also proud to announce our recent footprint on the Brazilian market entering into a purchase agreement to buy 51% of all electricity transmission concession in Brazil. The \$170 million acquisition feeds EEB's strategy that is to acquire companies where it has majority equity interest. In this case, we are teaming up with Furnas who has 49% equity stake of all concessions. Furnas, as you know, is a company of mixed economy that has and maintains 17 hydroelectric plants, 2 thermal energy plants, and 65 substations; it has like 12,621 MW installed capacity. In terms of acquisitions milestone, our investment by [inaudible] Participation Limited was created in last April 17. We are waiting for the fulfillment of all precedent conditions, which includes the approval for the transfer of the shares by ANEL –Agencia Nacional de Energía Eléctrica, Furnas, Banco do Desenvolvimento Económico y Social and Banco do Brasil. This purchase will approximately take 60 days and we are expecting it to occur by

the end of July of this year. EEB continues to consolidate itself as a key player in the power sector in the Americas. In that sense, with an expected capex for the period 2015-2019 of approximately of 1.8 billion dollars, we have closed business execution this year for an amount of \$513 million dollars, like 86% percent of annual estimated execution. Most of this program is allocated towards the electricity transmission segment in Colombia since we have been investing locally in UPME projects and at regional level in terms of recent Brazil acquisition.

From the operational side, on the electricity distribution segment, our subsidiary Empresa de Energía de Cundinamarca –EEC has a very good quarter and reached an EBITDA of 6.05 million dollars. At the same time the company reduced energy losses in 0.11% and increased its number of customers in 0.7%. EEC's capital expenditures for this year will reach approximately \$21 million dollars.

In terms of our natural gas activity, transportation business in Colombia through our controlled company Transportadora de Gas Internacional we have been growing internally and we are expecting to keep this track. We are currently expanding our network with three main projects with an investment amounting to more than \$100 million dollars in Colombia. Its name is Highland Expansion Cusiana-Vasconia Phase III, due to Armenia and pipeline expansion Cusiana-Apiay-Mocoa. In addition to these projects, we are evaluating the possibility to continue with the expansion of our infrastructure in Colombia with three new projects that will increase our transport capacity and will require investments of up to \$450 million dollars. These three projects will increase our transport capacity by 312 million standard cubic feet per day. Pipeline expansion Cusiana-Vasconia, its name is Susiana Phase IV, bidirectional Ballena-Barranca, and pipeline expansion Mariquita-Gualanday. We are also evaluating projects that will increase the reliability of the natural gas pipeline network in Colombia, such as new pipelines and storage facilities. We have also possibilities for investing in ENG diversification plan as well as in the associated pipeline projects that are under technical and financial analysis for TGI in this moment. In terms of our Peruvian subsidiaries in the natural gas transportation and distribution field last year Contugas had an investment of \$3,058 million dollars that start commercial operations in April 2014. And we are fulfilling our contractual obligations with the Peruvian State in terms of client connections. As of March 2015 Contugas has connected 232,555

clients to its network. Meanwhile, Cálidda concluded as of March this year with over 278 clients connected to its network and new intensive project clients in place mainly power companies. Last but not least in the generation business segment as announced by our associate Emgesa, El Quimbo, one of the three largest hydro projects in the country -400 megawatts capacity- will be completed on the second half of this year. The current progress of this project as of March this year achieved 89% of the advance. The current investment amount of the project is \$100.2 million dollars, \$1.2 billion dollars.

Update mobility opportunities in Colombia. In terms of our mobility projects, I would like to briefly give you some updates of our three main projects. First, Metro Project, as many of you know the National Government and the municipality of Bogotá recently signed a commitment to move forward with Metro Project. The National Government will finance 70% and the municipality of Bogotá 30% remaining. We are evaluating in which way EEB will participate in terms of funding and optimal financing structure. In terms of [inaudible] project, we signed a memorandum of understanding between EMV our mobility subsidiary, Metros Ligeros de Colombia SAS y Conconcreto S.A. we will have a 20% of participation on this project. We are currently carrying out the legal, technical and economic feasibility study. Last but not least, we are evaluating the possibility to participate on the mass transit either through electrical buses or hybrid, this will be the next year Transmilenio bidding process and the best way we decide to participate on them.

Finally, I would like to mention that we are on good track on companies performing well. We continue creating value to our shareholders in a steady and stable way, and maintaining our sound financial position and completion of our expansion plan will be at the core of our strategy. I will like to emphasize that with this plan we are committed to the maintenance of our investment grade ratings since all of our new investment will be financed and approved through the national capital structures.

Felipe Castilla, Chief Financial Officer of EEB

Welcome to everybody, this is Felipe Castilla CFO of EEB, um, 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. 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, which we have been carefully summarized in two impact matrixes, EEB and TGI, available in our web that you can, anyone that wants to go there and then can look those documents. It is also to be highlighted that the new accounting and standards we have just adjusted throughout this year and will be recognized directly in our opening balance sheet first time adoption IFRS 1. These impacts are related to economic decisions reflecting EEB businesses and the new accounting standards and do not compromise fundamental value of EEB or any of its subsidiaries. Now we can start with the presentation of the financial results.

Um, first of all, we have an agenda. We will have an EEB Overview and Key Updates for 1Q2015 then we will see our Expansion Projects Review as was mentioned before by our CEO, Mr. Ricardo Road. Third, we have the Financial Review of the first quarter results, and then, we are not going to present it but you can look those annexes on Convergence to IFRS. Starting now with the EEB overview and key updates for the first quarter 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 we expect that very soon we can add our new subsidiaries in 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.

Then as another highlight we have the anticipated dividends declared to EEB. As we have presented in previous presentations, our subsidiaries Emgesa, Codensa and Gas Natural closed financial statements by August 31, 2014. Based on this, these companies declared dividends to EEB for an amount of \$607,000 million pesos, which will be paid during 2015. Otherwise, these dividends would have been declared in the first quarter of 2015 and as you can notice in our financial you will see the peak of our revenues in 2014 in the, by the

end of this year, and a decrease for the same concept in the first quarter of 2015. Based on the dividends declared by our subsidiaries, we declared dividends and EEB conducted an interim financial statement closing with cutoff date as of October 31, 2014 and EEB's net profit during that period reached \$1.38 trillion pesos exceeding by almost 64% results recorded at the previous year in 2013. EEB declared dividends to its shareholders in the amount of \$1.1 trillion equivalent to almost \$120 pesos per share of which \$105 corresponded to ordinary dividends and \$14 almost \$15 pesos per share to extraordinary dividends. These dividends are going to be paid in June and October of 2015. The above represents an increase of more than 86% with respect to the dividend per share decreed in March 2014. We also have some decisions taken by our Assembly; the first of all was that we are going to explore the possibility of making a liability management for our bond with maturity in 2021. That bond issue is in the...close to \$750 million and we plan to be in the market if the conditions are, are good for the company in the second semester of 2015. We also want to mention that Ecopetrol is selling its stake in our company. Ecopetrol made public announcements to the offer of the first phase, that is, to the solidarity sector and they will start selling that in two phases: this first phase that is for the solidarity sector started on May 20 and will be in force until July the 21st of this year. Just to remind you that Ecopetrol currently owns almost 7% of the shares of EEB.

On the following slide you can see the main electricity transmission businesses. As was mentioned by our CEO, we have the recently awarded UPME projects, the first of all is the Southwest Reinforcement; this is an investment that ranges in the level of 330 and 350 million dollars. The expected annual revenues are in the range of 24 million dollars per year. That's a project that has 500 kV, which will improve the transmission in the southwestern part of the country. Then, Ecopetrol awarded us with the project, the project San Fernando that will require an investment that ranges in the level of 30 to 35 million dollars. At this moment there is a special reserve on what are...with respect to revenues, the description is the connection that the national grid has with one of the stations that they have, La Reforma, and it's 230 kW substation, close to Villavicencio. Then, Rio Cordoba, that is a project that has an investment in the range of 15 to 20 million dollars with expected revenues, annual revenues of \$1.8 million, and that's a project that is undergoing at the moment. And La Loma, is a project that has an investment in the range of 19 to 25

million dollars with expected annual revenues of \$1.3 million. That's a project that is on a voltage of 500 kW.

As also was mentioned by our CEO, the Brazil acquisition, we signed an SPA on March 27 to purchase 51% of four electricity transmission concessions in Brazil. The contract was signed and 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 is in the range of 490 million reales that is equivalent to 170 million dollars. The expected revenues are in the range of 100 million reales 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 are currently ongoing process in the final documentation. As was mentioned we expect by the end of July or August we plan to finally close this deal.

Then we have TREC SA. This project shows an execution of 83%. At the end of last year 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 March 31st first quarter of this year amounted almost \$330 million dollars. On the natural gas transportation and distribution businesses we have already presented in previous presentations the acquisition of 32% of the...almost 32% of TGI. And we are now in the final phase of the merger with the vehicle we used to acquire the shares with TGI directly. Also on TGI we are in compliance with the Law 1314 and for the standards of presentation of financial information I guess that the main issue for TGI is that they assume dollars as their functional currency and that will have some impact on the financial statements. We also want to mention that TGI has an average transported volume through its infrastructure reaching almost 470 million square feet per day and maintained almost 48% of the market share closing first quarter of 2015.

Our subsidiary in Peru, Cálidda, at the end of the first quarter of 2015 has almost 280,000 customers, more than 9% of the customers that they have at the end of 2014. Cálidda enjoys a local market share of 83% in number of clients in Peru. Contugas also has more

than 32,000 enabled clients and the gas pipeline will have a capacity of in excess of 300 million cubic feet per day and will connect 50,000 residential clients during the first six years after the start up that was in April of 2014. On May 2015 Contugas formalized its distribution agreement with EGASA and Egesur, two power generators which consumption are in the range of almost 25 million square feet per day, and will generate a monthly turnover of \$1.2 million dollars, which detail the payment process is framed in the mechanism of compensation of the Supreme Decree, which was approved by the Ministry of Energy.

Now, entering into the expansion projects, in the slide we have our subsidiaries, as you see in the Natural Gas Distribution we have an investment for the first quarter in the range of 20 million dollars. If you see the same amount for the previous year you can see that now, at that moment Contugas was in construction but starting April it's an operational company, in that sense, has a reduction in our investment. In the Natural Gas Transportation we have invested almost 15 million dollars. In Electricity Distribution, 4 million, and in Electricity Transmission, 33 million, that corresponds to the projects that we are undergoing under construction at this moment. Our big number corresponds to the M&A, that is the commitment that we have acquired, the four concessions that was previously discussed, that is the concessions that we bought in Brazil. You can see in the Projects Update how much annual earnings and status of the projects are located in the table that is on the right side of that graph.

Following now with the Associates, I guess that the main, 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. I guess that, 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 89% and we expect that the full operation will be in the second half of 2015.

Now entering into the financial review, you go the graph of the financials then, first we have the consolidated results under IFRS and as we previously mentioned this is new standards and the numbers are not comparable with the first quarter results that we presented last year, because now we are doing that under a different accounting principles. On the Operating Revenues we have a reduction of almost 38% that

corresponds to the portfolio segment. And I want to mention that we made an anticipated payment of dividends last year and in that sense dividends that regularly should be paid in the first quarter were paid on the...were declared during the first quarter of 2014. And in that sense we have that reduction of almost 340,000 million pesos. We have an increase in the transmission, in electricity transmission for the coming on stream of the Alférez Substation that started generating revenues for the company and we have an increase of 20% of almost 40,000 million pesos of natural gas transportation and is due to the exchange rate conversion of functional foreign currency adopted by TGI. On the Operational Profit we have a reduction of almost 54% but I will also mention that the operational costs and expenses show an increase due now for the electricity transmission in consideration that now we have on stream the project Alférez and 26% on natural gas transportation increase in depreciations of property, plant and equipment as well as to equity, tax and expenses. You can see the side, on the side, considering that we have a portfolio of 76% for first quarter 2014 and as was mentioned in the anticipated dividends only corresponds to first quarter of almost 37%.

Then we have on the next page on the EBIT we have an increase of almost 61% and Emgesa and Codensa and Natural Gas as it was mentioned before declared anticipated dividends to EEB for an amount of \$300,000 million pesos last year, we will be paying, on a regular year we will be paying during 2015. Otherwise, we would have a different dividend. As you see in the graph that is on the side, on the bar graph, the EBIT was one million, one trillion million pesos, but the results with the anticipated dividends was \$400,000 million pesos but if we normalize, in other words, place the dividends paid last year and put it on the first quarter it will be \$1.1 billion Colombian pesos. And in that sense shows what was the effect of paying on an anticipated basis.

On the Net Income we have a reduction of 88% reducing from 1.1 billion to 127 million pesos, all the numbers are starting to account [unintelligible] 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 mainly in the vehicle that holds the shares from TGI in Spain of \$178 billion pesos. We expected that we are able to switch the formal, the functional currency that holds EEB from Europe to Dollars and we eliminate that kind of effect in our

financial statements. We also have a higher income tax of \$69,000 million pesos and a decrease in equity method associates of \$26,000 million pesos.

In the graph that is located in the right, in the right side you can see that the net profit for first quarter 2014 was \$1.1 billion pesos. This quarter was \$127 but if we include just the effect of the dividends paid last year the first quarter normalized dividend would be \$735,000 million pesos.

The next graph shows how has been the EBITDA projection, and we tried to include in the first quarter the last twelve months and as you see in pesos we have an increase from \$109 billion Colombian pesos to 2,000 billion pesos. And also it is important to mention that 59% of our EBITDA is generated in controlled businesses, while 41% 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 21% of our EBITDA and now it is important to mention that natural gas distribution is holding 14% including [unintelligible]. On the consolidated adjusted EBITDA for first quarter if you consider that for companies, TGI is 40% and Emgesa and Codensa also have something like 30% and between those three subsidiaries are located something like three quarters of our EBITDA.

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 3.0. On the consolidated adjusted EBITDA on Interest we are above the limit of 2.25, we are in the level of 15.5. 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 of the...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, uh, we started with the market and now by the end of March you can see that the market is in the level of 78% and EEB is above 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 pesos that is equivalent to \$81 cents per dollar per share. 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.

Last, but we are not going to present that, I guess that is some information that can be downloaded from our web, that is the convergence to IFRS and we also have some explanatory graphs that you can see in our webcast, I'm sorry, in our web. I guess that at this moment we will follow with the Q&A session and thank you very much.

Q&A Session

Operator Instructions

Thank you ladies and gentlemen. At this time we would like to take your questions. For your convenience, Spanish and English questions are welcome. Please press star, one for questions or comments or if you want to remove yourself from the queue press the pound key. And our first question comes from the line of Diego Buitrago de Bancolombia.

Diego Buitrago, Bancolombia

Good morning. Thank you for the presentation. I have two questions; the first one is regarding the IFRS effect. We would like to confirm if the impact, the positive impact that we can see in the presentation of 260,000 pesos for the property, plant and equipment account represents the net effect resulting from the acknowledgment of fair value in assets less valuations and accumulated depreciations that were eliminated. And the second one is regarding recent news in the media about the announcement by the municipality of Bogotá as to considering EEB's reserves to fund sewage and construction, we want to know what EEB thinks about that and if this could adversely affect the financial soundness

of the company and even its investment plan. In this sense we would also like to know if EEB has some covenants regarding the debt to equity ratio or only the net debt to EBITDA that you mentioned. Thanks.

Felipe Castilla, EEB CFO

Um, thank you for the question. I, just for giving the answer, our CEO is going to answer the second question and he is going to do it in Spanish.

Ricardo Roa, EEB CEO

I would like to refer to the second question regarding which the Capital District is proposing to use some accumulated reserves of the companies mainly owned by the Capital District including Empresa de Energía de Bogotá, Empresa de Acueducto y Alcantarillado de Bogotá, and Empresa de Telecomunicaciones de Bogotá. There has been no official request to date from the Capital District or the Mayor, as Chairman of the boards of directors of these companies, but certainly concerning the need of the District of contributing, devoting or committing 30% of the CAPEX corresponding to the existing plan of the Bogotá Metro. We are talking about a project aimed at building 24.5 km of metro line with 23 stations and a total CAPEX amounting to 13.8 billion pesos. In that order of ideas the Nation would have to contribute resources for 9.65 billion pesos and the Capital District 4.1 billion pesos, of which the District's cash fund has available...or rather not the cash fund, but the District's financial structure through the Ministry of Finance has an indebtedness limit approved by the Bogotá Council of 2.4 billion pesos and would still fall short by 1.7 billion pesos. Concerning these 1.7 billion pesos several alternatives are being analyzed. One of them consists in using some of the accumulated future reserves of the companies I previously mentioned. This is being reviewed in the context of the potential effect of financing on the monetization, liquidation, and use of these reserves towards funding the Metro, regarding the Capital District. But this is one of the alternatives being assessed only in the context and in the event there is adequate availability that has no impact whatsoever on the expansion and growth plan and on the pipeline businesses of the different companies. Among additional alternatives being assessed is the future availability of dividends generated by these companies as well as the possibility of these companies selling a few non-strategic assets that are not as productive as those marking the company's core business.

Felipe Castilla, EEB CFO

Just to complement Mr. Roa's answer regarding the restriction on the financial ratio, we have at this moment on the 20, 21 bonds from the EEB some [unintelligible] covenants but those are suspended because we have investment grade. Let's say, if we lose the investment grade and we have the flexibility to go up to 4.5 EBITDA debt ratio. And now for the first question I will give the answer to our accountant Mr. Julio Alarcón.

Julio Alarcón, EEB Accounting Manager

Good morning. My name is Julio Hernando Alarcón, Tax and Accounting Manager of Empresa de Energía de Bogotá. Respect to the question on fixed assets, the Company decided under the IFRS adoption process to assume the reasonable value of its fixed assets for which it carried out a technical appraisal on December 31, 2013. Technical channels for assets were also analyzed aimed at preventing an increase in the impact on new asset value depreciation as a result of this decision.

Diego Buitrago, Bancolombia

I take this opportunity to ask you, I mean, with respect to the last answer, um, I would like to confirm if the effect seen on the value of property, plant and equipment of approximately 260,000 million pesos is the net effect of the highest value acknowledged by the valuation of those assets at fair price less what was eliminated from the valuations account? In other words, is the reduction already collected there?

Julio Alarcón, EEB Accounting Manager

Yes, the effect collects those valuations.

Diego Buitrago, Bancolombia

OK, thank you so much.

Felipe Castilla, EEB CFO

Can we go to the next question please.

Operator

And our next question comes from the line of Rafael España from Serfinco.

Rafael España, Serfinco

Thank you so much for the presentation. My question is regarding the project that you acquired in Brazil. Could you give us some guidance of the net present value that you expect from those projects or can you tell us, which was the WAC or the internal rate of return that you guys expect from those investments? Thank you.

Felipe Castilla, EEB CFO

First of all I can't give you a range because we cannot give you exact numbers [unintelligible] our company but you can expect that our range can be in the level of 12 to 15 percent.

Rafael España, Serfinco

You mean that's the internal rate of return or the WAC.

Felipe Castilla, EEB CFO

The WAC.

Rafael España, Serfinco

The WAC. The WAC is between 12 and 15 percent, yes?

Felipe Castilla, EEB CFO

Yes.

Rafael España, Serfinco

Thank you. And just to clarify, regarding the 1.7 billion that...trillion dollars that you have stated, the reserves would be probably spent from EEB and Acueducto de Bogota or there is another company, I didn't hear very well when you guys explained that.

Felipe Castilla, EEB CFO

We are not the ones that can say but the analysis is regarding different companies that are owned by the city. I can consider EEB, EEC and [unintelligible] but I guess that you can ask that question to the municipality.

Rafael España, Serfinco

OK. Thank you so much.

Operator

And our next question comes from the line of David Villán from ADCAB Colombia.

David Villán, ADCAB Colombia

Thank you very much. I want to know, I have two questions regarding to the projects in Mexico and the projects in Brazil. Could you tell us something about, some guidance about these projects in the next months and the plan that you have in the next months. And the other question is about the reserves. Could you explain us specifically which kind of reserves do you refer about the investment in Metro? Thank you.

Ricardo Roa, EEB CEO

Okay. The first question about...I'm going to talk to you in Spanish. Regarding investment opportunities of Grupo Energía de Bogotá in Mexico and Brazil in addition to those we have already materialized with the four concessions in Rio de Janeiro, Bello Horizonte, Mina Gerais and Sao Paulo, involving close to 1,093 kilometers of transmission network at 230 thousand volts plus 25 electrical substations committing resources in the order of 190 million dollars, we are not looking into any other projects for now in Brazil. In Mexico through TGI we have great expectations of entering that market given the large number of gas transportation projects being tendered by the Mexican government with two renowned clients, which are CFE and the Mexican State oil company, PEMEX. We would like to participate in this type of projects and we have aimed through Transportadora de Gas Internacional trying to develop any project related with transportation whether via a pipeline or whether digital through trucks. We are exploring a few projects in this field by fully analyzing them as required by normal due diligence.

Concerning the expectations of Grupo Energía de Bogotá towards participating in the mobility projects of the Capital District, since 2013 we created the vehicle known as Empresa de Movilidad de Bogotá through which, as I announced in the initial presentation, we are working in three projects, all with technological advancement as regards electricity. The first of them is the Suburban Train (Tren de Cercanías) in which we intend to

participate with 20% of this corporation, which is entering a Public Private Partnership process and close to obtaining its feasibility in the next few months, and this is with a consortium, with a firm called Torres Cámara y Concreto who are interested in developing these two lines of the Suburban Train in the Cundinamarca province with access to the Capital District. The other project we are reviewing is the technological advancement of Transmilenio Phases 1 and 2 involving, throughout the next 10 years, an overall renovation of the entire motor vehicle fleet into electrical vehicles. This constitutes a great opportunity for us to be able to participate through our vehicle Empresa de Movilidad de Bogotá. And the other potential business that we are carefully assessing is the possibility of becoming in the future, around 2021, after the Bogotá Metro system has been implemented and given the technological advancement or rather given the implementation of electrical technology of the system, being able to become the operators of the Bogotá Metro System. These are the three projects under evaluation in connection with mobility to the Capital District.

David Villán, ADCAB Colombia

Perfect and the other question with respect to reserves, my specific concern was that one of the alternatives available for the District is to use potential reserves, in this case of Empresa de Energía de Bogotá, I would like to know more in detail to which type of reserves you are referring and if there is something else you could further explain in this regard.

Ricardo Roa, EEB CEO

No. Until now there is no, I reiterate, as I mentioned previously, there is no request or analysis based upon which we intend to use the reserves in any percentage of Empresa de Energía de Bogotá. Only as it corresponds to the District, in its capacity as majority shareholder, it has publicly mentioned the possibility as one of the ways to finance the contributions to be made by the Capital District to the Metro System project, being able to use those reserves. The existing level of reserves of Empresa de Energía de Bogotá is around...

Julio Alarcón, EEB Accounting Manager

In total 2.5, of which 2.1 billion pesos can be allocated.

Ricardo Roa, EEB CEO

So, out of a total 2.5, it could allocate or make available to shareholders obviously prior release of these reserves by the Shareholders Assembly, 2.1 billion. For the work we are doing, there are important components of the Metro System as to information and communications technology of the electrical component that we consider could be included within the services of Empresa de Teléfonos de Bogotá, the energy distribution company of the District which is Codensa, where EEB holds 51.5 percent and it is through these contributions that the participation of these two companies would be considered.

David Villán, ADCAB Colombia

Perfect. Thank you very much.

Operator

And our next question comes from the line of Jaime Pedroza. Your line is open.

Jaime Pedroza

Good morning. I will ask my question in Spanish, as we have kept the conversation in Spanish for the last questions. My question is along the same lines of previous ones and it concerns statements made by the District. Can you explain what the decision-making process of the company should be in case of an eventual formal petition by the District? We know you haven't submitted any petition yet, but let's just say if there were eventually a petition of any, I don't know, let's assume any extraordinary distribution of assets or reduction of capital, I don't know what the channels would be but in case there were such a petition, what process should the petition follow in order for it to be completed to the end. I mean, does it have to go through the District Council, is it a decision to be taken by the board of directors, is it a decision that would have to go directly to the Shareholders Assembly during an extraordinary meeting, what are the majorities needed for this type of decisions, should it be a simple majority or an absolute majority, um, which are the mechanisms currently implemented at EEB ensuring the continuity of the strategic plan and preventing an eventual decision by the District from changing the future investment plans of the company. I would like to understand which are the mechanisms currently in place at EEB, which are the barriers that could prevent the occurrence of a change in the

company's future investment plan, or which are the processes required for this type of petitions to be ultimately realized. I don't know if I made myself clear with the question.

Ricardo Roa, EEB CEO

Yes, very clear. In first place, the protection mechanism of the company's expansion and growth plan is its abidance and strict compliance to corporate governance. The company has laid out a corporate strategic plan with a 10-year scope, proof of which lies in the fact that during the four years of this administration we have excelled at complying with this expansion and growth plan without the involvement or impact of any decision of political nature or any decision by the District government. This is the mechanism that protects such a company vis-à-vis any decision against its growth or expansion or its development expectations, which are set out in its corporate strategic plan, applicable not only to the transmission business of Empresa de Energía de Bogotá but also to all other affiliates and businesses from which we exert control. First premise. The second premise, to the extent that the shareholder or shareholders, the Capital District as majority shareholder, would consider such an alternative as the use of reserves, it would request summoning the board or any other shareholder to an assembly meeting, where the use and release of reserves would be decided upon. Not once have we heard of nor has the District ever proposed alternatives like the ones you mentioned of an eventual net worth reduction or capitalization or advanced payment of dividends. I would like to clarify that the program for the disbursement of resources to be required by the Capital District for the Metro project would not imply the availability of resources overnight. These programs will have a flow of expenditures throughout the five-year construction period that, from the viewpoint of the resources managed by the Capital District –a budget exceeding 14 billion pesos annually– is relatively marginal and may not even account for 5, or 2 or 5% of the resources being required by the District for the Metro project of Bogotá.

Jaime Pedroza

OK, perfect. I understand, but I would like you to tell us, eventually, and this may not be the case but it may serve as a good example to fully understand the corporate status of the company with respect to the District, and that is, what type of majorities would be needed to make these decisions? Um, I mean, is it, do they require 75% of the votes of shareholders, 50%, and 80%, an absolute majority? And the other question I would like to

ask is in order for the District to make this petition should it first be submitted to the District Council or is it a decision that could be made directly by the Mayor's office without the need of resorting to the District Council?

Ricardo Roa, EEB CEO

This is a decision to be made by shareholders, as I mentioned. Any shareholder has the right to say I want to propose a return, an advanced distribution of profits, I want to propose a capitalization, so these are decisions that are made during assembly meetings and therefore do not require an absolute majority but rather a simple majority to be able to be discussed and decided upon. So, this is the process, I reiterate, there is no sign as to us reaching such a situation and instead I would like to clarify that during our board of directors meeting held yesterday the instruction given by the Mayor, which will obviously be recorded in the minutes, is that any alternative reviewed towards leveraging the resources to be devoted by the Capital District for its involvement in the Metro project, should be carefully and thoroughly analyzed and evaluated as to the potential effect of any of these alternatives on the company's expansion and growth plan. This is the instruction given by the Mayor yesterday.

Jaime Pedroza

Okay. Thank you very much for the information. We would really appreciate an official communication about this news because there has been speculation from the market during the last three days on this matter, and I think that speculation is not favorable for the share; therefore, I think the market is calling for an official communication on the actual alternatives of these initiatives and we should not leave it in the hands of speculators or of a lot of people who are talking without knowing the facts, as this might end up affecting the share, but thank you for the explanations.

Ricardo Roa, EEB CEO

However, to complement your request for a press release by Empresa de Energía de Bogotá, we are preparing it, obviously this is a very dynamic issue that is analyzed on a daily basis, and concerning our role with the National Development Financial Corporation of defining its business model for the Metro project, we have the responsibility of transmitting the specific message as to what would be the actual role of Empresa de

Energía de Bogotá vis-à-vis the Metro project. Concerning the other issue about the Capital District's obligation and what would be its source for the funds it will provide and under which modalities, this is beyond our control, and I am sure you understand that it is not for us to make a pronouncement or speak up on this respect.

Jaime Pedroza

No, perfect, thank you very much. This is something we really appreciate. Thank you so much.

Felipe Castilla, EEB CFO

Next question please.

Operator

This concludes our Q&A session and I would like to turn the call back to Mr. Castilla for his final remarks.

Felipe Castilla, EEB CFO

No, I just want to thank you for your participating in this conference call. I just want to emphasize that those are our first financial numbers under IFRS and we expect that you follow our company and invest in our company as you have been doing in the past. Thank you very much to all of you and see you in the next conference call.

Operator

Ladies and gentlemen thank you for participating in today's conference. This concludes the program and you may all disconnect. Have a wonderful day.