

## RESULTS AND KEY DEVELOPMENTS GRUPO EEB 3Q 13

### OPERATOR:

Good morning ladies and gentleman. Welcome to the EEB's Third Quarter 2013 Conference Call Results and Key Developments. As a reminder, this conference call is being recorded. I would like now to turn the call over to Ms. Sandra Stella Fonseca, Chief Executive Officer of EEB, Head of Grupo Energía de Bogotá. Please go ahead Ms. Fonseca.

### Ms. SANDRA FONSECA:

Thank you very much. Good morning ladies and gentlemen. I'd like to thank you for attending the EEB's Earnings Conference Call for the Third Quarter of 2013. Here is a brief outline of how we intend to conduct the call.

First of all, I will give a brief overview of our company's strategy; we will then address current issues, the near term outlook for our expansion strategy and then the quarter's financial results.

Finally, we'll then open the call up for questions.

Joining us today and available to address questions is Mr. Antonio Angarita, Investor's Relations Officer.

We're going to start with EEB's Strategy and overview. As you know, Grupo de Energía is one of the few publicly traded companies in the regional energy industry with an integrated portfolio of investments, which is also, diversified and has international scope. This portfolio includes investments in the entire electricity value chain and practically the entire natural gas value chain, except exploration and production.

As you can see, the EEB portfolio is made out of 18 companies, both controlled subsidiaries and non-consolidated affiliates, plus the electricity transmission business in Colombia, which EEB directly operates. In the case of Emgesa and Codensa, EEB has shareholders agreements that govern the most important decisions, even though EEB does not have operating and administrative control over those.

These agreements include a provision for the shareholders to vote in favor of the maximum distribution of dividends possible. We will review later the key developments during the third quarter in these companies. We have defined our strategy of growth. This is regarding looking a sustainable efficient and profitable electricity demand consumption at the local level in order to promote a better trade structure and increase the competitiveness of our users.

Also with a due diligence, new investment options via acquisitions or green field projects. And in regional energy integration through electrical interconnections or through natural gas pipeline expansions.

We are considering, consolidating, sorry, our business plan and statements of capital by quarters to finance the expansion and utilization of financial structure of dividends.

The strategy of EEB is to concentrate on Energy transport, particularly electricity and natural gas. EEB strategy is regional in scope. We currently have projects in operation or under development in Colombia, Peru and Guatemala. We also evaluate opportunities in other countries in America. You can see it in the map over there.

The following bullets summarize our long terms strategic components: First we focus on regulated businesses; 81% of revenues come from regulated businesses as you know, we seek to grow in businesses where we have control, more than 50% of the investments that are being executed, are taking place in controlled subsidiaries right now.

Our projects are ambitious. The total CAPEX for projects in execution is about US\$7.5 Billion for the time span 2013 – 2017. Also we look for a fine regulatory framework in the market where we operate. Regulatory frameworks are recognized for quality and objectivity in the regulations.

Finally, as you know, we have an experienced team. The company's management has superior experience in the energy sector.

Please go to slide 8. The highlights in the 2013, shows you how the electricity sector, especially in demand growth has been improving. In the third quarter 2012 vs. the third quarter 2013, Colombia has increased its demand in 2.9%, Perú 6.3%, Peru mainly influenced by the regulated customers, Guatemala remained the same as a result of higher hydro generation and more efficient dispatch that allowed a reduction in losses of the system.

In natural gas, Colombia has grown 70.9%, mainly sustained by high growth of domestic demand and the two main causes of the growth of the domestic demand were the thermo electric consumption, decreased by 5.6% drawn by rain lower levels and water inputs in the country, and also increased consumption on NGV. In the run of the year 2013 has become approximately 23.000 new vehicles, increasing by 5.4% converted in the year.

In Peru, the demand grows 3.1%, mainly due to the Lima's demand. It also reflects the increasing consumption of Enersur, Kallpa, Egasa and Egesur. You can see in the chart below the special tax that we wanted you to know. In July 3<sup>rd</sup> 2013, the resolution number 2121 of July 5<sup>th</sup>, EEB was authorized by the Ministry of Finance and Public Credit to began negotiations aimed at entering into foreign credit operations, amounting to US\$479 Million or equivalent in other currencies. These resources will be destined to partially finance the electric power expansion plan in Colombia, Guatemala and Peru from 2013 to 2017. Furthermore, the Ministry authorized to begin negotiations to grant guarantees to its affiliate companies in Guatemala, TRECSEA and EEBIS, for up to US\$250 Million or equivalent in other currencies. 8.07

Also you can see, in August 15<sup>th</sup> 2013, the Board of Directors of Empresa de Energía de Bogotá, approved the participation in the stock sale process that the Nation currency holds in Isagen. Maybe you know, yesterday it was released the notice of the public offering for Isagen.

In August 27<sup>th</sup>, regarding the companies of power transmission CTM and REP in Perú, the shareholders accepted the assignment of the right to conduct the design, financing, construction, operation and maintenance of our 500 KV transmission line of a total of 900 Km in length and in substations. The project was, this project was awarded by Proinversion, to Isa, and the reference investment amount is nearly US\$413 Million and will generate an annual revenues growth to US\$41.5 Million.

The concession of these power lines, the concession term stands for 30 years as of beginning of operations. Comprehensive management of the project will be the responsibility of REP. The project is

highly significant to ensure electric power supply to the south of Peru and maintain economic growth. Construction will take around 38 months.

Also, I will like to comment that REP is the power company with the best reputation in Peru. In the second edition of Merco that is Monitor Empresarial de Reputación Corporativa, in Peru, has classified REP Energía de Peru, like number 1 between the Energy Sector and 80 in the total ranking.

Also, in September 17<sup>th</sup>, the Minister of Mines and Energy issued the resolution 90772, where by it adopted the transmission referenced expansion plan 2015- 2027. This plans is really important for us. This plan recommends the execution of nine projects, which will be made through public bidding process, additionally to the five projects of the plan 2007 – 2025 that was issued last year. The total estimated investment amount of these 14 projects is US\$2.200 Million in constructive units projects. EEB will participate in this growth.

Also in November, EEB achieved a successful reopening of its bonds expired on November 2021, through private placement with the involvement of top-level investors. The bonds were ranked at investment grade by Moody's and Fitch. This coincides with the second anniversary of the first bond placement amounting to US\$610 Million. This reopening is totally fungible with bonds issued in the initial transaction, which will increase bonds liquidity, and potential valuation of secondary market.

These resources together with additional resources from the company, cash generation will be used to finance investments in Guatemala, hence strengthening transmission infrastructure in this Central American country through our affiliates TRECSA and EEBIS Guatemala.

As you may know, Calidda, our company in Peru, by means of the decree number 029-2013 that approve provisions to include operations of natural gas, were approved, introducing a series of changes to National Regulations for the Construction of Facilities among which one may highlight the following:

The government has established the obligation of construction companies to build investment facilities that will allow supply those multifamily buildings located in districts where such infrastructure actually exists or may exist. It means that it will help us to continue to grow the new users in Lima. During this third quarter 2013, 16.208 new connections have been performed. An historic record in September, which reached 6.177 new connections in that month.

At the closing of September, Calidda has already 165.850 clients connected to its network and Calidda has sent to the government to the regulatory boarding, OSINERGMIN, the five year plan 2014-2018 with the proposal of the next five year expansion plan. It is worth mentioning that that includes the rates proposal that has to be approved by the regulator.

Also, our other company in Peru, Contugas, in September had the financial closing of its new six year bullet type financing of US\$310 Million with this new syndicated loan in which Banco de Bogotá, Davivienda and CAF have participated. This loan was applied to pay the bridge loan granted in 2002 for US\$215 Million and finances the rest of the investments costs and project expenses.

In October 24, the Bolsa de Valores de Colombia published its 4<sup>th</sup> quarter rebalance of the Colcap Index basket. EEB, which is part of the Colcap Index, maintained position 15 representing a 2.251% basket share and also in the equity index, in which it holds position 18 representing a 2.390% basket share.

Finally in November, for a second consecutive year, Fitch ratings ratified EEB's and TGI's also corporate debt ratings in local and foreign currency maintaining the ratings BBB- with a stable perspective. These ratings also apply to EEB's 2021 notes totaling US\$610 Million issued in 2011.

Locally, Fitch ratings also confirmed EEB's AAA in the Colombian ratings, the highest in terms of the quality of debt.

So, in November we seek to have full access to the capital markets. EEB is one of the largest Colombian issuers of debt and equity. In the past three years, the group has issued a total of US\$1,792 Million in regulation 144A bonds and about US\$400 in equity. It is worth mentioning that reopened our 2021 bond and we succeeded to place in last week US\$112 Million among international investors. We are proud to say that there is a high appetite in the capital international market for our financial instruments.

Empresa de Energía de Bogotá will hold the second and last payment of dividends to the City of Bogotá amounting Col\$153.9 Billion, pursuant to the shareholder meeting last March 21<sup>st</sup> when it was declared dividends for a total of Col\$400.6 Billion, which represented an increase of 26% compared to what was declared in 2012.

So, we can now move to slides 10 and 11, where the expansion projects are presented.

In terms of our subsidiaries, I would like to mention some remarks about capital expenditures shown by companies:

In Colombia, we have TGI, in which these resources were used to finance TGI's expansion plan, which improved its natural gas distribution capacity by 53%. Today, TGI owns the largest natural gas pipeline system in Colombia, and also TGI owns 51% of the natural gas network, nearly 3,900 Km and transports 48% of the gas consumed in the country.

The main project of TGI, as you can see there, La Sabana-Cusiana-Apiay Sistemas Regionales have US\$369 Million in the (Inaudible).

Regarding EEB's transmission business, as you remember 2012 and 2013 are supported with more good news, with some support of our board of directors, EEB won four auctions to build and operate an equal number of projects to expand the national electricity transmission system in Colombia. EEB was also commissioned by the national government to build a special equipment in order to have a better reliability to attend the electricity peak demand of Bogotá in December 2014. These projects presents the following advance: Armenia 67%, Alferez 95%, Tesalia 59%, and Chivor 2 Norte 10%. The SVC Tunal 4%.

Regarding to Peru, in Calidda and Contugas, according to Calidda's 5 year investment plan proposal for 2014 -2018, subject to the approval by the Dirección de minas of this project, we expect capital expenditure for the expansion for the distribution network to the amount up to US\$500 Million by having such figure we hope to reach 1 Million clients by 2020.

In Contugas, we will start our full commercial operations in April 7<sup>th</sup> 2014.

Guatemala with TRECSA, our Guatemalan subsidiary for electricity transmission, has made important progress in terms of securing the rights of way, required at the terms needed for the execution of the project.

TRECSA will come into partial operation by the end of this year, it means this next month, and in full operation by 2016. In October 2013, the last month the government of Guatemala approved us anew contract deadline to complete the whole project in September 2016. The project right now is at 59.6% advance.

This is the main investment in capital that you can see in over there.

Regarding the non-controlled subsidiaries, Emgesa, Codensa, Promigás, CTM Peru, you can see that the whole amount of CAPEX for the 2013 is nearly US\$900 Million.

Now, we can move to the financial review of this third quarter. Regarding the consolidated results in the Operational Margin results, our third quarter results [Inaudible] ...15<sup>th</sup> of November, and are available in our website. As noted in our press release, at the closing of the third quarter of 2013, Net Profit of Grupo Energía de Bogotá, reached Col\$784 Billion, exceeding by Col\$148 Billion, the results of the same period of the previous year.

You can see here, the results is explained mainly by the increase in the operational revenues that reached Col\$1.45 Trillion at the closing of September 2013, compared to Col\$1.16 trillion at the closing of the same month of the previous year, growing by 25%, due to increase in revenues in the natural gas business, mainly TGI, that grew because of new tariff scheme in 2013 and Cusiana Phase II project that entered into operations in the third quarter of 2012. And also the distribution in Peru by Calidda.

Additionally, operational profit grew by nearly 29%, reaching Col\$535 Billion at the closing of September, compared to Col\$416 billion for the same period in the previous year, as a result of a good behavior shown by operational revenues and to the lower growth of operational expenses in the natural gas transport business in Colombia.

Regarding the Non Operational results, EEB benefits from the increase of Col\$276 billion in dividends decreed in favor of EEB, particularly those from Emgesa, Codensa, Gas Natural and Promigás, as well as a reduction of Col\$ 156 billion in financial expenses, related to EEB and TGI's debt management operations carried out in the previous year.

Thus, these two items exceed the net expense in the foreign exchange account, resulting from the Group's financial obligations denominated in USD, due to the devaluation of the Colombian Peso in the present year.

However as you now, this item only has accounting impact and does not correspond to a cash expenditure.

You can see the EBITDA slide, the next one, we are faithful to our strategy of growing the contribution of cash coming from controlling subsidiaries. In terms of EBITDA breakdown, TGI becoming more relevant with more than 40%. On the graph below you can see that it has increased 6% in the last quarter in terms of consolidated EBITDA last 12 months, reaching Col\$1.3 billion.

Remember that the third quarter in 2013, EEB received dividends declared by non-controlled companies. Our EBITDA includes those dividends.

In the next you can see the indicators. The interest coverage indicator shows a small decrease due to higher financial expenses originated by new indebtedness in some subsidiaries in the present years.

Indebtedness in US increased as a result of an issuance of a bond in Calidda and the new syndicated loan in Contugas. As you can see, we have enough room to issue additional debt to support our expansion plan. Almost 100% of our debt is dollar denominated and our consolidated debt maturity profile is fine and well distributed up to 2023.



We include this next chart, EEB's Share performance, our share price has been a performing Colcap Index reflecting solid fundamentals and our long term investment strategy, we are really happy with that as I hope you are.

Finally we want to conclude with some remarks. Today, EEB has a balanced business that demonstrates our commitment to create value, to keep our focus in the energy market businesses that are natural monopolies and energy market growth. And to realize are growth potential.

As we see in our logo, it's explained in our capacity to overcome big challenges that we meet. Growth is an effect by an investment plan of about US\$7.5 Billion and results as shown by the five-year net income view of about 26.5% in the third part of 2013.

Finally, I want to mention that we have been ranked among the top 50 companies in Colombia by La República, Semana and Portafolio, and we have received the award of best employments of corporate governance in Colombia by Andesco.

EEB has been ratified this year by the Dow Jones Sustainability index, which is the global benchmark for measuring the contribution of various companies to sustainable development, economical, social and environmental awareness.

We would like to share with you that we are also the only Colombian company member of the Global Compact Lead and we have also been certified, as the fifth and only Colombian company in energy efficiency by the Bureau Veritas. All from our global responsibility perspective, we seek our activities to generate economic value to the business and the environment, we work closely with our stakeholders, we monitor our processes and work under international sustainability standards.

So, that's everything for now, and I open up for questions.

**OPERATOR:**

Thank you. We will now begin the question and answer session. If you have a question please press star, then one, on your touch-tone phone. If you wish to be removed from the question queue please press the pound sign or the hash key. If you are using a speakerphone you may need to pick up the handset first before pressing the numbers. Again for any questions, please press star and then one on your touch-tone phone.

Once again for any questions, please press star one.

Mrs. Fonseca, at this moment I'm not showing any questions. Thank you.

**Ms. FONSECA:**

Thank you very much.

**OPERATOR:**

Thank you. I would like to turn the call back over to you for any closing remarks.

**Ms. FONSECA:**



Thanks. We are open to answer any question in any moment, so please contact our IR Office. Thank you for being with us today.

**OPERATOR:**

Thank you ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.