



EEB 2015 EARNINGS CALL – KEY RESULTS AND DEVELOPMENTS

Conference Call Text

Operator:

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 "Downloads" you will find today's presentation. I would now like to turn the call over to Mr. Felipe Castilla, EEB's CFO, parent company of Grupo Energía de Bogotá. Please go ahead Mr. Castilla.

Felipe Castilla:

Good morning and welcome to our Earnings Conference Call for the full year results 2015 of Empresa de Energía de Bogotá -EEB- the parent company of Grupo Energía de Bogotá. My name is Felipe Castilla and I am EEB's CFO. Today's presentation is divided into four parts. First, I will make some introductory comments and key updates. Second, we will briefly review the main developments during this quarter. Third, we will have a look of EEB's financial performance during the full year and the most important financial indicators. To conclude this conference we will be pleased to open the call to a Q&A session.

Before we start, as you know, our World Director was recently elected as well as our new CEO Ms. Astrid Alvarez. This credential not only at the Board member's level but also at the level of Ms. Alvarez in terms of strategy knowledge by leading and transforming other Colombian companies. We feel very confident that this new strategic path will keep EEB's consolidation in the energy market. These changes in management have been taking place during the new administration at the level



of our controlling shareholder, the District of Bogotá. Starting now this conference by giving you another view on our performance during the last year.

First of all, we would like to highlight that we keep our record of growth in our two main businesses: natural gas and electricity. We maintain our diversified portfolio in terms of businesses and segments and also by geography providing EEB with unique, leading combination in the region. We operate as a natural monopoly through our conglomerate of subsidiaries and associates.

In terms of our subsidiaries, in the natural gas businesses, TGI our largest controlled subsidiary transported during last year 522 mmscf/d a 5.5% more transported volume than in 2014 and reached a total EBITDA for the last 12 months of USD \$361 million maintaining approximately 54.2% of market share in Colombia.

Meanwhile as of December 2015, our largest natural gas Peruvian subsidiary, Cálidda, reached a total EBITDA for the full year of USD \$104 million, a rate of growth of 14.2% compared to 2014 due to an increase in number of customers. Currently, Cálidda has 344,000 residential and commercial clients connected to its network. Among them new industrial, residential and NGV clients are considered. Contugas, our natural gas distribution company in Peru, as of December last year has already reached 33,887 clients and sold volume of 31.2 mmscf/d. We remind that Contugas also recently boosted transported volume due to 52 new industrial clients connected and ended up in USD \$12 million of EBITDA generation. We hope to keep growing in this segment and to achieve approximately 79.34 mmscf/d in this year.



With regard to our local electricity business, as we have previously announced, we have been awarded by UPME to invest approximately USD \$547 million in the coming years to strengthen the National Transmission System. This project will be operational in the next three years and will contribute to EEB's annual revenue generation in approximately USD \$95 million and to achieve 70% of the market share on the local market.

In terms of TRECISA, our Guatemalan subsidiary has already come into stream with five substations and last year we received on average an amount of USD \$6.7 million. For this year, income in stream of USD \$12 million, and for the next year 2017 of USD \$70 million expected.

In regards of our associate companies, we highlight that they keep their good operational performance and some of them as you probably notice decreed dividends in an anticipated way to EEB in year 2014, which would have been accounted in 2015. We would also like to announce that El Quimbo, a project of our partner EMGESA is already on stream and started operation on November 17, 2015. This project has 400 MW of stored capacity, an investment up to date of USD \$1.2 million, and a progress up to date of 100%. El Quimbo will deliver nearly 5% of Colombia's power generation, an estimated average generation of 2,216 GW power yearly.

In summary, I'd like to highlight that EEB has had a positive balance during the last year. Our strategy's scope is under review and very soon it will be released to the market. We keep growing with our strong partnerships within a disciplined CapEx



amounting USD \$1.7 billion for the period 2016-2020.

Now, we will start with our presentation. First you will see our EEB corporate strategy. And I would like to highlight some specific issues on our companies. On ISAGEN, we are in the process of divesting that investment, considering that the Government already sold the majority that controlled the company, 57% of the company, and at this moment we are in the process of selling the 2.5% and I will explain in more detail the highlights in the following slides.

Secondly, I would like to point out that we are in the process of merging two companies: CODENSA and EEC. EEC is the company that distributes energy in the department of Cundinamarca. And last year in the General Assembly was approved the merging of those two companies and at this moment we are in the process of requesting different permits in the different agencies of the Government.

Lastly, we have two companies that are under liquidation. The first one is E&B, that is the company that we created for just looking at the electricity portion for a mobility project for like trains, buses, electrical buses, and even the Metro, but under the current review of our strategy we are considering that we are no longer participating in that kind of businesses. And at this moment we are liquidating that company. That company at the moment has not generated any sort of revenues and it doesn't create any impact on our financials.

The second company that is under liquidation is the company Engineering and Services Company in Peru. That company was rendering some services to Cálidda and Contugas and considering that the level of expenses was higher than the



revenues generated by the company, we decided to liquidate that company starting this year.

Then, going to slide in page number 5, we have on Strategy Update we have been presenting this graph in previous conference calls. But as a quick reminder we are focusing in those six main issues. The first one is Leading Participant in Relevant Energy Markets. We are, as you know, participating in Colombia mainly, in Peru, Central America through our investment in Guatemala, and in Brazil lastly with some transmission line companies. Second, we have a Strong Footprint in Attractive Energy Markets in LatAm, as I already mentioned. Third, we have a Growing Revenue Base Propelled by Disciplined CapEx Planning, considering that we are participating in...most of our industry is under a regulated framework, we are participating in distribution and transportation businesses providing predictable and stable streams of earnings. We are selecting carefully Brownfield projects and also providing significant growth opportunities. We have a Track Record of Creating Value for Shareholders. As our history we have been providing every year growing revenues through dividends to our shareholders.

We...in the fifth place we have Continued Access to Financial Markets. As you know, with all of the rating agencies we are under investment grade rating and in that sense we are able to access the international financial markets with very good conditions. And we also have Strong Shareholders and Partners, which we, as you know, we have been participating here in Colombia with Enel, Emgesa and Codensa; In Peru with ISA; In Brazil we are in association with Furnas. And in that sense here in natural gas distribution we are participating with Gas Natural Fenosa. And that shows how we are making some alliances with strong shareholders and partners.



Going to slide number 6, I would like to point out some of the key updates during the last quarter. And first of all, I would like to mention that on January 15 there was a special meeting for the shareholders and there it was decided to modify the composition of our Board of Directors. Of the 9 members we changed 8 of them. And also on March 31st of 2016 we are going to declare dividends to shareholders in the amount of COP \$224,000 million equivalent to COP \$24,43 per share.

We also want to point out that on January 19 EEB's Board of Directors appointed Ms. Astrid Alvarez as the new EEB CEO. Ms. Alvarez studied Civil Engineering in Universidad Javeriana and she also has a postgraduate degree in Environmental Engineering from Universidad de Los Andes and a Master's degree from Ohio University. And Ms. Alvarez also was CEO in Empresa de Acueducto de Bogotá for six years during the past administrations of Enrique Peñalosa and Antanas Mockus.

We also want to make a disclaimer convergence process to IFRS. We completed our transition process from Col GAAP to IFRS. All the numbers that you will see in this presentation are comparable under IFRS standards for the comprehensive years of 2014 and 2015. For that reason, the numbers of the year 2014 are not the same for the ones that you see one year ago, considering that one year ago there were numbers under Colombian GAAP.

I also want to point out that EEB on Standalone Financial Statements basis applied equity method for controlled companies due to Colombian legislation. That is something that we will have some kind of hybrid between IFRS and Colombian



GAAP. And in that sense you will see some adjustments in our financial statements. And on Consolidated Statements we applied equity method for associates companies due to IFRS standards. In that sense we are complying with the standards established by IFRS.

Also, I want to point out that on March 11, that was last Friday, we disbursed US \$175 million to make another prepayment of outstanding debt at the level of the vehicle in Spain that was the vehicle that holds 32% of the shares from TGI.

On page 7, I would like to mention something on the ISAGEN divestiture. We have a stake of 2.52% equivalent to something like 69 million shares in that company. In January the Brookfield Group purchased the Government's stake of 57.61% and they have the control now of the company. And under the obligations that we have in that process, they have to open two purchase offers to the minority shareholders: one two months after the closing and the second one four months after the closing. We believe that that's a very good price considering that we have...we only hold a minority stake. And in that sense we started the process of requesting permits to the city council. Last week, on Thursday, on first debate that was approved in a specialized committee, that is the Finance Committee in the city council, and now we are expecting to present it to the General Council for approval. If we get the approval we will start all the different phases requested by Law 226, in which we have to open firstly a first phase to Solidarity people, and on the second phase to the public. And we expect it to be ready to go to the second purchase offer by Brookfield that has to be opened by the end of May.

We also want to point out that on September 4 of last year, Moody's Ratings

upgraded EEB's debt from Baa3 to Baa2, with a stable outlook. On September 3rd, Standard & Poors affirmed the EEB corporate debt as investment grade as a BBB-, and changed outlook from stable to negative. And on October 27th of last year, Fitch Ratings affirmed EEB's corporate debt and issuer rating with a BBB, with a stable outlook.

Going to page 8, we also want to mention from TGI that the new Board of Directors and CEO was appointed. On January 27 a Shareholders General Meeting elected new board members for the company. Also, on February 22nd, TGI's Board of Directors appointed Mr. Julian Garcia as company's CEO. Julian has more than 30 years experience in the oil and gas industry, holding executive positions in different companies, including as the CEO of three listed oil companies. Mr. Garcia is also a Civil Engineer from Universidad de Los Andes, a Masters of Science in Civil Engineering from Colorado State University, and he has an M.B.A. from the University of Birmingham in England, and an M.A. in Economics from Universidad de Los Andes.

Also I would like to mention that TGI is also under IFRS and completed the transition process from Col GAAP to IFRS. Now due to this, the functional currency under this company is US dollars.

We also want to mention the merger from the vehicle in Spain, IELAH with TGI. We are working in that process, and we expect that that process can be achieved during this first semester. On January 29th through a resolution from the Superintendencia de Sociedades this merger was approved. And as a result the debt of that entity will be in TGI's balance sheet. Also as I mentioned before, on

March 11th IELAH disbursed USD \$175 million to make another payment for the outstanding debt. And currently the outstanding debt of that vehicle is USD \$219 million. We started with USD \$645, and now we are expecting that that debt will be on TGI's balance sheet.

On the Cálidda side, at the end of 2015, Cálidda has a client base of more than 345,000 clients, which represents a 35% increase compared to 2014. On March 15th of this year, Fitch Ratings affirmed Cálidda's corporate debt and issuer rating as a BBB-, with a positive outlook.

Now, going to page number 10. You will see our Expansion Projects Review. As it can be seen, for year 2015 we have been making investments in Gas Transportation, Electricity Distribution, Gas Distribution and Electricity Transmission. That's...our main goal at this moment is to execute the different projects awarded at the level of EEB, as the transmission line projects. In the table that is on the right hand side you will see all the projects that have been awarded, their current status, and the year earnings that they are going to provide, and when they have to be on stream. In the two pies you will see that most of investments...how they are distributed between countries and how they are distributed depending on companies. They are mostly in equivalent portions distributed among the different companies at the level of EEB.

Going to page 11, you will see the investment review made by our associates. As you can see, the main investment has been made in electricity generation through El Quimbo project. El Quimbo project is a 400 MW project and the total investment at the end we are in the level of USD \$1.2 billion including contingencies. And by



the end of last year it was 100% executed. As we mentioned before, it is in full stream since November of last year. And at this moment it is delivering something like 5% of the Colombian Power Generation.

Also, in Codensa, this is the second largest investment through our associates, we are in several ongoing projects, as in Nueva Esperanza and Norte Substations. And we are just providing the reliability on new and existing demand, with quality service and continuity, and control on operational risk.

Going to page number 12, you will see our forecast of investments. For year 2015 we have a total investment through EEB and its subsidiaries in the level of USD \$350 million, and you are seeing on the projection for the next coming years and as it can be seen the main investment that we are making is through our transmission line projects directly at the EEB level, in which we are investing something above USD \$300 million. The remaining portion is more related to the investment that has to be made by Cálidda through new users. And they also are included in the investment at the level of TGI through their current projects and some projects in reliability of installation. The total investment for the period 2013-2019 is in the range of USD \$2.7 billion.

Going to page number 14, I would like to mention our results for 2014 and 2015. As you see, our revenues have been growing in a rate of 32% between 2014 and 2015. I would like to mention some of the highlights that established that specific growth. In the side of Electricity Transmission, we have an increase of 58% and I want to mention that one of the main aspects in that quote is related to the coming on stream of two projects: one is the Alférez Substation and the other is the SVC

Tunal. We also want to mention that as most of the projects are U.S. dollar based, they have some exchange rate effects considering the devaluation occurred during year 2015.

We also want to mention on the Natural Gas Distribution we have new clients, residential and industrial, connected by Cálidda and Contugas, and higher volume distributed by those two companies. In Natural Gas Transportation we have an increase of 28% due to higher volumes of natural gas transported. And in Electricity Distribution we have an increase of 14% due to a demand growth and new businesses. As I also mentioned, all with exchange rate effects for the companies that are U.S. dollar based.

On the Operating Profit from operating activities, as you see in the table, we have an increase of 43%. And they are explained mainly by an increase of more than 100% in Natural Gas Distribution, as I mentioned before for the new clients connected in Cálidda and Contugas. For Electricity Transmission, for new projects on stream and also for exchange rate effects. On Natural Gas Transportation, an increase in volume transported and FX effects. And in Electricity Distribution, an increase in energy sales to our subsidiary EEC.

Going to page number 15, you will see the table in which we explain how our profit from our operational activities has been built. Until the moment...until the line in which we presented our profit, we have an increase of profit of 24%. And I would like to mention line by line what are the main aspects having effect on those numbers.

On the first point is the finance income decrease due to dividends received in 2014 by TGI through our SPV IELAH in Spain amounting almost COP \$38,000 million. And secondly, the valuation of hedging operations of almost COP \$59,000 million, and interest returns on financial investments of almost COP \$4,000 million. The finance cost increased due to greater interest payments in the SPV, considering that that debt was not the full year 2014. Less loss in hedging operations in the level of COP \$55,000 million, and the exchange difference in interest payments, commissions and other banking costs of almost COP \$17,000 million. We also have an exchange loss increase over 2014 due to the devaluation of COP during 2015.

As a reminder the exchange rate has an increase of more than COP \$700 by the end of...if you compare the exchange rate by the end of 2014 compared to by the end of 2015. We also have an increase in equity method of our associate companies. A higher tax expense due to increase on deferred tax at the level of TGI and Cálidda due to devaluation. And new income grew by 24% due to operational results and equity method contribution from associates. That, at the end, shows an increase in our profit of 24%. That in pesos is equivalent to more than COP \$200,000 million.

Going to page 16, we are showing the graph in which we...on the left side you will see how our EBITDA has been growing in the last 10 years. And if we are analyzing, considering that we have an anticipated payment of dividends by the end of 2014 we have been...normalized that situation and we have included those dividends that had to be accrued in 2014 and we placed in 2015, and based on that we show that we analyzed our EBITDA in 2015 with the EBITDA of COP \$2.4



billion in which we are showing that 64% of that EBITDA was generated by controlled companies and the remaining portion, the 36% by our associates. That is a completely different story when we started this graph in year 2006, in which 81% of our EBITDA was generated through non-controlled companies and 19% through controlled companies.

In the pies that are on the right side, you will see that TGI is the major EBITDA generator. We are generating something...more than 42% of the total Group's EBITDA and EMGESA and CODENSA are generating almost 30%. Between those three companies we are in the range of 70-75% of the EBITDA generated by the company.

On the other graph you will see that now we have a more...we are more a gas company, considering that between gas transportation and gas distribution something like 60% of our EBITDA is in the gas business and the remaining 40% in the electricity business.

If we go to page 17, you will see that some of our indicators consider our normalized EBITDA. And as you will see the Net Debt under Consolidated Adjusted EBITDA is in the range of 3.2 that is lower than the 4.5 requested by our current bank. And on the Consolidated Adjusted EBITDA on Net Interest we are above the 2.25%; we are in the range of 7.3x. On the Consolidated Debt Composition we have been decreasing our exposure and we also have been reducing our debt from USD \$3 billion, a little bit higher than USD \$3 billion in year 2014, and by year 2015 we are in the range of USD \$2.8 billion. And on the next graph you will see the Debt Maturity Profile with the main...with all the dates in

which we are due, in which as you see, in year 2019 to 2023 we have the major debt maturity for all the debt at the Group level.

Going to page 18 you will see the behavior of EEB's share. On the black line corresponds to how our share has been behaving in the last year. We placed 100%. At the end of year 2015 we have an increase of almost 6% but the Colombian market has been increased to 77.75%. We have beaten the market in almost 30%. As of December 31st, 2015 we have a market capitalization of over USD \$5 billion. We are part of the COLCAP, COLEQTY and COLIR that is the latest indicator in which we are present. We have an average target price made by our analysts in the range of COP \$1,865 per share. We have a Dividend Payout Ratio for 2014 considering the anticipated dividend of 112% and for the period corresponding to years 2008-2014 in the range of 84%. We have a Dividend Yield for 2014, for the same reason considering the anticipated dividend of 7.1% and the average for the previous years between 2010-2015 of 4.2%, considering that it's one of the higher dividends received by any Colombian company.

That is the presentation that I have for you and now I will leave the session for Q&A.

Operator:

Thank you. Ladies and gentlemen the Company will welcome Spanish and English questions today. To get into the queue press star, one. To remove yourself from the queue, press the pound key.

Again for questions just press star and the number one.