

Conference Call Text

2012 Results and Significant developments

Cálidda – Special Report

Slide 1: OPERATOR SANDRA

Good Morning Ladies and Gentleman and welcome to the EEB Group Investors' Conference Call discussing 2012 results and significant developments, Calidda special report.

My name is Sandra and I will be your operator during today's conference call. At this moment all participants are in a listening only mode and your lines will be muted. At the end of today's presentation we will have a questions and answers session. Please note that this conference is being recorded. Now, I'll turn the call over to Mr. Rafael Salamanca. Mr. Salamanca you may begin.

Slide 2: RAFAEL SALAMANCA

Good morning everyone and welcome to the 2012 EEB Empresa de Energía de Bogotá Results Conference Call, head of the Grupo Energía de Bogotá. We have today with us attending the call, Mr. Jorge Pinzon, CFO of EEB, Adolfo Heeren, CEO of our Peruvian subsidiary - Calidda, and Juan Felipe Gonzalez of the Investors Relations' Office. My name is Rafael Salamanca and I'm part of the EEB Group Investors relations' office. We'll start this call with some remarks from our CFO, after that we'll present a summary of the group and its business strategy and finally take a look at the main significant developments of 2012. We'll continue with last year's results and key financial indicators analysis and explanation. To finish we will have a close look at Calidda, its business strategy and its financial results. By the end of the conference call we will be pleased to take your questions and/or comments.

Now, I'll turn the call over to our CFO Mr. Jorge Pinzón.

JORGE PINZÓN

Thank you Rafael and good morning to everyone. First of all, I would like to present our CEO Mrs. Sandra Fonseca's apologies; she couldn't be here today because the City's Mayor summoned her to a meeting with the President.

I would like to start by taking a look at the recent developments of the Group and maybe most relevantly for you, refer to the vision of the future according to the new administration of the company and the Group. The Market and in general all of our incumbents had witnessed the transformation process during the last few years which has allowed us to transform from a local to an international participant, from having all of our investments in a single field, the energy segment, to becoming a regional leader in the electricity and natural gas sectors, from being a reduced presence player in the capital markets space to become one of the mayor equity and international debt issuers in Colombia.

For us, this starting point is a big challenge: to take advantage of this solid base to project the Group to a new era of great challenges. Mrs. Fonseca has mentioned to the media a figure that represents how big this challenge is: we expect to invest almost US\$2775 million during the next five years, with great loyalty to our successful business strategy, energy transportation.

During the following years we will continue working to position ourselves as the first energy transportation group on a regional level. For this purpose, we will continue growing in regulated natural monopolies through a growing strategy with regional scope. You already know that we're participating on an important bidding process in Chile to build and operate transmission assets. But this is not the only opportunity we're assessing. We believe there are interesting opportunities to grow the transportation and distribution capacity of gas in Colombia and Peru, and to increase our share in the electricity markets in Colombia, Peru and Central America.

However, because of the dynamic of the regional markets, our participation has been focusing on developing local projects in the countries we operate. We believe that our energy interconnection projects will become more important during the next few years, and our group should definitely be ready to take advantage of the opportunities this might bring. But we also believe our company should expand the range of potential countries, and therefore we will do our best to identify opportunities in some countries within the region in which we are still not present and which have appropriate regulatory conditions. All these are a part of our principles and our development strategy. As you can see, the challenges ahead are big but undoubtedly not inferior to our company's capabilities. That's why we are confident we will reach them for the sake of our shareholders, of the people from Bogotá and in general for the benefit of all our groups of interest. Thank you and have a nice day. Now, Juan Felipe Gonzalez from the Investment Relation's office will continue with the presentation.

JUAN FELIPE GONZALEZ:

Thank you Jorge. I'm in charge of covering three points, starting with a general view of the Grupo Energia de Bogota and a walk through its strategy, we will continue with a look at the significant developments of the Grupo Energia de Bogota, and I will finish before turning the presentation over to Calidda, with the key financial results and consolidated indicators of the Empresa Energia de Bogota.

Next, please.

Slide 3: JUAN FELIPE GONZALEZ

As you know, the Grupo Energia and its controlled and non-controlled companies have a strategic focus in energy markets, particularly in the transportation and distribution of energy, with a regional scope. We have today important investments in natural gas and electricity, in Colombia, Guatemala and Peru. As Jorge mentioned, our company is participating in a bidding process to build and operate electricity transmission assets in Chile.

Our focus is natural monopolies; we are developing a controlled business growth strategy, this means that most of our investments will be channeled through the companies in which

Empresa Energía de Bogotá has control; we have ambitious projects in execution, which is not common in public services companies. As our new CEO mentioned, the business plan is valued in US\$2.7 billion during the next five years of which US\$1.7 billion are already being executed, they're not just on paper.

We operate in a capital-intensive business and without a doubt the access to the capital markets is an important feature. We think that the Group and its controlled companies have adequate access to the capital markets both local and international, and the facts are self explanatory; the EEB and TGI debt renegotiation and the recent 144A bond issuance by Calidda just confirm what I have just mentioned. Obviously, for us is a requisite of utmost importance to have a solid regulatory framework and in every country in which we operate we consider there is a solid and adequate regulatory framework that guarantees clear game rules for the investors, and without a doubt there is an experienced team, at corporate level and at every subsidiary, with ample knowledge of each of the markets in which we operate.

To end this message, another characteristic of our strategy, or the Grupo Energía de Bogotá strategy, is our participation in electricity and natural gas which is also something not that common in a public services company listed in the public securities market at regional level. We participate in all the electricity chain and in all the natural gas chain, with the exception of exploration and production, that is a business in which we don't and will not participate because it is against our strategic business focus that are the natural regulated monopolies.

Slide 4: JUAN FELIPE GONZALEZ

Let's take a quick look at the significant developments, starting with the Empresa de Energía and the Grupo developments.

Slide 5: JUAN FELIPE GONZALEZ

Remember that during the last year's first quarter the Empresa de Energía was awarded three auctions in Colombia to build and operate central transmission assets, mainly formed by three substations, and the associated transmission assets, having a combined value of US\$140 million and we can positively mention that this projects are advancing well, two of them have an execution rate of more than 45%, and the most complex and the most expensive one of the substations, has a 19% execution rate by the end of 2012. These projects should be starting operations within this and the next year.

Also, in February this year, the board appointed the new CEO, we have reported in a timely manner her resume, and without a doubt her experience is very important and her experience in the energy sector is very important and will be very valuable in the near future of the Empresa de Energía de Bogotá. Keep in mind that the board appoints the CEOs through a four-year contract, which may be extended if the board decides to do so. In one of her first speeches, Mrs. Fonseca mentioned the value of our business plan, the value of this business plan is close to US\$2.7 billion and US\$1.7 billion of this plan is on projects already in execution, investments that haven't been disbursed, particularly

TRECSA in Guatemala, the project of electricity transmission, Calidda in Peru, the natural gas distribution and Contugas, the transportation and distribution of natural gas.

In March, by the end of March, the shareholders meeting approved the profit payout, of approximately Col\$400.000 Million, which represents a dividend of 43.96%. I believe it's important to highlight here that this value represents 96% of the Empresa de Energía de Bogotá legally distributable profits, which reaffirms the policy the Empresa de Energía de Bogotá has been following of paying out 100% or close to the highest level of profit year after year.

The shareholders meeting decided that for the minority shareholders the dividends should be paid in one single installment, this will happen by the end of May and for Distrito Capital, our controlling shareholder there would be two equal payments, one on June 20th and the other on November 27th.

Additionally, last year we received good news from the rating agencies, two of the three rating agencies assigned international investment grade rate to the bonds issued by EEB, the one left is Standard and Poor's and we are confident about this one.

It is also worth mentioning that we are working on the process of convergence to international laws, we expect, according to the schedule and to the regulation issued by the Colombian government, we should present the first financial statements with international accounting standards by 2015; and for this financial statements to be comparable with those of 2014.

It's also worth mentioning that EEB is participating in a bidding process, as Jorge mentioned earlier in the presentation, for transmission assets in Chile, the estimated CAPEX by the Chilean government for this type of projects is close to US\$60 Million and we believe that by mid June we will know the results of this process.

Slide 6: JUAN FELIPE GONZALEZ

In relation with TGI, there are four significant developments, the first one has to do with the debt management, that took place in the first quarter of last year by this company, which was really successful, and allowed the company to reduce the financing costs of its bonds from 9.5 to 5.7% and also, along with this process there was a renegotiation of the intercompany loan that TGI has with EEB. I think the key message is the annual savings that the company estimates to be around US\$38.3 million and that started showing last year but they will be seen more strongly in this year, in 2013.

TGI started the last phase of its ambitious expansion process, which is Cusiana phase II, with an installed capacity of 110 million cubic feet and with this the company finished its expansion plan which allowed TGI to increase its transportation capacity 54% and it's currently operating. Also, by the end of December of last year, the Commission for Electricity and Gas regulation issued a resolution, a resolution related to the periodic review of tariffs; TGI estimates that the new CREG's maximum tariffs imply a 10% rise in their revenues and this would be reflected on its 2013 financial statements.

Finally, TGI also obtained investment rate grade from two out of three rating agencies, which rate its international bonds. Regarding Contugas, it's important to highlight that by the end of last year the project showed an execution rate of 70%, running accordingly to the timetable scheduled by the company. That execution rate of 70% implies an investment of US\$180 Million. The company estimates that the project will be in full operation by the third quarter of this year. The capital structure for this project as you remember, will be 25% equity contributions from shareholders that have already been disbursed, and 75% debt. The debt resources are being funded with a syndicated loan of US\$215 Million and the disbursements will be made according to the project needs.

Last year we created a new company called EEB-IG, a Guatemalan company, an EEB subsidiary, 100% owned by EEB, and it is basically oriented and focused on consulting, advice and execution of electric projects. The good news here are that this company was assigned last year in Guatemala, projects close to US\$40 Million which are projects basically focused on electricity transmission to connect some electricity producers, particularly sugar mills, to the national transmission network.

Regarding TRECSA, our transmission project in Guatemala, we estimate that this project has a CAPEX of US\$377 million and it will start operating in the fourth quarter of 2013. The capital structure for this project is 50% equity and 50% debt and its commanding shareholder, Empresa de Energía de Bogotá, has already paid the majority of the equity.

Slide 8: JUAN FELIPE GONZALEZ

Let's take a look at the key financial results, what you see in this slide is a significant increase in the operating income, however, it's important to highlight that the operating profit didn't grow at the same rate as the operating income, and this can be explained by several factors. Basically, what happened with the natural gas transportation explains why the operating profit didn't grow at the same rate than the operating income and we have here a series of costs related to maintenance and insurance premiums for the natural gas transportation business, and there are also costs that are one timers, we are talking about the fees related to the liability management process and debt restructuring performed by TGI last year. So, some of the operating costs are specific events that we expect will not have to happen again during this year.

Finally, it's also worth noting the net profit performance, it's a net profit really high close to Col\$700.000 Million, representing an increase close to 127% compared to 2011, and this can be explained by two events. First of all, 2011 base is atypically low, because, as the markets already know, it's related to an anticipated dividends payout by the end of 2010. So, 2011 profits only reflect the dividends determined by the few last months of 2010 in the non-controlled companies, so that's why the 2011 base is relatively low, but also in 2012 net profit we had the positive impact from the operating profit increase and the increase of the dividends from investee companies, because of better operating results, mainly from INGESA. Additionally, the net profit increase can be explained by the behavior of the foreign exchange balance account, remember that almost 95% of this company's debt is set in US Dollars, and this combined with the Colombian peso revaluation, had a positive impact in the non-operating figures. That also explains a good deal of the results and this foreign exchange difference is not distributed as per company policy. Let's continue, Rafael.

Slide 9: JUAN FELIPE GONZALEZ

To finish my presentation, I would like to mention the company's debt indicators, we have a leverage ratio by the end of 2012 of 1.88 times, and an interest coverage ratio close to 9 times. In both cases, the explanation for the improvement of the leverage ratio and the interest coverage ratio is because of two reasons, the first one for the leverage ratio is because of the decrease in the value of the debt, in spite of a higher debt-contracting value, in Calidda's case, basically because of peso revaluation and in the second case the improvement in the interest coverage ratio is explained by the company's EBITDA performance. EBITDA has been steadily and significantly growing.

This will end my presentation and now I will turn the call over to Calidda.

Slide 10: ADOLFO HEREEN

Good morning. In the next slide we are showing a general view of Calidda, where we would like to tell you some more about Calidda's business.

Slide 11: ADOLFO HEREEN

Calidda has the concession for the natural gas distribution for Lima region and Callao province. This concession was awarded in 2000 for a 33-year period, and could be renewed until 2060, that way we would be talking of a 60 year long concession. The concession area in Lima region is 21,700 sq. miles and as a reference, compared to a country, this is equivalent to half of Belgium, with a population of 10.4 million, Lima being one of the 30 biggest cities around the world.

Now talking about Lima and Callao, Lima has 35% of Peru's population and 50% of the Gross Domestic Product. Our distribution capacity to date is 255 million cubic feet per day, and for this first quarter we are finishing the expansion of the distribution system to 420 million cubic feet per day. This entire project has already been executed and at this time we're simply checking everything before starting operations.

We have a diversified client base and we'll show you in the next slides, how the business diversifies its clients in generators, industries, vehicles powered by natural gas, and commercial and residential customers. And finally, in this slide we'll show we have two shareholders, Grupo Energia de Bogota, the commanding shareholder with 60% and Promigas with the remaining 40%, in both cases they're companies with extensive experience in the distribution business and the region.

On the right hand side of this slide you will see 2012 results where we have an income of US\$370 Million for 2012 with EBITDA of US\$74 Million, and with 103,700 customers by the end of the year. At the bottom of the slide you can see the map where it's located, and you can see that we have in Lima region the main networks, but we also have a few facilities at the south region of Lima where the electric generators are located.

Slide 12: ADOLFO HEREEN

In the next slide, you'll see we currently have almost 2,500 Km of steel and polyethylene pipes for gas in Lima and they have availability and continuation rates of practically 100%. This entire infrastructure is virtually new requiring minimum maintenance costs.

The business is receiving distribution revenues, and 46% of these revenues are from signed contracts; mainly with the electric generation companies and the biggest industries having with them signed contracts for a period of 17 years on average, and many of these contracts will end in 2033, at the same time the concession finishes for the gas distribution in Lima.

And for all the cases, when we talk about the tariff, we calculate it with a yield rate of 12% of the CAPEX and the operating costs. At the bottom of this slide you can see the demand by client type and you can see how it has been increasing starting in 2009 to 2012, and at the right hand side you can see how this volume and this income are distributed among these four types of customers I have just mentioned, which are the electric generators, GNV which is the natural gas for vehicles, industrial, residential and commercial, and the installation service that in spite of not being related to the distribution of natural gas is an income we receive for the service of making the internal installations for our customers.

Slide 13: ADOLFO HEREEN

Regarding the significant developments shown in the next slide, in 2012 the number of connections by the end of the year as I mentioned before was 103,723, which represents a 62% increase compared to 2011, and you can see this at the bottom left hand side and this also represents three times the volume reached in 2010. For this year, we expect to reach 165,000 connections, and to date we are reaching 116,000.

To reach this goal and to also reach the expansion of our gas distribution system, at the bottom right hand side you can see our CAPEX investments of \$96 Million for last year and how with this investment, we expect to reach the goals we set for this year.

Finally, in March this year we issued international bonds for \$320 Million to meet the debt obligations that we had to date for \$197 Million and finance in part the 2013 and 2014 CAPEX. I will explain some more about the bond issuance later.

Slide 15: ADOLFO HEREEN

Taking a look at the financial results, you may see in this slide how our revenues have been increasing from 2010 to 2012, almost have doubled; how EBITDA goes from \$29 Million in 2010 to \$64 Million in 2012 and we also are showing the Adjusted EBITDA margin which reflects that we are close to a 50% margin.

Adjusted EBITDA is EBITDA divided by the margin, not including the pass-through that we have because of the distribution business.

At the bottom you can see the equity, how it has been increasing through the years, and how the profit has more than doubled from 2010 to date.

Slide 16: ADOLFO HEREEN

Regarding financial indicators, we can see in general terms Calidda's improvement in its ability to meet its debt and interests obligations and in terms of net debt/ EBITDA what we see is a ratio coming down from 3.1 in 2010 to 2.4, and it shows the company's growth and strengthening, regarding its income and the EBITDA it generates.

Slide 17: ADOLFO HEREEN

Finally the next slide shows how Calidda successfully issued a bond for US\$320 Million; on March 21st this year, we tapped the international capital market with a 10 year bond issuance under a 144A format and before this issuance we had received an investment grade rating from the three rating agencies, Standard and Poor's, Fitch and Moody's.

It's also important to note that this issuance, for the investment grade rating we've obtained, got the lowest coupon in history for a Latin American corporate issuer and we closed the transaction with a coupon of 4 and 3/8 or 4.375. We received offers up to 8 times the issuance value and as I mentioned these resources would allow us to pay for the obligations we had and finance our growth for this and next year.

On the right hand side you can see the details of the transaction, and how the bond issuance was distributed by investor type and by region.
With this, I turn over the call to the conference call administrator.

Slide 18: OPERATOR SANDRA

We thank you for your attention. Now we start the question and answer session. For everyone having a question please press star and then one in your touch-tone phone. If you are using a speakerphone you would have to pick up the hand set before pressing the numbers. Once again, if you have any questions please press star and then one on your phone.

We have Mr. Jaime Pedraza from Carvajal with a question. Please go ahead with your question.

JAIME PEDRAZA

Good morning, I would like to better understand which is the future in terms of income we can expect from Calidda, since we are talking so much about this company. What we have seen is that at this time they have close to 103,000 customers, the goal is to reach 455,000 customers by 2017, this represents a growth rate of more than 330%, but nonetheless I would like to see how this increase is reflected on income, and if we can expect a growth rate similar to this one on the income the company is going to receive.

ADOLFO HEREEN

Thanks for the question. For Calidda, we don't expect the income to sustain the same growth rate, this growth rate was caused mainly because we obtained two new customers, two generators in 2010/ 2011; and we expect to grow at a lower rate. We expect to have

new businesses eventually but we don't expect to have a 330% growing rate for the next few years.

JAIME PEDROZA

Do you have a goal, I don't know, a specific date?

ADOLFO HEREEN

The income we have planned for this year, and for next year is around 20 to 25%. In the case of EBITDA we expect to go over \$60 Million and our goal for 2015 – 2016 is to go close to \$100 Million, which will represent a growth rate of 30% vs. what we have today.

JAIME PEDROZA

Thank you.

OPERATOR SANDRA

Again, if you have any questions please press star and then one on your phone.
Again, if you have any questions please press star and then one on your phone.
At this time we have no questions.

RAFAEL SALAMANCA

We thank everyone for their participation in this conference call and we will be glad to answer any questions you may have regarding last year's results. Thank you.

OPERATOR SANDRA

Grupo Energia de Bogota thanks you for participating in this conference call. Have a good day. You may disconnect. Thank you.