

## **PRESENTATION OF RESULTS 2Q-2019**

**Operator:** Welcome to Corficolombiana's second quarter 2019 results conference call. My name is Juan and I will be your operator today. At this time, all lines have been placed on mute to prevent any background noise. Later, there will be a question and answer session.

Please keep in mind that this conference call is being recorded.

From this moment on, the conference will be led by the President of Corficolombiana, Mrs. María Lorena Gutiérrez. Mrs. Gutierrez, please go ahead.

**María Lorena Gutierrez:** Thank you very much. Good morning everyone.

As usual, I'll make a general presentation, which you should have been able to download. I will talk about the most relevant events of this second quarter. I'm here with the Vice President of Investment and the Executive Vice President. Mr. Juan Carlos Páez will cover the financial results, and Mr. Gustavo Ramírez will make a presentation about our equity portfolio and investments.

I would like to start by giving a general context about the relevant facts for Corficolombiana during this quarter. First, the consolidated financial figures.

Our assets reached 28.5 trillion pesos, equity was close to 9 trillion, our net profit was 364 billion, 12-month ROE was 33.47% and we had a 42.15% solvency.

The slide also shows separated figures, which demonstrate Corficolombiana's solid and financial strength in the last few months and years.

Our consolidated EBITDA for this semester reaches 918,838 million, with a 39.9% margin that has grown this year by 57.4%, showing our good financial results.

A relevant event is that on May 6<sup>th</sup>, 463,297 million pesos were paid as dividends. That is equivalent to a 1,657.9 dividend per share. 15% of this amount was paid in cash. The rest of dividends were paid as shares.

In June, our long-term debt in foreign and local currency was ratified by Fitch. In August, we obtained the AAA ratification for local currency and BBB for international currency by BRC Standard & Poor's, which shows our continuous financial strength.

On the 26th of June, Corficolombiana's Board approved a general guarantee bond issuance and placement program for 1 trillion pesos, which was authorized by the Superintendence of Finance on August 20th. We will later talk about this issuance. It was announced today that we will have the first issuance for 400 billion tomorrow, which could be extended up to 500 billion.

I will now mention some relevant facts from our investment sector.

The first one is infrastructure. As you know, these good financial results are partly due to the construction of three 4G concessions that are underway, which are Coviandina, Covioriente and Covipacifico. By the end of June, these three projects have advanced positively: progress in Coviandina is 51.4%, 22.9% in Covipacifico and 16.4% in Covioriente. As you may remember, the initiation of construction act for Covioriente was signed late last year.

You are already familiar with the emergency caused by winter and especially by heavy rains on the Bogotá – Villavicencio road, kilometer 58. This road is operated by our Coviandes concession.

On June 14<sup>th</sup> of this year, the Ministry of Transportation ordered the closure of 1.5 kilometers on that road. Coviandes is working with the national government to clean those 1.5 km. The Ministry of Transportation recently announced that this section of the Bogotá – Villavicencio road could be reopened in September, as its closure has caused problems to users.

In terms of energy, as you know, our biggest investment is Promigas and its subsidiaries. We have two good news. Promigas put into operation the initial section of the Canacol pipeline, which includes the crossing over Canal del Dique. It was a wonderful engineering work. This is the longest sub-fluvial gas pipeline in Latin America. We hope we can soon show it to the country.

Additionally, Promigas signed a new gas distribution concession to bring natural gas to the Piura region in northern Peru, serving 64,000 homes and 260,000 users. The expected investment there is US \$230 million. This means that our strategic plan to consolidate gas supply both in Colombia and Peru continues.

Regarding the financial, on May 30<sup>th</sup>, we requested the Financial Superintendence authorization to liquidate the assets of Leasing Corficolombiana. We had announced this process in previous calls.

In terms of hotels, Estelar is showing positive results, as we will see later. Another relevant fact is the start of operations of Hotel Meliá Cartagena Karmairi in June, adding 147 new rooms to the operation.

The results of agroindustry are not very positive, as we will explain later. However, that is part of long-term cyclical projects such as the production of rubber, palm, rice, etc. But I would like to mention that Mavalle completed a homologation process with Goodyear leaving us a step away of becoming one of its strategic suppliers of natural rubber in the region, which is very good news and I think we may start to export rubber, and this is also very important for our country.

Regarding the legal issues around Ruta del Sol, which are widely known, I would like to talk briefly about the three processes where Corficolombiana and Episol are involved.

The first one is the Arbitration Court, which began many years ago and finally, on August 6 issued an arbitration ruling. All the involved parties submitted their clarification, correction and addition requests on August 14, and these were finally resolved by the Tribunal on August 16. After these clarifications, there was no substantial modification to the original award issued by the court on August 6th.

Basically, the main conclusions of the award are: the nullity of the concession contract, and that the ANI was ordered to pay 211 billion pesos to the Ruta del Sol Concession, aimed to payment of debts with third parties in good faith on the dates and with the conditions set forth on August 6<sup>th</sup> award.

In the valuation, one of the clarifications we requested is that the Tribunal did not include the works carried out by Consol that had not yet been billed to the concession, as well as those derived of liability exemption events that were the origin of the Tribunal.

We are currently analyzing all the legal resources available for Corficolombiana, Episol and the concession, including the annulment resource that can be filed until September 30<sup>th</sup>. Right now, we are analyzing all of this and we have not made any decision yet.

With regards to the process we have with the SIC, I would remember that it is a process to initiate an investigation. As part of this process, after we provided an answer to that investigation start, the SIC recently issued a resolution declaring the evidence, and most of them were approved and were requested by the same parties that are involved in this process.

And finally, In the Administrative Court of Cundinamarca, as we had mentioned in the previous call, we filed an appeal, which was filed by Episol. It was accepted and assigned to a magistrate who will present the case to the State Council. This process can take several years.

Those are the most relevant facts for Corficolombiana and its subsidiaries in this quarter.

I would like to talk about the bond issuance. As I said earlier, the board approved the issuance of up to 1 trillion pesos. We also had authorization from the Superintendence of Finance. As part of this program, we will first issue 400 billion pesos tomorrow, with the possibility of increasing this amount to 500.

The terms of this issuance are 3, 10 and 20 years. The benchmark rate is CPI plus spread, and we have the AAA rating by Fitch Ratings Colombia. Our recipient is the general public. The minimum investment is 10 million pesos. The mechanism of the offer will be Dutch auction, with an underwriting to the best effort and as I already mentioned, will take place tomorrow, August 27<sup>th</sup>. Our leading placement agent is Casa de Bolsa, and we have the support of other placement agents such as Davivienda Corredores and Credicorp Capital.

The strategic reasons behind this issuance are strengthening our presence in the capital market as an issuer and giving greater financial strength to our investments, especially to our

4G concessions. As you can see on the slide, there are three main reasons. The first one is an extension of the debt term. Our treasury and Corficolombiana are permanently present in the market through recurring CDs issuance. We want to extend the term of structural debt through the capital market. Our operation now is on average 5.71 years. Our goal with this issuance is to increase it to 6.78 years.

Also, we want to take advantage of market conditions. The current monetary stability and market liquidity make us believe that it is a good moment to obtain debt resources. We believe that the term premium for extending the duration of our debt may become optimal.

Finally, as I mentioned at the beginning, we want to strengthen our participation in concessions. We are constantly keeping track of the financial structure and cost of debt of our investments, in order to increase profitability and reduce the volatility of market conditions.

Therefore, we also want to transfer additional resources to the concessions, in order to reduce vulnerability to external conditions and increase the profitability of our investments. This is the big picture. As I said, this will take place tomorrow.

Now, I want to invite Mr. Juan Carlos Páez, Executive Vice President, who will talk about Corficolombiana's financial statements for the second quarter of 2019.

**Juan Carlos Páez:** Thank you very much, María Lorena. Good morning everybody.

Our financial statements continue to be stable. As you can see on slide nine, the consolidated balance sheet went from 21.5 trillion pesos to nearly 29, increasing 37% and adding assets such as total liabilities and equity worth 7.025 trillion pesos. In the last quarter, we had 1.3 additional trillion pesos and a 5.1% growth.

In terms of liabilities, equity grew significantly from the last quarter, going from 5.6 trillion pesos to 8.9 consolidated equity. If we discriminate between controlling and noncontrolling equity, controlling equity more than doubled, going from 3.557 trillion pesos to 6.911 trillion pesos at the end of this second quarter. Non-controlling equity remained relatively stable, going from 2.032 trillion pesos to 2.031 in the same period.

Total equity in the consolidated financial statement grew by 60%, making the corporation's liabilities grow by 23.1%, increasing 3.6 trillion pesos year-to-year and 973 billion pesos in the quarter.

Concerning asset structure, which is in line with the definition of the business, you see on the top right of the graph, a growth of the participation of concession agreements, going from 6.9 trillion pesos to 12.3, with a 43% participation. This basically explains asset growth. Let us remember that we have both intangible and financial assets of the toll-road concessions and Promigas.

The most important growth is of the concessionaires, obviously due to the adoption of IFRS 15, which is reflected in the variation between the second quarter of 2018 and the first half of 2019.

As you can see, throughout the year there is a relative stability in these concession assets that, I repeat, today represent 12.3 trillion pesos. Last quarter, this figure was 11.3 trillion pesos, posting a growth rate of 8.5 in the quarter.

You can see in descending order the other elements that define the corporation's strategy. Investments have a 16% participation, going down from 23% last quarter. This is primarily associated with the decrease in fixed income investment by the treasury, taking advantage of market opportunities and maximizing the generation of profit by that business unit.

Concerning cash and interbank, let's say that the corporation maintains its presence in markets, their participation increased from from 10% to 13.5%.

Regarding the portfolio and accounts receivable, they decreased from 17.4% of total assets to 12.3. There was a decrease. As you may remember, in the last conference call we explained that the reduction from 2.3 trillion pesos in the second quarter of '18 to 1.7 trillion in the first quarter of '19 was explained by the transfer of assets and liabilities from Leasing Corficolombiana to Banco de Bogotá and Banco de Occidente.

Finally, concerning fixed assets of the corporation and its subsidiaries, although the figure has remained stable given the base increase, its participation decreased from 17% to 14.2%.

The next slide shows each sector where we have investments, which clearly contributes to our growth. First, it is evident, and what we have just mentioned is reflected.

We start with the participation in the total assets of the financial sector, it decreased by 0.77% or 470 billion pesos, to be exact.

Our growth in the gas and energy sector continues. There is a 12% increase year-over-year, totaling over 11 trillion pesos in this sector.

In infrastructure, we went from 4.3 trillion pesos to 10.4, increasing by almost 14% and 6 trillion pesos.

Although our hospitality and agroindustry sectors are smaller compared to the other ones, they continue to grow. Hotels grow by 11.5% and agroindustry by almost 2%. Hospitality contributes almost 100 billion pesos to total consolidated assets. And agroindustry, despite the problems mentioned in previous quarters, continues to contribute 11 billion pesos to total assets. Thus, we reached 32.7%, adding 7 billion pesos to the corporation's total assets.

Slide 11 shows the counterpart, that is, our liabilities. As mentioned at the beginning, they grew by 23%. The item that grows most are the liabilities, in accordance with the evolution of the concession assets.

The difference between the accounting result and the tax result generates deferred taxes and that is how a relatively big number is registered in liabilities, in which we classify as other liabilities, go from 2.9 trillion pesos in the second quarter last year to 5.5 trillion pesos this quarter.

The financial obligations of the entities, what we see as financial obligations, is basically the aggregate of financial obligations of the entities of the real sector.

There was a significant increase from 4.6 trillion pesos in the previous quarter to 5.2 this quarter, which reflects the concessions' need for financial resources.

You can also see that the most significant increase took place last year, when it increased from 3.5 to 4.6 trillion pesos.

Money market operations remain in traditional ranges. Last year they represented 2.5 trillion pesos and last quarter 2.2, which is associated with the liquidity and fixed income investment portfolio strategy implemented by the corporation's treasury.

This slide also shows the participation of savings accounts and CDs, which reached 4 trillion pesos this quarter. Last quarter it had closed at 3.6 trillion pesos, showing the corporation's ability to participate in the money market and in the securities market.

On the other hand, in the right side we see what I mentioned at the beginning. The corporation's consolidated equity increased from 5.6 trillion pesos to 8.9. Controlled equity grew significantly based on the equity method used. It is important to mention the importance of capitalization in this equity growth. Capitalization was carried out through the issuance of shares for about 1 trillion pesos in September last year.

The income statement basically reflects the same information we have mentioned so far in the presentation. The gross margin of the real sector was 1.048 trillion pesos in the previous quarter and right now we see a similar figure, 1.046 trillion pesos.

We see a significant difference in income due to the equity method in entities controlled by our subsidiaries as well as in dividends, which largely explains the difference between 115 billion pesos in the previous quarter and the 55 billion from this semester.

The 55 billion pesos obtained this quarter only contemplate the equity method, while the 115 billion from the previous quarter included about 76 billion of dividends from companies that we have no control over.

Regarding financial expenses...

Well, first I want to talk about that additional column that you don't traditionally see. We can see the second quarter of 2018, the first quarter of 2019 and that third column was called "re-expressed first quarter of 2019". We did it for comparability purposes between the previous and the current quarter.

The fourth line from the bottom up in the consolidated financial statements, page 12 includes an item called "net profit of discontinued operations". The leasing company transferred its assets and liabilities to Banco de Bogota and Banco de Occidente and some remnant CDs to the corporation in January, and international accounting standards require changing the entity's accounting regime given the condition of the leasing, which is the suspension of the main business and the explicit request to the Financial Superintendence to authorize its liquidation. This is also consistent with the local standard. It is a discontinued operation whose accounting must be registered in accordance with specific principles for entities going into liquidation, so, the leasing company's quarterly results should be reflected in the corporation's consolidated figures because of what I just mentioned and they should not be distributed in the corporation's income statement and consolidated balance sheet.

As you can see, there is an only effect, some other figures in the P&L reflect the consolidation of the entire operation of the leasing company in the semester under that item, but it is not significant when compared to the corporation's results.

Going back to the consolidated results, I would like to talk about other income and expenses. The corporation had a stable behavior, as well as our real sector entities. There are no significant differences in the management structure of these consolidated financial statements.

Net Income before tax went from 755 billion last quarter to 680 billion pesos this quarter.

Income tax was reduced due to changes in deferred taxes mainly from Promigas. It decreased from 234 billion pesos last quarter to 167 billion pesos, which anyway reflects an increase of almost 90% when compared to the second quarter of 2018.

Net income in the corporation's financial statements reached 490 billion pesos in the quarter. 364 billion correspond to controlled net income, which is very similar to the one we have shown you in the separate financial statements.

We saw the EBITDA grow 57% year-over-year and also in the last quarter, mainly explained by its increase in the infrastructure sector. It increased 123%, contributing 354 additional billion versus the second quarter of last year.

These strong differences in the infrastructure sector will reflect greater stability due to the comparability generated after the September adoption, which will allow us to show the real evolution of this business.

Concerning energy and gas, there was a decrease of 12 billion pesos in EBITDA.

The hotel sector has an increasing participation, and this is reflected in the total financial statement.

Agroindustry reflects business evolution and decreases participation this time by 1,383 million pesos.

And similarly, the financial sector decreases by 1.7 billion pesos due to the situation of the leasing business.

Finally, regarding the corporation's funding, it has been growing slowly.

Money market operations reach 2.2 trillion pesos, much lower than one year ago and very similar to those of last quarter. This is in line with the corporation's strategy.

Other highly liquid minor deposits reached 774 billion pesos versus 753 the previous quarter. CDs reach 3.3 trillion pesos, compared to 2.9 trillion in the previous quarter.

The corporation has captured 20-year CDs, increasing the average maturity of the resources used to fund equity investments from 5.4 to 5.7 years.

You can see in the graph on the top right, the evolution of the catchment margin vs a reliable indicator such as the IBR (benchmark rate). One year ago, we had a 2.58 margin versus the IBR and a 6.89% average rate. Last quarter, we had 192 basis points and this quarter we have 189 basis vs IBR, confirming the market's appetite for securities issued by our corporation.

Now, I want to invite Mr. Gustavo Ramírez, who will explain the evolution of business.

**Gustavo Ramírez:** Thank you very much. Good morning everyone.

In the following slides we will go over the performance of our company and our portfolio. Before doing that, I would like to mention some highlights.

The first one, is that this second quarter we continue to see dynamic economic growth. Indicators such as traffic on roads, hotel occupancy and industrial consumption of gas show favorable signs, which indicates that we are experiencing the positive phase of the economic cycle. We will talk about the strength of our energy, infrastructure and hotel sectors.

I would also like to mention that, as we are going to see, the landslides on our roads have not affected work progress or the results of the concessions.

On the other hand, we're seeing weakness in the agroindustry sector and our financial companies.

Finally, it should be noted that these results demonstrate the seasonality of the quarter. This year, Holy Week was in the second quarter, while it was in the first quarter in 2018. This distorts the comparison, so it might be better to compare the accumulated figures of the whole semester of each year.

Let's take a look at the results of the energy sector, where Promigas is the main company. We see solid asset growth, given the investment made by Promigas in new projects. EBITDA

remains constant basically because of two reasons. One, because gas transportation has remained low versus the previous year. This year, the expected gas transportation for thermoelectric generation was not generated. At the beginning of the year, a strong El Niño phenomenon was expected to produce thermal generation, which did not happen. Second, some Promigas transport projects will begin by the end of the year and this will be reflected in this year's income and EBITDA. Moreover, both the number of distribution users and the volume of gas in the residential and industrial sector grew significantly this year compared to the previous year.

It is very important to mention that concerning Promigas, as mentioned at the beginning, the first section of the Canacol gas pipeline has already started operation. Around 60 million cubic feet per day are being transported. Our expectations are that the pending segment will be operational in the third quarter this year. In this first section was the most complex section from the technical point of view. It was an underground sub-fluvial crossing below Canal del Dique, that is, below the riverbed. 3,400 meters of underground pipe, making it the longest sub-fluvial crossing in Latin America. It was a very successful work and we are proud to put it into operation through Promigas.

We continue on slide 18 with the infrastructure sector. The trend of rising profit incomes continues. If we compare them with those from the previous year, the results are significantly higher because three of our concessions are being constructed this year. Traffic has also grown this year, despite the fact that particularly in the road to El Llano, during the quarter, traffic was reduced due to road closures. The decrease in this road was offset by other roads and tolls, which shows the robustness of traffic growth nationwide.

Slide 19 shows in detail where EBITDA of our infrastructure sector comes from. We have seen a trend since last year. On the one hand, significant EBITDA growth, which reached 512 billion pesos in the second quarter this year, also, this is largely explained by the 4G concessions under construction, especially Coviandina, which has the fastest construction pace and which explains almost 70% of the concessions' EBITDA, followed by Covipacífico and, to a lesser extent, Covioriente, which is just beginning to establish a construction pace.

Slide 20 shows a summary of the status of 4G constructions. I would like to highlight two things here. First, the last two columns show work progress. We compare that of June '19 to the one from the previous quarter, so that you can see the evolution of work progress. It is important to mention that Coviandina, which is the one with the most progress, was at 51% by June, followed by Covipacífico with 23% and Covioriente, which started last, with a little over 16%.

Another important issue is Covimar, as you know, Covimar is the only one of our four 4G concessions, where construction work has not started. We are still waiting for the environmental license. We expected to receive it earlier this year so we could start construction work. As we have announced in previous calls, the environmental license has

not been obtained. However, the regional environmental authority in Valle del Cauca set some obligations prior to construction that made us anticipate that even if the environmental license by the ANLA was issued at that time, we could only start work by mid-2020.

The latest news received last week is that the ANLA requested additional information and studies that make us believe that construction work will not start in 2020. Our expected date to start the construction of Covimar is now 2021.

As of the cutoff date in June 2019, we have invested 1.23 billion pesos in our 4G concessions.

Slide 21 shows the performance of the agribusiness and financial sectors. As I mentioned at the beginning, they have the weakest performance. In fact, both Pajonales and Unipalma, our palm and rice companies, have had a poor performance in this first quarter and semester of '19. In the case of Pajonales, climate issues have affected and delayed rice planting. On the other hand, in Unipalma palm prices and the effect of the lethal wilt disease have reduced production and, therefore, company results. We do not expect this situation to change significantly in the rest of the year.

In the financial sector, we show a significant effect due to the liquidation of our leasing company. We are registering the relevant expenses and the liquidation is awaiting authorization by the Superintendence of Finance, which was requested in May. Once it is granted, we will proceed. We hope this will be achieved in the remainder of the year.

Finally, in hospitality, we have positive news given our strong growth both in assets and EBITDA; as well as in the results of Hoteles Estelar. A new operation began in Cartagena last June in alliance with Hoteles Meliá, offering a beach hotel for adults only that I believe complements very suitably our hotel offer in the city.

Hotel occupancy in Estelar is reaching 58%, much higher than the previous year, and the number of rooms sold has grown by 10.9%. If we estimate it based on organic growth, that is, without taking into account the new operation, this figure is 7.3%, which is significant, so we believe that this year will be very positive for our hospitality sector.

This was our summary about the performance of our investments.

**María Lorena Gutiérrez:** Thank you very much. Let us move on to the question and answer session.

**Operator:** Thank you. At this time, we will begin the question and answer session.

If you have a question, please press \* and then 1 on your touchtone phone. If you wish to be withdrawn from the waiting list, please press #. Remember, if you have a question, please press asterisk \* 1.

We have a question from Juliana Aguilar, from Bancolombia.

**Juliana Aguilar:** Good morning everyone. Thank you for the presentation.

I have some questions about the concession signed by Promigas in Peru. Could you give us additional information? For example, will Promigas do it directly or through Cálidda? Is there an estimated date for the start of operations? Also, what is the expected income for Promigas? Thank you.

**Gustavo Ramírez:** Yes, thanks for the question.

First, I would like to say that the investments Promigas has in Peru are divided into two: those that it controls and those that it does not control. In Cálidda, as you know, it is in partnership with Grupo Energía Bogotá, which is the controlling shareholder of Cálidda. This company is the distributor in the Lima and Callao regions. Regarding the investments that Promigas does control, there are, first of all, Quavii, a concession it won some years ago, and it is the major shareholder. It works in the departments north of Lima. The second one is this new one that was just signed, which is in the department of Piura, in the north border area.

So Promigas already has control over two concessions in northern Peru. This strategy, as we have mentioned, includes the development of that area, which has high industrial development. As we have said before, Promigas' objective is doing in northern Peru the same thing it has done in northern Colombia, that is, to develop and provide more opportunities for natural gas consumption.

The presentation includes some preliminary figures on the target number of users. We hope early operation to start in 12 months and full operation within 18 or 20 months.

Next question.

**Operator:** We have another question from Rodrigo Sánchez, from Davivienda Corredores.

**Rodrigo Sánchez:** Good morning. Thank you for the presentation.

I have a couple of questions. The first one is, under the current conditions of the ruling by the Arbitration Court and in case the annulment is not achieved, do you see any risk that the concessionaire could have to respond for the remnant owed to third parties in good faith? Are you concerned about Odebrecht's financial situation and filing for bankruptcy?

My second question is: could the conditions of the financial closing of Coviandina change due to the difficulties experienced in the road?

I would also like to know the total investment made in the 4G concessions, including debt and equity. Thank you.

**María Lorena Gutiérrez:** I will answer the question regarding the ruling and then I will give the floor to Gustavo.

It is worth clarifying that what the Court says, as I mentioned at the beginning, is that it orders the ANI to pay 211 billion pesos to the concessionaire to cover obligations with third parties in good faith and it also establishes those payments in order of priority.

That involves labor or employees, then taxes to be paid to the DIAN, then we have suppliers and then payments to banks for the credits obtained by the concession from seven banks. Once the ANI orders the payments as part of the contract we have with the fiduciary, it would be determined if this procedure is to be continued.

We see that the resources that were established by the Court in the ruling would be enough to pay the workers, the DIAN, some suppliers and an amount to the banks, let's say well below to the owed to the seven banks.

Our risk, as Corficolombiana... as you know, anyone can sue in this country, but I would like to clarify that we see a very low risk because the credit agreement for financing this project was signed in 2014 between the concession and the financial creditors. That contract does not include any endorsement or guarantee by the project partners. In particular Corficolombiana was only the structuring advisor of the credit.

The only guarantee for that payment, as I was explaining, is the trust where there are 211 billion. So, we believe that legally we have no solidary liability for the debts of the concession.

However, I want to remind you, as we have said in previous calls, that Corficolombiana already provisioned all of its investment in Ruta del Sol, so we do not see any future impact regarding the latest events involving Ruta del Sol.

Concerning the Villavicencio road, as the Ministry of Transportation has recently shown, it is almost clear. However, all the required studies are being conducted so that the Ministry of Transport can finally determine when the road can be reopened.

We are working together with the Government and the concession to find a definitive solution for kilometer 58.

I will now give the floor to Gustavo to talk about the road and the future of obligations with the ANI.

**Gustavo Ramírez:** Yes.

Regarding your question on the effect in Coviandina, we believe that it is none or very low for two reasons. First, because the concessionaire currently in charge of the road is Coviandes and not Coviandina, when the expected traffic is achieved in the coming months, the road will be operated by Coviandina, but this has not happened yet. Anyway, the concession is not liable for the landslides and the costs involved in the repair works to solve the problems they have caused, first because they were not originated on the road itself but in the

surrounding mountains, let's say outside the area of influence of the road although it was affected, and second, because the concession contracts have established that unstable areas are not the responsibility of the concession, but of the ANI.

So we can say that neither the costs caused by the landslides or the reconstruction of the road are the responsibility of the concessions, neither Coviandes now nor Coviandina once it takes over the operation. Therefore, it should not have any effective impact in costs. That is why I mentioned at the beginning that these landslides should not have a material impact in the results of our concessions.

You also asked about the investment figures of our concessions. The table on page 21 includes some information that may answer your question. We show the total expected Capex for the four projects and the table shows the level of progress. With these two data, you can have an approximate figure of the investment made so far.

**Rodrigo Sánchez:** Perfect, thank you very much.

**Operator:** The next question comes from Steffanía Mosquera, from Credicorp Capital.

**Steffanía Mosquera:** Good morning. Thank you for the presentation. I have three questions.

The first question is about Coviandina. Since execution is now over 50%, I would like to know if you expect that execution rate to slow down and the effects this would have on Corficolombiana's financial statements.

The second question is regarding Covimar. We have already seen twice that there are problems with the environmental license. I would like to know if you expect any additional delays in the work, considering that Buga - Buenaventura is no longer being considered 4G.

The last question is a bit more specific. I would like to know what drove Promigas' increased equity method and dividends.

**Gustavo Ramírez:** Well, regarding the first question, construction work in all of our concessions advances according to schedules and commitments.

As you know, both Coviandina and Covipacifico have a five-year execution time from the beginning of construction, and Covioriente has a four-year execution time. That means, specifically in the case of Coviandina, that half the work has been done. It started towards the end of '16, so we are on schedule. The landslides on the road have not affected this schedule at all. Therefore, we see no impact on the ANI's execution schedules or on our internal schedules.

**Steffanía Mosquera:** Gustavo, that's exactly my question. Considering that construction work is expected to finish in 2021, what would the impact in Corficolombiana's financial statements for not receiving that income?

**Gustavo Ramírez:** Ok. I understand. That is a different question.

As we have said before, an important part of the income we are reporting these years comes from profit during construction work, given that our concession business model has two phases, construction and concession.

The construction business is short term and it lasts as much as construction work, which is four or five years. Concession income is received for as long as the concession lasts, say 20, 25 years or even more.

Effectively, once construction is completed, income from construction will not be received anymore. At that point, we should have two things: first, full revenues of an operating concession. Second, new projects.

**Steffanía Mosquera:** Sorry. There I'll make a follow-up. The question is basically if Coviandina would be expected to continue advancing at the same pace or if at the end of construction work pace may slow down a little.

**Gustavo Ramírez:** This type of projects usually has what we call an S construction curve, which means that it decelerates in the first months and later accelerates towards the middle of the construction period. That is the usual way in which a construction makes progress. It is not linear. We expect the same progress and the corresponding generation of revenue.

The second question you asked is about Covimar. As I have mentioned in all these calls, all the obligations of the concession to obtain the environmental license have been met for months and even years. The most important one was prior consultation with the communities, which took a long time but was successful. For several months, we have been awaiting authorization from the ANLA environmental authority.

As mentioned before, these authorizations have been delayed for several reasons. First, the ANLA decided to apply a previous law to this process, not the one provided for in the Infrastructure Law, which guaranteed faster procedures. Second, last week's decision to request additional information and studies involves field work and sampling, etc., so as we mentioned before, we believe that the environmental license will not be received until late 2020. I want to emphasize that this is entirely a responsibility of the environmental authorities. The concession has met all contract obligations and at this point, any additional delay in the project will depend on that.

**Steffanía Mosquera:** Ok, thank you very much.

**Juan Carlos Paez:** Concerning the third question on the equity method and dividends in the consolidated financial statements, as I mentioned in my presentation, this is mainly explained by the performance of Promigas' subsidiaries.

In fact, of the 55 billion pesos shown in the consolidated financial statements, 52 billion correspond to the equity method of Promigas' subsidiaries, specifically Cálidda and Gases del Caribe. In the case of Cálidda, it is investment abroad. There is some FX difference, but it is due to an improvement in the performance of these two companies. Cálidda went from 10,700 to 27,000, and Gases del Caribe went from 20,000 million pesos to 24,000 million pesos in the quarter.

**Operator:** We have one last question from the web. It says, “Juan Miguel Espejo, from Protección. We would like to know the projected cash inflow and outflow for the next few years, specifically the Capex requirements of the 4G concessions, as you show before, 1.23 trillion pesos have been provided and the total contribution is 3.19 trillion pesos. When would those movements be expected and how would they be covered?”

**Gustavo Ramírez:** Yes. As we have mentioned before, our cash structure is the following. The expected equity contribution must be made during the road construction stage. That is, *pari passu* with execution of the work. The remaining part of that equity in each concession should be obtained as the work develops. Once the construction phase ends, the concessions will begin to generate cash that will be received by the corporation. These equity resources basically come from three sources. First, the corporation's internal cash received from other investments, dividends paid, once internal corporate expenses are covered. Second, the capitalization due to the issuing of shares last year for almost one trillion pesos. The rest comes from the corporation's increasing leverage through long term CDs and expected bond emissions in the near future.

**Operator:** We have another question from Rodrigo Torres, from Valora Analitik. "Can you remind us what is Promigas' priority to complete the Canacol facilities?"

**Gustavo Ramírez:** Promigas' strategy basically focuses on two main lines: service diversification and geographic diversification.

Regarding the first one, we continue to strengthen the transportation system in Colombia. That is part of the Canacol project and other similar ones that may come up. This depends basically on where gas is discovered.

Canacol and other producing companies found gas in the Córdoba and Sucre area and it had to be transported. This created the need to strengthen Promigas' transport facilities. Once these fields continue to be discovered, investments in terms of transportation will be required. On the other hand, as I said, Promigas' focus and priority is on diversifying its business lines. Part of that is investing in the regasification plant. As you know, the first regasification plant in Colombia was built by Promigas a couple of years ago. It is a business line that we want to continue working on.

Second, we have geographic diversification, looking at other countries where Promigas can develop and apply its know-how. Peru is an example of this. Developing the gas business in

Peru is a priority for Promigas and it has been quite successful with all the development plans in northern Peru. We believe there are many options for Promigas to do in northern Peru what it has done in the last 40 years in Colombia.

Of course, other countries where Promigas can do similar developments are being considered.

**Operator:** Thank you. At this time, we have no further questions.

**María Lorena Gutiérrez:** Well, thank you very much. We'll be in touch. Have a nice day.

**Operator:** Thank you everyone. This concludes today's conference.

If you want to listen to this conference again, it will be available on the website [www.corficolombiana.com](http://www.corficolombiana.com) very soon.

Thank you for participating. You can now disconnect.