

PRESENTATION OF RESULTS 3Q-2019

Operator:

Good morning. Welcome to Corficolombiana's third quarter 2019 results conference call. My name is Sylvia and I will be your operator today.

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

From this moment, the conference will be led by Corficolombiana's president, María Lorena Gutiérrez. Mrs. Gutiérrez, you may begin.

María Lorena Gutiérrez:

Silvia, thank you very much. Good morning everyone and thank you for joining us in this presentation of results for the third quarter of this year. As usual, we are going to give you some general figures and talk about relevant facts about the third quarter. Juan Carlos Paez, Executive Vice President, is with us today, and he is going to go over Corficolombiana's financial results. Later, our Investment Vice President, Gustavo Ramírez, is going to discuss our investment portfolio.

In general terms, in the third quarter we reached the following consolidated figures: assets of 30.49 trillion, equity of 9.53 trillion, and net profit of 360.7 billion. This represents a ROE of 27.84% and a solvency of 39.34%. If we look at the figures in separate financial statements, this means that Corficolombiana has assets of 14.13 trillion pesos in the third quarter, a total equity of 7.28 trillion pesos, and a profit of 367,577, which gives us a ROE of 29.65% and a solvency of 38.98%.

Our consolidated EBITDA in the third quarter was 1.02 trillion pesos, giving us an EBITDA margin of 38.8%. From the third quarter of 2018 to the third quarter of 2019, EBITDA grew 23.5%. I would like to point out that this result is the actual growth, given that in the third quarter of 2018 we recognized profits of the 4G highways with the application of NIIF 15, but there was some recognition of what those highways had generated during 2018. This is actually our growth from the third quarter of '18 versus '19.

We maintain the investment grade, according to the rating agencies. For Fitch Ratings, our rating is AAA local and BBB international. According to BRC Standard & Poor's, we maintain our AAA rating locally.

As you know, on August 27 Corficolombiana issued bonds in the local market for 500 billion pesos, which are part of a bond issuance program approved by the Superintendence of Finance for up to 1 trillion pesos. This first issuance was well received by the market, confirming the confidence of investors in Corficolombiana. It was oversubscribed 2.1 times

and the terms were 3, 10 and 20 years. This has basically allowed us to extend the term of the debt that finances our entire investment portfolio from 6 to 7.4 years. Our investment portfolio consists of sustainable long-term investments so with this bond issuance we wanted to get closer to the term of our investments.

I will now go over some relevant facts of the investment sector in general. In infrastructure, as we had announced and as the whole country knows, the road was closed at kilometer 58. In October, the National Government and the ANI, with our support, reopened the Bogota - Villavicencio road partially, which is being monitored permanently and restrictions are being established by the National Government.

On November 6, Coviandes reverted the construction contract with the transfer of the Bogota-Villavicencio corridor to the ANI, which, in turn, handed it over to Coviandina. Coviandes is going to continue building the works that had been contracted, which includes the reconstruction of the Chirajara Bridge and all the stabilization work at kilometer 58. We have been talking to the National Government about taking care of some critical points on that road and we are working together to find a solution.

In terms of construction, Gustavo will talk about it later, our execution averages are higher than originally projected with ANI. In Coviandina, we reached 58% of construction, 27.6% in Covipacífico, and in Covoriente, which is the road from Villavicencio to Yopal, we are at 19.6%. In general terms, those are the most outstanding facts from the infrastructure sector.

In terms of energy, I would like to mention a project that, as you know, is very important for Promigas, which is the Jobo-Majaguas gas pipeline. On August 4th, 85 kilometers of that pipeline came into operation, which has an available transport capacity of 100 MPCD to Cartagena. On August 27th, firm capacity for 15 MPCD is declared up to Barranquilla, as a result of the entrance of the new Philadelphia station. As we mentioned in our previous call, constructing that gas pipeline under the Dique Canal has been one of the most important engineering works in the country.

On August 10th, and it was very good news, Promigas made its debut in the international capital market, successfully issuing bonds for \$400 million dollars together with Gases del Pacífico, which is a subsidiary in northern Peru, which acted as co-issuer. This issuance was very successful, it was oversubscribed 6.5 times and obtained the interest rate, and it is very important, for a Colombian issuer in international capital markets. The rate was 3.75% for a ten-year term. 100% of the resources, as announced by Promigas, will be used to refinance existing loans.

Within our specific Promigas plan, as we have mentioned before, we want to continue penetrating the Peruvian market, which could be compared to the Colombian market some 15 or 20 years ago. In our northern Peru subsidiary, we are consolidating Promigas' position. Last November 12th, a contract was signed to begin the concession that will take gas to the Piura region, north of Peru. This concession has a 32-year term and will benefit 250,000

users, with an expected investment of 230 million dollars. This is a big challenge, as it involves the construction of more than 1,000 kilometers of pipeline.

In terms of Ruta del Sol's process and legal aspects, I just want to mention that, in the process ruled by the Administrative Court of Cundinamarca, we filed an appeal and an annulment before the State Council, which on October 24th issued a resolution that modified the suspensive effect of the first instance decision regarding the inability of Ruta del Sol concession and its shareholders, including Episol, to subscribe contracts with the Colombian government for a ten-year period. After all of our legal analysis, given that Episol does not contract directly with the government, this should not have any effect on Episol, on our concession. All parties involved filed appeals to overturn this decision.

With respect to the payment of damages to collective rights in the amount of 716 billion. This will not take effect until a final decision is made by the State Council, as we have mentioned since the decision of the Administrative Court of Cundinamarca was informed.

With regards to the process being carried out by the Superintendence of Industry and Commerce – SIC -, hearings have been held during the last two months to confirm previous testimonies and new witnesses have been interviewed. We are still in the evidentiary stage, and a decision by the Superintendence may take a year, 6 or 4 months.

Regarding the Arbitral Tribunal, which we have also mentioned, finally annulment appeals were filed by Episol and the other interested parties, in order to obtain the annulment. The appeals were based on recurring arguments such as arithmetic errors, lack of competence of the court to decide on certain matters, and unlawful decisions. This is basically all about Ruta del Sol.

Also, as it is public knowledge, the Superintendence of Transport and Ports issued a resolution declaring the liquidation of the concession. This issue is then taken to the Superintendence of Societies, we expect it to appoint a liquidator in the short term, which is also part of our strategy to be able to close this Ruta del Sol chapter within our infrastructure portfolio and Corficolombiana.

These would be the most relevant facts; we would mention other in the future as we advance in the conversations. Now the conference will be led by Mr. Juan Carlos Páez, who will present the Financial Statements.

Juan Carlos Páez:

Good morning everyone. On slide six we are showing, as usual, our consolidated balance sheet and its composition both in the second and third quarters of this year.

In the top left corner, you can see our asset composition, which grew 20.6% year-over-year, going from 25.2 trillion pesos to 30.5 trillion. We saw a 7% growth in the quarter, showing

the stability of the model adopted last year. Concession assets is the component with the biggest growth, mostly in the prior quarter. It had a participation of 36.4% one year ago and has grown by 44% this quarter, reaching 13 trillion pesos against 9.2, a year ago. This is related to the organic growth of roads and Promigas, where there are financial and intangible assets. In fact, financial assets reached 6.4 trillion pesos this quarter against 4.2 trillion pesos last year, growing 52% year-over-year. Intangible assets reached 40%, going from almost 5 trillion pesos a year ago to 7 trillion pesos today.

The next item, which is investments, had a 23.2% participation one year ago, while now it stands at 17%. As you may remember, it includes partnerships and joint ventures for approximately 760 billion pesos and variable income investments of our entities, which go from 1.8 trillion pesos to 2 trillion pesos.

Other important components are fixed income investments and operations involving derivatives, which last year amounted to 3.2 trillion pesos. This year, due to the portfolio reduction we have mentioned in previous conferences, it went from 3.2 trillion pesos to 2.5 trillion pesos in the quarter.

The treasury operation is mainly reflected in the next item, cash and interbank funds, showing the corporation's liquidity and the trend in the Colombian market. Loan portfolio and accounts receivable represented 14.7% last year, while this year they stand at 12.6%. As you can see, the reduction in participation had already taken place in the previous trimester, when it stood at 12.3%, basically due to the liquidation of the leasing company that transferred its loan portfolio to Banco de Bogotá and Banco de Occidente. Finally, other assets represented 14.4%, while now they stand at 13.3 trillion pesos; there is nothing to highlight there.

Liabilities grew 17.9% in one year and 7.2% in the last quarter.

I am going to read each column from top to bottom. Let us start with other liabilities, which had a 23.2% participation that now stands at 24%, and included liabilities generated by the operation of concessions and Promigas. Financial obligations reach 6.7 trillion pesos, 32.4% of the 20.9 trillion pesos that total the consolidated liabilities, are credits related to the concessions and Promigas. They represent 6.7 trillion pesos while one year ago they reached 3.8 trillion pesos. Deposits represent 20% in this structure of liabilities, while one year ago they represented 21%.

Issued securities stand at 14%, while they stood at 16% one year ago. We closed at 2.9 trillion pesos, while last quarter they stood at 2.7 trillion pesos. This is related to last year's issuance.

Finally, the market operations item includes the treasury operation. Right now it stands at 2 trillion pesos, compared to 3.2 trillion one year ago, which reflects the Corporation's evolution in terms of investments and liquidity.

As you can see in the next slide, the composition continues to evolve as we had already mentioned a year and a quarter ago, with a significant participation of infrastructure, reaching 11.1 trillion pesos, having grown 4.4 trillion pesos in the year. That growth in the infrastructure sector is equivalent to 67%. Gustavo will later talk about the evolution of this sector, but as I mentioned, we are seeing a very large growth of intangible assets and financial assets in similar amounts to those 4.485 trillion pesos of growth. On the other hand, gas and energy continue to grow at a very good rate, 15% this year, increasing the sector's total assets by 1.525.

The financial sector, which stood at 7.3 trillion pesos last year, stands at 6.5 trillion pesos this year, decreasing 833 billion or 11%. The variation is basically the one we mentioned last quarter and in fact the participation of assets in this sector in the previous quarter is very similar. The other sectors, such as hotels and agroindustry, grew 11% and 4%, with an increase of 93 billion pesos and 24 billion pesos respectively.

Finally, these variations in infrastructure, gas and energy and other sectors allowed us to increase 5.2 trillion pesos in the year or the 21% that we are showing comprehensively in the consolidated financial statement.

Slide eight shows our consolidated financial statement. As you can see, while operating income, cost of sales, participation method, and dividends grew around 21 - 23%; financial expenses grew at a significant rate this year, 66%, mainly due to interest expenses. As you can see in the third column, where we present this quarter, there was a growth from 221 billion pesos to 258 billion, which is related to the evolution of financial obligations in the concessions, mainly Coviandina, where expenditure grew by 48 billion pesos in the quarter.

I want to highlight the difference you see in other net financial revenues. Last semester we saw \$83 billion pesos of revenue. One year ago, in the first half we saw \$25 billion pesos. This quarter we see a result of \$4.6 billion pesos in this item. Foreign exchange difference has a very significant impact in these figures. We are recording FX difference related to two main items, treasury operation in the derivatives component, but as far as the real sector is concerned, this effect is largely seen in the debt of one of the concessions, specifically, Covoriente.

After this, we can see depreciations, amortizations and provisions, where we went from \$127 billion pesos to \$83 billion. We have fewer amortizations associated with Coviandes, which as Maria Lorena mentioned, handed the road over to the Government. We also registered a change in the collection management policy in Surtigas and lower amortizations in PISA.

In terms of other income and expenses, we see stable results, with \$30 billion pesos, similar to last quarter, but different from one year ago, when we registered \$63 billion pesos. Let me remind you that at that time we recorded a significant recovery in Coviandes, which explains most of that difference.

The contribution of EBITDA for the quarter was 1.16 trillion pesos, 918 billion pesos in the previous quarter, and 1.3 trillion pesos one year ago. As Maria Lorena mentioned in the introduction, last year's result is strongly affected by the adoption of accounting policies that reflect more realistically the operation of the highways.

Net income before taxes is very similar to last quarter's, although a bit higher, reaching 685 billion pesos; which after subtracting the negative result of discontinued operations, where again the leasing company is very important, we see an income tax and deferred tax of 179 billion pesos, and a net income for the quarter of 503 billion pesos.

Let us remember that this tax totaled 179 billion pesos, which was quite similar to the 178 billion pesos of the previous quarter, is significantly lower than the 375 billion from one year ago, mainly due to the change in future tax conditions generated by the financial reform, with the deferred tax ranging close to the same amounts we are showing this quarter.

Of those 503 billion pesos, controlling net income reaches 360 billion pesos, a very similar amount to the corporation's separate income of the quarter.

Slide 9 shows the contribution to the EBITDA. As we mentioned one year ago and in the last quarters, infrastructure, as road construction evolves, is a very significant contributor, with 582 billion pesos in the quarter. If we had homologated last year's financial statements, EBITDA would have represented 427 billion pesos; but in reality, given the adoption that we have mentioned several times in this presentation, it represented 946 billion pesos.

Finally, it is important to show that although we show a reduction in total EBITDA of 24%, the real operation and the real evolution of the operation of the companies in which the Corporation has invested increased by 23.5% year-over-year.

Finally, slide ten shows the evolution of the Corporation's funding. We are showing a new item, bond issuance, representing 503 billion pesos. Actual issuance was for 500 billion, but the difference is related to interest expenses. CDs grew by 400 billion pesos, as the corporation continues to be an important issuer of this type of securities. As you see in the lower right figure, despite the growth I just mentioned, about 400 billion pesos in CDs year-over-year, our collection rate continues to be efficient. One year ago, the margin against IBR was 198 basis and this quarter the margin is 188 basis points, that is, ten less than one year ago. This is very important when we consider that the average tenor of the CDs that finance the investment in subsidiaries, went from 5.7 years on average to 6.3 at the end of this quarter.

It is worth mentioning our double leverage. Despite the important growth in the structure of both assets and liabilities, it has been consistent so our double leverage ratio, which one year ago was 127.8, is at the moment even lower, pointing to a 127.2%.

Now the conference will be led by Gustavo Ramírez.

Gustavo Ramírez:

Thank you Juan Carlos. Good morning everyone.

In the following slides we are going to briefly review our investment portfolio in the third quarter of 2019.

Before beginning, I would like to say that during the third quarter we feel that economic activity has remained vigorous and, in general, in our portfolio we will see some very good results in Promigas, and in general in our energy and gas sector, and in infrastructure. We have contrasting results in our agribusiness component: good results in rice, not so good in palm. In the financial sector, we continue the liquidation of our leasing company. We also had stable results in the hotel sector.

Moving on to slide 13. Let us talk about energy and gas. As I mentioned, Promigas is going to have record results this year. I will refer to two main aspects. On the one hand, the transport business is consolidating, as we are about to complete the Canacol pipeline. It is complete up to Cartagena and it is billing, and partially between Cartagena and Barranquilla. Next year it will begin to show considerable results both in terms of revenue and EBITDA. It is also worth noting that transportation revenues are in dollars, so this also has a positive effect because of devaluation.

For the accumulated year, we have an EBITDA increase of almost 5%. In September, with the start of revenues from these new pipelines, we saw an even greater increase of 13% compared to the same period last year.

In the distribution business, we broke down the information to show it to you not only by companies, but also the distribution and commercialization business in the different market segments. Something worth pointing out is that it includes all the companies in which Promigas participates in Colombia - the first three - and in Peru - the last two -. Gasnorp, which is the one that just signed the contract, is not yet included there.

I want to bring your attention to the increased number of users from one year to the other. In Colombia, the number of users is growing on average between 4 and 5%, which is a very good number for mature markets like ours. Where we see extraordinary growth is in Peru, which shows where we will see the largest growth of the distribution segment in Promigas in coming years.

In the following slide we have the infrastructure sector, where we continue to see the largest growth in our investment portfolio. We see growth in consolidated assets of over 66%. Then we have the EBITDA, where we have grown almost 30% in the three quarters of '19 compared to the three quarters of '18.

In the following slide, when breaking down this number we see that EBITDA grew from 1.26 trillion to 1.64 trillion. The chart below shows growth of traffic on roads. On the road to El Llano, the Bogotá-Villavicencio road, of course we have a decrease in traffic due to road closure, as all of you know. If we eliminate Coviandes, we can see a vigorous growth in traffic in the rest of the highways, of over 6%, which is quite good. We had not seen such

growth in recent years. We believe that greater road traffic is a very good indicator of economic activity, and that's why we feel that up until this quarter economic growth has been vigorous.

Moving on to page 15, we broke down the previous EBITDA number. We compared the accumulated as of September '18 to the accumulated as of September '19, 1.26 trillion versus 1.64 trillion that we saw in the previous slide. Again, the bulk is explained by the 4G concessions, which went from 962 billion in '18 to 1.3 trillion in '19, mainly explained by Coviandina, our private initiative concession on the road to Los Llanos. This is the concession with most progress in terms of execution. It is also the one that has generated the highest revenue last year and this year. Next year it will start its final construction phase and will be replaced in terms of EBITDA by Covipacífico and Covioriente.

In slide 16 we have some details about the situation in our four concessions. I would like to focus on two aspects here. First, the degree of progress. Covipacífico closed at 27.6% at the end of September '19. We believe that by year end it will close at around 32 or 33% of progress. Coviandina, which is the road to Los Llanos, is closing at 58%. As I mentioned, it is the one with most progress. We believe by year end it will have completed 65%. And Concesionaria Vial del Oriente, Covioriente, closed at almost 20% in September. We believe it will close this year between 23 and 25%.

Another aspect I want to mention is that in Covimar, the Mulaló - Loboguerrero road, there was no progress. As you know, the work has not started, and we have changed our estimated start date. The ANLA has requested some information and additional environmental studies that will take at least one year so we believe this work will not start in 2021 and our new estimated date is the beginning of 2022. To date, our equity investment in our four 4G projects is 1.42 trillion.

In agroindustry, assets continue to grow, as well as our EBITDA results. As I mentioned, we have seen some recovery in our rice business in this third quarter through Pajonales, which experienced problems due to rainfall and low prices in the first semester. We have already seen some improvement in our crops, and we believe that the second semester will be much better than the first. That is seen in our second quarter and accumulated results, because we are already recovering from the backlog in the first semester.

But the news about our palm business are not so good. In general, this business is struggling in Colombia, basically because of two situations. First, the international price of palm is at historic lows. Second, several crops, including ours, have been affected by plagues, which is reflected both in our '19 third quarter and accumulated results.

Our financial sector figures basically reflect the liquidation of the leasing company, in terms of asset reduction. One year ago, we had not transferred the credit and leasing portfolio. This year we did no longer include that portfolio and that explains the significant reduction in our consolidated assets and results. We expect to conclude this leasing liquidation process the following year.

Finally, we have the hospitality sector, which in our case mainly refers to Estelar. You can see some figures about the sector in the graph on the bottom left. The rate of rooms sold has been growing by almost 9% and our occupancy reach 62%. Although when comparing this third quarter to the third quarter last year it was quite good, we have a decrease in EBITDA, but the accumulated year has seen a 2.6% growth in the total EBITDA.

These are some of the new facilities that were opened during this quarter in Estelar hotels. These are photos of the new spa in the Estelar Paipa Hotel and Convention Center. You are kindly invited to visit this place.

Well, thank you very much. That was the summary of our portfolio and presentation. If you have any questions, we'll be happy to answer them.

Operator:

From this moment on, questions received via telephone will be answered. If you have a question, please press * on your phone. If you would like to be removed from the queue, please press the # key. Remember, if you have any questions, please press *1. And we have Katherine Ortiz, from Davivienda Corredores.

Katherine Ortiz:

Good morning. This is Katherine Ortiz, from Davivienda Corredores. You already mentioned that Covimar was postponed again, but I would like to know if you have considered requesting the annulment or reversion of the contract or if you will definitely wait to get the licenses and provide the environmental information to the ANLA.

Also, can give us an update on the Cartagena airport project? Has any progress has been made? Thank you very much.

Gustavo Ramírez:

Thank you very much. Concerning your first question, the request from the ANLA was received just last week. We are evaluating its scope. In the same resolution, the ANLA gives us a 12-month period to submit that information, which somehow shows the scope of the studies and additional information required, but we are still evaluating that request. What I can tell you is that, in any case, as usual, we will comply with the contract. The contract has some mechanisms to deal with this type of situations and we will use them if required.

As for the airports, the private initiatives that we have presented are still in progress. In the case of Cartagena, the main discussion between the promoter of the private initiative and the government is about the concession term because the government, the ANI and the Aeronautics, have another project in the pipeline in Cartagena. The term of this private initiative is not linked to the current airport, as it depends on the start of that new project. Right now, we are talking about the deadline of the private initiative we have proposed for the current airport.

Katherine Ortiz:

Ok. Thank you very much, Gustavo.

Gustavo Ramírez:

Thank you.

Operator:

We have Steffanía Mosquera, from Credicorp Capital.

Steffanía Mosquera:

Good morning. Thank you for the presentation. I have two questions. I would like to ask for a clarification about the ruling by the Cundinamarca Court. I understand that last October 24 the Council of State talked about the inability on Episol. Does this mean that the inability on Episol is in force and firm? I would like to have that clear, even though I understand that Episol does not contract directly with the State.

María Lorena Gutiérrez:

It is in force, but it is not firm. Anyway, it is clear for us that it does not have implications on all of our vehicles, which are the concession projects, the ones that contract with the State.

Steffanía Mosquera:

Perfect, thank you.

My second question is about the Bogotá-Villavicencio concession. At the beginning of the presentation you mentioned that the Chirajara Bridge would begin to be part of the Coviandina concession and would no longer belong to Coviandes. How would this work at the contract level? Would its scope be changed? How would it be managed?

Gustavo Ramírez:

No. As you know, we have a concession, Coviandes, which built the second lane in the second third and operated the road. That concession reversed its infrastructure and operation a few weeks ago. At the same time, our other concession, Coviandina, received the infrastructure and began operating the concession. Coviandes no longer is in charge of the operation of the road. It has already returned all the infrastructure, but it maintains the obligation with the government to conclude certain works. One of them is the Chirajara Bridge, as well as other works that as a result of the emergency at kilometer 58 were agreed to be executed by Coviandes. So Coviandes, as a company, still exists, it still has a contract with the ANI. It no longer operates the road because it was already handed over to the ANI. The ANI, in turn, handed it over to Coviandina, but for a few months it will maintain the obligation to do all these works I have mentioned. Therefore, completion of those works is an obligation for Coviandes and not for Coviandina.

The Coviandina contract has no impact because of the situation at Chirajara or kilometer 58. As expected, it received the infrastructure and is operating it. In addition, it continues to build the second lane in the third section.

Steffanía Mosquera:

Perfect, thank you very much.

Operator:

We have Juliana Aguilar, from Bancolombia.

Juliana Aguilar:

Good morning. Thank you very much for the presentation. How much was the quarterly EBITDA affected by the partial closing of the Bogotá - Villavicencio road? Thank you very much.

Gustavo Ramírez:

There was no major effect, basically because the bulk of the EBITDA is coming through Coviandina's construction activity, not so much for toll collection. As we have explained, those revenues we showed when talking about the results of the concessions and their corresponding EBITDA have to do with construction progress and not so much with revenue coming from tolls.

Juliana Aguilar:

Thank you very much.

Operator:

Once again, if you have any questions, please press * 1. There are no further questions at this time.

María Lorena Gutiérrez:

Well, thank you everyone for joining this presentation of results. As usual, we will contact you every time we have relevant news. Have a good day and thank you very much.

Operator:

Thank you all. If you want to hear this conference again, it will be available at www.corficolombiana.com in the next few days. Thank you for participating. You can now disconnect.