Corficolombiana

PRESENTATION OF RESULTS 4Q-2019

Operator:

Welcome to Corficolombiana's fourth quarter 2019 earnings call. My name is Hilda and I will be your operator today.

At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. Please note that this conference call is being recorded.

Corficolombiana's President, Mrs. María Lorena Gutiérrez, will be our speaker today. Mrs. Gutiérrez, you can begin.

María Lorena Gutiérrez:

Good morning everyone. Thank you very much for joining us today, when we will present our 2019 fourth quarter results and full year.

Obviously, we cannot be oblivious to what is happening in Colombia and in the world in terms of public health and economy. We are going to show you the results for 2019, which were very good, and we are going to talk about the first months of 2020 too. But obviously, we are analyzing the possible impact of the pandemic and the oil price, both on national economy and our investments.

Obviously, I want to be clear, we will focus on our 2019 results, which I repeat, were good. We are going to talk about our expectations for 2020. Mr. Gustavo Ramírez, our Investment Vice President, will talk about all of Corficolombiana's investments. Then Juan Carlos Páez, our Executive Vice President, will review Corficolombiana's financial results, both in terms of separate and consolidated figures. And on this occasion, I invited José Ignacio López, our Economic Research Director because it is important for us to share with you our vision about what may happen in terms of the country's economic prospects.

I'm going to cover the presentation that you have. In general, the profit generation trend from 2018 continues, which shows the good performance of our businesses and investments, especially in road concessions and in the energy and gas sector.

On the first slide you can see our main figures for 2019. Assets, in consolidated figures, reach 31.81 trillion and separately 14.8. Our total equity in consolidated figures is 9.97 and separately is 7.64. This equity value supports the investments we have in our portfolio.

Regarding our 2019 profitability, I want to apologize. The financial statements show our figures properly, but the presentation shows different data. Please correct it. The consolidated figures are: net income for 2019 is 1,531 and not 1.57, as shown on the table. Our net income for 2019, in separate figures, is 1,566 and not 1.62, as shown on the table. But as you will see later, the correct figures are those that I am mentioning right now. I apologize for this error.

Net income for the fourth quarter was 383.6 in consolidated terms, and 3.78 in separate figures. Our 12-month ROE was 21.43%, and in separate terms it was 22.62%. Solvency is around 33.52% consolidated and 33.61% separate.

It's also important to mention that the consolidated Ebitda for 2019 was 3.9 trillion pesos, which yields a 38.9% Ebitda margin and 9.4% growth over the previous year.

Now I want to quickly go over the most relevant events in 2019, which can show our results in general terms.

As I mentioned, we have a 3.9tn consolidated Ebitda, which represents a 9.4% growth. All the sectors in our portfolio contribute to this growth, except for the financial sector, which is not shown in the same way. Basically, as we have announced in previous earnings calls, we started to liquidate Leasing Corficolombiana after approval by the Superintendence. That explains the negative results of the financial sector in our investment portfolio.

A very important fact is our commitment to investments. In 2019 we invested 2.1 trillion pesos coming from Corficolombiana, both from equity and debt resources in our portfolio. Most of this 2.1 trillion investment was in the infrastructure sector, 1.27, in energy and gas, 0.83, in agroindustry 0.02, and in hospitality 0.01. But the most important fact is that during 2019 Corficolombiana invested 2.1 trillion pesos from its own resources or from debt.

We optimized our balance structure. Our double leverage ratio was 131.9%, and the debt that funds the investment portfolio reached 2.9 trillion. Something important is that our debt term improved from 6 to 8.2 years, which is much more in line with our investments, which, as you know, are medium and long term. Well, I would say that all of Corficolombiana's investments are long term so what we did during 2019 was to extend the term of our debt.

In October 2019, the Colombian Stock Exchange (BVC) renewed the recognition-IR, and mentioned Corficolombiana as one of the IR issuers with the greatest evolution in the 2016 2019 period.

Because of what is happening in the stock market at the moment, what I am about to mention is going to seem odd, but in 2019 Corficolombiana's shares stood out as those with the highest valuation in the equity market, with an 87.8% valuation in ordinary shares and 75.9% in preferential shares. This is a very important result for us, as it demonstrates the market's confidence in Corficolombiana. It was an impressive rise. Our stock is growing today, but as you know, this is a behavior of stock markets worldwide. We expect prices to go back to normal levels, both for commodities and stocks.

Now I am going to give you some general information about the different sectors. In infrastructure, our three 4G concessions made significant progress, even above our agreement with the ANI. As you know, these concession contracts imply a commitment with the ANI for work progress. Our three 4Gs, which are Pacifico 1, Bogotá-Villavicencio and Yopal-Villavicencio, are ahead of schedule with National Government..

Coviandina has already completed the construction of the main infrastructure and closed with a 64.81% progress six months before the agreement with the ANI, that is, the national government. Covipacífico reached 33.85, and Covioriente 23.13%.

During 2019, the Cali and Cartagena airports, where Corficolombiana is a shareholder, mobilized together more than 11 million passengers, growing by 8.9%. Later, when we talk about the perspectives for 2020, we will explain that we are working with the national government to renew these private initiatives to continue having the Cali and Cartagena airport concessions.

In terms of energy, which is the second most important sector in our investment portfolio after infrastructure, we increased capacity between Cartagena and Barranquilla with a new transport contract and new infrastructure that Gustavo will further explain, which is worth 1.6 million dollars.

So important, SPEC, our regasification plant in Cartagena, supports the country's energy supply, especially now that the reserves are at the lowest level in 20 years. It has been supplying gas to the national transportation system for 148 continuous days, supporting the national electricity system.

In terms of natural gas distribution, thanks to all of the Promigas subsidiaries the populations we serve are now 25, which is a very important figure, since we are serving 38% of users in Colombia. Surtigas, one of the distributors and a subsidiary of Promigas, is serving the uster number 800,000.

As I mentioned in our previous results call, we were about to sign the concession contract in Piura, in northern Peru. It is going to be one of the major projects for Promigas in the next few years for gas transportation and distribution in northern Peru through Gasnorp, a Promigas subsidiary.

Promigas also made its debut in the international market and successfully issued bonds for 400 million dollars. At that moment, it was one of the Colombian private companies with the highest demand in history.

Moving on to agroindustry. As we have mentioned, agroindustry is very important for us, as it is a long-term investment. Last year was a growing period and we were improving some productivity issues. During 2019, the income of ours investments improved in 2019, with a consolidated net profit of 4 billion, compared to our loss in 2018. This was due to the natural cycle of this business, but also to a rigorous agricultural strategy to increase crop productivity.

A very important fact for us is that we managed to issue CO2 emission reduction certificates for bonds that were worth 4,930 million. This is important from a financial point of view, but even more so from the point of view of our contribution to sustainability and CO2 reduction, especially with rubber tree crops in the Puerto López and Puerto Gaitán areas.

In terms of hospitality, which obviously is one of the hardest hit sectors given the current crisis, we had very good results in 2019. We hope to overcome this crisis and to continue seeing good results from Hoteles Estelar. During November and December last year we had historical sales, with an occupancy rate of 63% in the fourth quarter of 2019 and growth of 8.5% in sales compared to the previous year. This means that once this crisis is over, we have all the infrastructure and all the strategy ready to continue consolidating and growing in the hospitality sector.

In the financial sector, as I mentioned before, last December 20 the Superintendence authorized the dissolution and voluntary liquidation of Leasing Corficolombiana. This year we will be working on finishing this process.

Our integrated commercial model was consolidated since February 2019. It integrated all of the commercial operations of Corficolombiana, Casa de Bolsa and Fiduciaria Corficolombiana, to expand our customer service capacity and the distribution of transnational products. Something to highlight is that this model is already working in 2020. Our goal is to strengthen this model.

Something else that we have always mentioned in our earning calls due to its importance for the market is the status of our processes involving Ruta del Sol. I will therefore briefly mention those processes.

The first process is with the Administrative Court of Cundinamarca since 2018. We appealed to the Council of State, which in 2019 submitted a resolution to change the suspensory and devolutive effect. Two months ago, it clarified that it changed the effect from suspensory to devolutive in the first instance decision, stating that the payment and the barring sanction cannot be effective until they are confirmed by the second instance. As you may remember, the Administrative Court of Cundinamarca imposed a 790 billion fine to various legal and natural persons, and also talked about barring Episol. But the important part about the February event, with the resolution issued by the Council of State, is that both the fine and the sanction will only be confirmed once it is decided by the Council of State.

Regarding the process in the Superintendence of Industry and Commerce, the evidentiary stage ended on December 30, 2019, when the closing arguments were presented. We are waiting for the delegated superintendent to present the report to the Superintendent of

Industry and Commerce so that it can be subject to comments by all those who are being investigated. Then, the superintendent should issue a final decision.

Regarding the Arbitration Tribunal, which we have talked about in previous calls, based on the arbitral award issued on August 6, appeals for annulment were filed by Episol and other interested parties. The appeals were based on mathematical errors, lack of jurisdiction of the court to decide on certain matters, and decisions not based on law. These appeals have not yet been resolved by the Council of State.

On the other hand, several writs for protection were submitted. Episol submitted writs for protection of fundamental rights on December 4, 2019, claiming the violation of the right to due process and good reputation. The Council of State rejected the writ and Episol appealed the sentence, which must be resolved by the Council of State.

Regarding the Ruta del Sol concession, as you know, Corficolombiana has a 33% stake. We were not involved with Odebrecht, but the concession was still working. On January 15, 2020, Supersociedades ordered the liquidation of all of the concession's assets, which means that neither the board nor any other government body has authority over it. Therefore, we are in the process of liquidating the Ruta del Sol concession.

Now I want to refer to the current situation before moving on to the financial statements and the result of our investments. In the last few days, we have sent some messages inviting to calm, solidarity and responsibility because of what is happening in our country.

Our diversified portfolio and our long-term investments mean stability. We are confident about our financial results versus other sectors that are more focused on the short or medium term. Therefore, we can face with serenity the economic situation we are experiencing due to the current public health situation.

In the short term, we have focused on the wellbeing of our employees, our suppliers and the communities where we are present because we believe we have to be responsible with our country and the economy. We have contingency plans to guarantee business continuity.

I will now give the floor to José Ignacio López, our Economic Research Director, who will talk about our vision about the economy and the sectors where we are present. Obviously, it is difficult to forecast what is going to happen because all of this has taken us by surprise, given the impact of the current situation in terms of health, the financial markets, and the economy. The different countries are offering aids to mitigate the impact of the situation on the economy, so I think it is difficult for José Ignacio and his team to predict what is going to happen, but I think it is important for you to know our vision about what is going to happen.

The only thing that I would say is that people should make decisions about financial investments in a responsible and informed manner. It is necessary to consider the different scenarios and avoid panic, as it may lead to hasty measures. Nervousness often leads investors to make wrong decisions, but we have to be calm and responsible to be able to make informed decisions.

So, I will give the floor to José Ignacio, who will talk about his expectations on the country's economy.

José Ignacio López:

Thank you very much, María Lorena and hello everyone.

As María Lorena was saying, at this moment the level of uncertainty is quite high. We have been doing some calculations and we can be sure that our initial forecasts are no longer going to apply.

Let us remember that our growth projection for 2020 was 3.1%, since we anticipated that household consumption would decrease slightly. Given the current situation, consumption will very likely have a much greater contraction or slowdown during this quarter and this will probably lead to lower growth scenarios.

We shared with you some of our calculations about the immediate exposure to a reduction in household expenses by expenditure. You can see that breakdown on the slide. We basically considered the consumer basket and which items are affected the most.

As you can see in the service sector, which is the most important item for households with a 56% of GDP, we identified some services that would be most affected by the situation, especially this quarter, all of which represent 16%. We see a lower impact in other sectors with a smaller weight, such as the consumption of durable goods.

Considering these weights and different scenarios, we think that economic growth could be around 2.53 for the year. This is the most optimistic and moderate scenario. In case of a less favorable scenario, we think the figure would be below 2.5, but it is still premature to make definitive projections, given that the situation is constantly changing.

Among the spending items most clearly affected we have discretionary expenses and others such as restaurants, hotels, personal transport and recreation, due to the current restrictions on personal interaction. It seems that these are the sectors that can basically deteriorate faster. We would have to see what the government's policies would be to mitigate this effect in those sectors. It is also important to mention that in terms of culture, smaller-scale companies are expected to have a greater impact. Some reaction has already been seen from both the private and public sectors to mitigate these risks.

The drop in consumption associated with the restrictions to avoid contracting the virus is worsened by the drop in international oil prices. Basically, the drop reflects a slower growth in global demand as a result of policies aimed at mitigating the virus and a price war among the main oil producers.

It is important to say that many of these shocks are uncertain but should be transitory in nature. Obviously, the shock is having an impact and it is something we have to keep an eye on. The oil price will very likely continue at prices that will affect the Colombian economy in this first semester, but in general, international analysts and our team expect a possible rebound of oil prices and the global economy in the second semester. Perhaps in the second semester we will not see the prices we saw at the beginning of the year, but we will see some prices that mitigate the shock in our country.

It is also important to clarify that compared to the last oil shock from 2014-2016, there are different provisions and vulnerabilities. The highest vulnerability at this moment in Colombia is a smaller fiscal space or public debt, let's say, which is higher. Let us remember that public debt now may be at a 52% level, while it was 36% at that time. We also have a vulnerability regarding the external deficit.

On the favorable side, the exchange rate in 2014-2016 was a very important buffer. Although we have had a strong devaluation in the last few days, we do not expect as much devaluation as in the previous event. Let us remember that in 2014-2016 we had devaluation periods of 60% to 70%. Now, in an even more difficult scenario, we are seeing a 30% devaluation. That means the effect would not be as strong on inflation as in the previous event.

It is also worth mentioning that the financial sector is more robust now than in 2014-2016. The capitalization levels of the financial sector are robust. Exposure to the mine and energy sector has been reduced. Exposure to portfolio in dollars has also been significantly reduced, which means that this devaluation will have a more moderate effect on clients with debt in foreign currency and on banking. Those are some mitigators in this complex situation.

To wrap up, this is a difficult situation and the outlook in the short term may deteriorate even further, but it will probably be different the next quarter. Also, we must consider scenarios where we have better news on epidemiological control and virus treatment. That would support the economy in a significant way and our medium-term perspectives.

María Lorena Gutiérrez:

Now we continue with Juan Carlos Páez, Executive Vice President, who will show you our financial results for 2019.

Juan Carlos Páez:

Thank you very much, María Lorena. Good morning to all attendees. I want to start by restating what María Lorena said regarding our financial statements. Our 2019 results confirm what we have been sharing with you in previous periods, with a very similar result to the one from 2018 after the adoption of methodologies for disclosing results based on IFRS 15. Our financial statements are solid, solvent, stable, and are based on income from companies that are also stable.

Moving on to the slide showing our balance sheet, including both assets and liabilities, compared to the previous year this quarter our growth was 21.2% in terms of assets size. Concession assets grew the most. This is related to the evolution of construction on 4G roads. That means that while a year ago concession assets represented 40.5% of total assets, this time they reached 45.7%. A year ago we had 10.6 trillion pesos of concession assets. At that time they reached 14.5 trillion pesos. The infrastructure and the energy sector weighed about 50% each. Right now the infrastructure sector has a total of concession assets of 8.7 trillion pesos compared to the 5.8 of Promigas.

On the other hand, and this is directly related to our investment levels, our investments throughout the year were worth 2.1 trillion pesos.

Another important element in this asset structure is that our investments decreased slightly. Our portfolio investments went from 22.8 to 18.4, remaining stable. The figure was reduced due to the increase in the denominator.

In terms of cash and interbank funds, they grew not only in terms of participation but also in terms of final figures, with 11.6 for total assets. This directly reflects our liquidity provision strategy and our capital contribution to projects in which the company has investments.

Finally, portfolio accounts and outstanding accounts saw a reduction basically associated with the formal liquidation of the leasing company.

As regards assets, they grew proportionately. While total consolidated assets grew 21.2%, liabilities did so by 20.5%. It is worth highlighting other liabilities, where we register liabilities as income received for third parties. Simply put, this is contractual funding, which grew by over 800 billion pesos.

There is also a significant increase in deferred tax liabilities, due to the accounting methodology to register the evolution of concession assets. This item grew just under 600 billion pesos. That is why the other liabilities item increased to 25.7%.

Financial obligations maintain their participation at 25.2%. The issuance of securities reached 19.2. I would like to highlight that it includes the bonds issued both by Corficolombiana for 500 billion plus interest accrual and Promigas, which issued bonds in the international market for the first time.

On the following slide we can see the evolution of our results. As mentioned by María Lorena, our consolidated profit reached 2 trillion pesos and the controlling profit is 1,532 trillion pesos, which is very similar to the profit in the separate figures, which is 1,566 trillion of pesos.

Regarding the evolution of the companies where we have investments, as you can see the gross margin of the real sector reached 4.3 trillion pesos in the year, which is very similar to what we saw last year, 4.341 trillion pesos.

If we analyze our quarterly evolution, there are important differences. Let us remember that in the fourth quarter of 2018 we had the IFRS 15 adoption of Covioriente. Also, our total yearly figures included other two entities. It is important to highlight that even though income, margin and profit were stronger in the last quarter, we said that in general terms we would have a stable performance in the coming years. This is why you can see that the gross margin of the real sector is very similar to what we showed you in 2018.

Under the equity and dividend method, these are the dividends paid by subsidiaries of our consolidated companies under the equity method they also receive from their sub-subsidiaries. There are no variations to highlight.

In terms of our consolidated financial structure, we did not see significant changes. The Ebitda, according to what I mentioned about the adoption of the road registry in 2018, had a slight decrease of 4.5% compared to last year. That also explains why in the last quarter we had an Ebitda of 964 billion pesos, while a year earlier we had 1.5 trillion pesos. But I insist, it is important to look at the full-year figures to make an accurate comparison.

Concerning the participation of each sector in that consolidated Ebitda, infrastructure represents 57%, and energy and gas 42%.

You can see that there is a reduction compared to the fourth quarter of last year, which is again explained by the adoption of Covioriente's income in our accounting. We registered 663 billion pesos due to this adoption, which could not be recurrent. Therefore, in the aggregate, as I just mentioned, it goes from 1.5 trillion pesos to 894 billion pesos.

Our accumulated figures are very similar in terms of proportions. Last quarter we saw a 57% participation of the infrastructure sector, while in the accumulated total the figure is 56%, which demonstrates income and Ebitda homogeneity and stability throughout the year.

Finally, regarding our separate financial statements, it is worth mentioning that the structure has matured. In terms of our funding structure, we see 500 billion pesos in bonds issued by the corporation, 3.5 trillion pesos in CDs, 2.4 trillion pesos in money market operations, and a half trillion pesos in bond issuances.

And as you can see in the lower right chart, collection rates continue to be first class with an excellent performance. As shown in the left bottom chart, although the terms of CDs that finance investments went from 6 to 6.7 years on average, the effective CDs rate went from

6.18 to 6.32, which is excellent when compared to the market. Our average collection term is 14.6 years and our bonds are issued at a rate of 7.31.

These financial statements lead to a double leverage of 131.9%, which we think is an excellent figure for road financing.

That was my presentation. I will now give the floor to Gustavo Ramírez.

Gustavo Ramírez:

Good morning everyone. We are now going to review our investment portfolio in the real sector, in our five sectors. I will go over the 2019 figures and performance. I will also explain briefly how we see each sector in the short, medium and long term given the current crisis.

Before starting, I would like to say that last year closed with a good performance in economic activity and our investments had an upward trend. The first semester was relatively weak. The second semester our leading indicators of economic activity were strengthened. Road traffic, hotel occupancy and gas consumption were on the rise in the second half of the year and also in the first two months of this year. This largely explains the individually consolidated results of our companies and also those of the corporation.

Let us start on solide 17 with the energy sector, where the most relevant is, as usual, Promigas. As you know, in recent years its investments have focused on two fronts. One of them is internally in Colombia, in the construction of various gas pipelines to reinforce the transport network especially to transport the new gas that has been discovered in the departments of Sucre and Cordoba in order to take it to the Atlantic Coast.

Finally, late last year and early this year, that infrastructure was concluded. This process took almost two years and it was recently concluded to complete our expected installed to draw gas out of the Canacol fields. This means that last year we saw the income associated with this infrastructure partially. This year in the remaining months of the year we will also see that impact on Promigas' income. This is reflected in the figures shown on this slide: 12% growth in consolidated assets and yearly Ebitda growth over 7%, while in the last quarter it was 14%, showing precisely what I just mentioned, in the sense that towards the end of the year the income from that new infrastructure was increasing.

In general, the volume of gas transported last year remained constant. At the beginning of last year an increase in gas was expected due to an eventual El Niño phenomenon that did not actually occur and therefore gas transport did not grow significantly.

In terms of distribution, the number of users and consumption figures grew significantly in real terms and not only due to average consumption by user, but also due to new installations and new users. We also have to mention that the second greatest source of growth for Promigas was investments abroad, especially in the northern area of Peru. Last year, the presence of Promigas in that area of Peru was consolidated after purchasing a new concession that is already giving good results, as shown on the table at the bottom right. We can see the growth in the number of users Quavii and therefore in consumption, which will be strengthened this year with the new gas concession in northern Peru that was signed late last year.

So, in general we are seeing fairly solid, growing businesses in Promigas, where we are starting to see the results of investments made in recent years. This is a double-digit growth that we hope to continue in the near future.

I also wanted to briefly mention another important investment in the energy sector. Although we do not consolidate it, it is important for us. It is our investment in Grupo Energía Bogotá, where we have a minority stake that grew in 2018 with an investment of almost 300 billion pesos. The results of this investment have been quite fruitful in these couple of months, especially due to the company's better results.

How do we see the effect of this crisis on Promigas? There might be different results, but we believe that there should be no significant effect on our company. On the one hand, the devaluation has a positive effect in principle, because as you know, much of the income, including local income in Promigas, is denominated in dollars. Also, the net exposure of Promigas is positive in dollars. So, in the short term there should be a positive effect from the devaluation. Depending on how prolonged the effect is on the Colombian economy, there may be some effects on the portfolio, although Promigas's largest clients are in the industrial sector and have high credit quality. Therefore, we do not see a significant negative effect on Promigas in the short term.

And even in the long term, Promigas is strategically consolidating a strategy that has been going on for several years both on the local and international front. On the local front, it is consolidating a powerful gas supply infrastructure. The new gas pipelines that I have just described, together with the SPEC regasification plant, already fully operational, have been tested in recent months and weeks. They have been working at full throttle, taking care of water in reservoirs that given low rainfall are at historically low levels. This has made it necessary for thermal plants on the coast to come into operation during these times. And all of this has been possible thanks to the gas that is transported by our infrastructure, both from the new fields in Córdoba and Sucre and from imported gas by SPEC. Therefore, we are already seeing the contribution of the Promigas infrastructure to the country's energy security.

Infrastructure projects during 2019 behaved as planned, comfortably meeting progress commitments with the ANI and the government in general. Our internal budgets always provide a four to six-month margin with respect to contractual commitments, which was maintained. Therefore, in case of any normal events, there is work progress within the provisions established in the contracts.

As you know, the progress sometimes depends on the conditions of each concessions. From our 4G projects, three are under construction. The one with the most progress is Coviandina, which closed 2019 with almost two thirds of progress. Covipacífico and Covioriente are a little bit behind.

This increase in investments can be seen in the figures shown on slide 18, where there is an increase in consolidated assets of 53%, reaching over 12 trillion pesos and a consolidated Ebitda for the year of 2.1 trillion and 545 billion for the fourth quarter. Compared to the same results for the full year and for the quarter, there were some reductions in 2018 basically due to the effect explained by Juan Carlos, which is that Covipacífico and Covioriente began construction. And as you know, when construction starts there is some retroactive causation that makes that includes everything that has been done since the beginning of the concession. If we eliminate that effect, there is an increase in Ebitda due to work progress.

It is very important to consider what we have mentioned several times. The results of this project are cyclical because our income and profit results are a result of work execution that will end once they are completed, as the schedules of each of project is followed.

The bottom chart on slide18 shows tolling activity in each concession. We separate this issue into two. As you know, the Bogotá-Villavicencio road, which we operate, was closed for a long period due to a collapse on that road. Of course, when comparing traffic from 2019 to 2018 we can see a significant drop, but when removing that effect and looking at the other concessions, there is a toll increase of 4.6%. This number is important to analyze the effect of economic dynamics. As you know, we believe that road toll traffic in our concessions is a very good indicator of economic activity. If we eliminate the effect of the closure of the road to the Llanos, we can see that road traffic grew by 4.6% of, which is a very good indicator of how the economy is working.

On slide 19 we show some detail about our activity in each of the 4G projects. As I mentioned, we are already close to 50% of project execution. Coviandina is starting the final phase. By the end of this year, work execution should be above 80%.

As you know, this is very important for result analysis. Construction in the concessions is not linear. It has a tendency that is what engineers call the S curve. When work begins, projects start with a slower than average speed. Something similar happens when they are about to finish. Construction pace is higher towards the middle of the construction period.

In the case of Coviandina, specifically, whose progress is more than half, the execution rate is decreasing, while Covipacífico and Covioriente are in full pace of construction this year.

In the aggregate figures, we think that 2020 is going to be the peak of our work cycle for these four projects. Last year we invested 1.2 trillion in Capex in these four concessions and we think that this year the investment is going to be around 1.6 trillion pesos, which is going to be the annual peak of investment in these four concessions.

In Covimar, our concession in Mulaló-Loboguerrero, construction has not yet begun and as we mentioned in the last call, we do not expect it to begin in 2020 or 2021 due to the requests for additional information from environmental authorities.

The last figure I want to point out is the accumulated equity contribution from our four concessions at the end of the year. Corficolombiana had invested 1.7 trillion pesos in total.

We expect the impact on these concessions to be quite limited. In principle, we do not see a significant effect on construction progress. And in any case, as I mentioned at the beginning, we have enough room to resist any decrease in construction, in case of sanitary issues.

Let's turn to slide 20 to talk about the agroindustry sector first. Last year was difficult for agriculture, especially due to climate, prices and environmental issues. However, we believe that our investments resisted such issues very well.

Semi-annual crops, specifically rice in Tolima, had a very bad first half of 2019, which was partially offset in the second half. Both the weather and the prices at the beginning of 2019 were negative and that did not help much. Both recovered by the end of the year and the first two months of 2020.

Besides, the health situation also affected our palm crops, as measures were taken last year. We expect to overcome this situation in 2020.

Our natural rubber project in where we have been investing the most in recent years, has had very good progress. Agricultural and industrial production in this project have already started. We are already starting to export, and productivity is higher than planned.

In addition, we have had positive collateral results that make us very proud, such as having achieved the certification of our 10,000 hectare natural rubber forest in the Colombian highlands, due to its environmental contribution to capture carbon dioxide. In addition to the positive environmental effect, it has had an economic effect too because it has allowed that project to issue carbon certificates that are bought by investors, representing additional income for the project. This was not planned when the project began, but it has had a number of positive side effects for us and for the community.

In this sector, we have not seen and do not foresee very significant effects in the medium term. We have two priorities in the agro-industrial sector amidst this crisis. On the one hand, to preserve the health of our large rural communities, and also to contribute to food safety, which is essential in this crisis situation.

In the financial sector, we have been "cleaning" our investments in recent years. As we mentioned before, we have been working on ending Corficolombiana Leasing for a couple of years now and in December the Financial Superintendence authorized formal liquidation of the company.

As you know, our leasing company stopped operations by early 2019, relinquishing its entire loan portfolio, leasing operations and CDs collection. However, we required the final authorization from the Superintendence of Finance to liquidate it and cancel the corresponding license. That took place in December. We are now ready to move on to the final liquidation of that investment. Of course, this process has involved expenses that are reflected in the negative operating results shown on this slide

So we no longer have any exposure to the credit business. That is very good news at this difficult moment. On the other hand, what we have left of the financial business is our investment in Casa de Bolsa, in the trustee and in the corporation's treasury. Our strategy is to consolidate them into an integrated model that started operating last year and that we expect to consolidate in 2020.

The hospitality sector had good results last year. The economic recovery was reflected in the results and occupation grew at good levels. Late last year Hotel Estelar reached a 63% occupancy level, which is fairly high. Rooms sold grew by almost 10%. During the last year, new operations were also opened, and infrastructure expanded.

Of course, this sector is one of the most affected by this crisis. Although the first two months of the year showed the same positive trend from last year, it is evident that there will be a significant effect in the coming months due to the situation caused by the global crisis due to the global pandemic. We are ready to support our company. We believe that once the short-term effects are over, Estelar will be ready to be on the growth path in the medium and long term. We believe that once the crisis evolves, the mobility restrictions we have had these days will be over. National tourism will be dynamic once again and Hoteles Estelar will be ready to take advantage of that opportunity.

That was our review of the investment portfolio and its performance in the current situation. Now we are ready for the question and answer session. Thank you.

Operator:

Thank you. The question and answer session will begin with questions received via phone and then we will take questions via web.

If you have a question, please press * and 1 on your phone. If you want to be removed from the queue, please press the # key. Remember, if you have a question, please press * 1.

We have a question from Rodrigo Sánchez, from Davivienda Corredores.

Rodrigo Sánchez:

Good morning. Thank you very much for the presentation. I have a couple of questions. What would be your estimated investment for 2020 be in your businesses, especially in infrastructure?

I would also like to know what policies for dividend distribution has the board considered, bearing in mind that although profits did not grow and did not show significant variations, pay-out did increase significantly compared to last year.

I would also like to know if you have any comments on the implications of the decision made by the Arbitration Court in relation to the causes of the Chirajara bridge collapse, and if Corficolombiana has thought about appealing or if you are comfortable with what the Arbitration Court has said. Thank you.

María Lorena Gutiérrez:

I will answer first and then I'll give the floor to Juan Carlos and Gustavo. Basically, we have estimated we will invest around 1.6 trillion pesos in infrastructure in 2020, which as you know, is our largest investment in our portfolio. For the other activities, we are considering an additional 200 or 300 trillion, close to 2 trillion, but most of the investment is in infrastructure for 4G construction.

About dividends, Juan Carlos will give you the exact data, but basically our policy was for the distribution of profits and dividends there will be an option for shareholders to buy in shares or in cash. This proposal will be proposed to the assembly next week. We will know their final decision on the day of the assembly.

With regards to Chirajara, what the court said was favorable for us as it clearly said that the collapse of the bridge was not caused by its foundations or structure. Rather, it was caused by a design error, something that was not our responsibility but Gisaico's, wich was recognized on the court.

Not all the claims that had been presented by our concessionary are recognized because they made sure that we had received some resources from the insurance company for the construction of the new bridge. We have to analyze what the cost of that new bridge will be.

The five studies that were conducted, including even those by the Attorney General's Office, determined that the bridge collapse was not due to a foundation problem from our concession.

Juan Carlos Páez:

Thank you. About the dividend policy, the corporation published a proposal for dividend distribution and it was published on the Financial Superintendence website. The proposal is for 783 billion pesos to be distributed in shares, as we proposed last year. This is related to our investment plan, to strengthen our business plan. Both María Lorena and Gustavo mentioned in their presentations the investments we made last year and those that we will have to do this year. That is the number that we have published at the moment.

Rodrigo Sánchez:

Ok, thank you very much.

María Lorena Gutiérrez:

Another question.

Operator:

We have Steffania Mosquera, from Credicorp Capital.

Steffania Mosquera:

Good morning. Thank you very much for the presentation. I have two questions. The first one... Hello, can you hear me?

María Lorena Gutiérrez:

Yes, perfect.

Steffania Mosquera:

Okay, thanks. My first question is about the consolidation adjustments in infrastructure. We used to see net profit without consolidation adjustments and now we see a controlling net profit. Also, this semester minority interest was greater than net profit for infrastructure. I would like to understand how that adjustment works.

My second question is about the airport business. I understand that the concessions for the Cali airport and the Cartagena airport will end this year so I would like to know what to expect considering another award of airports, and what they expect on that front.

Finally, I would also like to understand the increase in financial expenses in the energy area.

Gustavo Ramírez:

About your first question, could you tell us on which pages you are seeing the numbers, so that we can refer to them?

Steffania Mosquera:

Of course. Page 8, infrastructure table.

Gustavo Ramírez:

While Juan Carlos looks at that and prepares the answer, I will talk about airports. In fact, airport conditions are valid until the end of this year. As we have mentioned before, in both the Cali and Cartagena concessions we have been working with the ANI for several months on a private initiative that would include the same assets, which would imply the continuation of those concessions. We are confident that the decisions made in the coming months will allow us to match the existing conditions with new private initiatives.

Can you repeat the question?

Steffania Mosquera:

Yes, I would like to know if you are going to work with the same partner, Aena, for the extension of the concessions.

Gustavo Ramírez:

The promoters of both private initiatives are the current shareholders in both concessions. As you know, the Cali concession has two shareholders, Aena and us, each with 50%. The private initiative has been presented with the same proportion. And in the case of Cartagena, there are more partners and all of them have been part of the presentation of that private initiative.

Steffania Mosquera:

Alright, perfect. The next question is about the increase in interest in the energy area.

Gustavo Ramírez:

What page are you looking at that?

Steffania Mosquera:

Page seven.

Gustavo Ramírez:

Juan Carlos is going to answer the first question.

Juan Carlos Páez:

I understand your question is about the consolidated profit and loss report for infrastructure. We showed a controlling net profit without consolidation adjustments of 671 billion pesos. Then we showed a controlling net profit of 1.2 trillion pesos. Ok?

Steffania Mosquera:

That's right. I am specifically interested in the fourth quarter, since minority interest is 473 billion and net profit was 340 billion so I would like to understand why minority interest was higher than net profit. It is the fourth quarter column.

Juan Carlos Páez:

Yes, our net profit was 340 billion and minority interest was 473. It is worth clarifying that these calculations are based on data from combined entities so there may be some discrepancies among the figures before calculating the controlling net profit. Consolidation adjustments incorporate the participation of that profit in other entities that we are consolidating. For this reason the final figure was 349 billion pesos.

It is important to keep in mind that in terms of infrastructure the entire investment belongs to the corporation. That is why we don't include minority interest. That minority interest is calculated for the consolidating entity. That will probably change this presentation a little as this minority interest corresponds to the entity that consolidates roads. When incorporating the other components that belong to the parent entity, which is Corficolombiana, we adjusted that value to get the final figure of 349 billion pesos. That is how I would explain it and it has to do with the way the chart was built.

Steffania Mosquera:

Okay, perfect, thank you very much.

Gustavo Ramírez:

About your question of financial expenses, I am looking at page seven, where we included financial expenses of the energy sector. Steffanía?

Steffania Mosquera:

Sorry, sorry, it's in personnel and general expenses.

Gustavo Ramírez:

Yes, indeed, the increase in Promigas' investment activities both due to its new operations in Peru and the construction of gas pipelines in Colombia last year resulted in higher personal costs associated with the development of the projects.

About your first question and just to clarify, the financial costs of Promigas are in line. On that same page, you can see they even decreased.

Steffania Mosquera:

Perfect, thank you very much.

María Lorena Gutiérrez:

Any other questions?

Operator:

At this time, we have no further questions via phone. We will now take questions via web. We have a question from Juan Mejía, from Ashmore. it reads: "Recently, the Superintendence implemented the measurement of the net coefficient of funding for financial institutions. What is the expected effect of the implementation of this measure on the company's funding structure?"

Juan Carlos Páez:

Thank you. We have already implemented the CFEN. We belong to group three, which means that we have to report, but not comply with the indicators. In any case, that indicator would be close to 154%, and the person who asked the question should know that we must be above 80%.

Basically, our financial structure would not be impacted when comparing these indicators, and this is because we have long-term deposits, I mean CDs up to 30 years, and concerning the bonds that we issued, although there was a three-year lap, were placed at 10 and 20 years.

Operator:

Thank you. We have another question from Mr. Carlos Alberto Valencia, a private analyst. Mr. Juan Carlos, good morning. How did the operating cash flow behave in 2018-2019? How much was it in 2019?

Juan Carlos Páez:

Well, the concept of operating cash flow isn't actually used by banks. I would have to say that managing the corporation's liquidity has been very relevant for us.

Throughout the presentation of our financial statements, we showed you a very significant collection of resources, and liquidity coming from the bonds issued. We mentioned that our CD collection levels represented 3.4 trillion pesos.

Therefore, I would reassure the person who asked the question about the availability of a positive operating cash flow and the availability of enough liquidity, not only to comply with the corporation's obligations under its investment model, but also in terms of its participation in the money market. Let us remember that this is one of the entities with the greatest presence in the Colombian money market.

María Lorena Gutiérrez:

Any other questions?

Operator:

At this time we have no further questions. I will now give the floor to Mrs. Gutiérrez for final comments.

María Lorena Gutiérrez:

Well, thank you all for joining this presentation of results. I would just like to give you two messages. First, in 2019 we had the same growth we have seen since 2018. As Gustavo showed you and as I mentioned at the beginning, we believe that we are taking proper measures so that our investments are not affected. And since they are long-term investments, except for the hotel business, which will be affected in the short term but which we are fully supporting, it isn't that big in our portfolio, so we think that we can overcome this crisis.

Second, my final message is that Corficolombiana supports the national authorities and the measures they are taking. We value the measures that have been taken to protect the country's economy. Yesterday, the Financial Superintendence, the Central Bank and today President Duque himself announced some economic measures. I would like to highlight above all the subsidy programs such as Familias en Acción, Jóvenes en Acción and the one for the elderly population, which represents the informal sector, the one that will be affected the most in terms of income generation.

Also, credit will be offered especially to SMEs through guarantee lines that I suppose will be offered by the National Guarantee Fund to be able to support these companies to keep jobs, which I believe is one of our responsibilities, as Corficolombiana is doing in different sectors.

The national government is probably going to think about other measures to boost the economy. We know that public spending is one of the factors that can boost the economy the most and I think it must be accelerated to support industrial productivity through lower taxes, which the government started yesterday with the exemption of taxes for health and medical equipment, as a way to boost the economy.

That concludes our call today. Thank you very much.

Operator:

Thank you everyone. This is the end of today's conference. If you want to listen to this conference again, it will soon be available on the website www.corficolombiana.com.

Thank you for participating, you can now disconnect.