

RESULTS PRESENTATION 1Q-2018

Operator: Welcome to Corficolombiana's 1Q-2018 presentation of results. My name is Silvia and I will be your operator today.

At this time, all participants are in a listen-only mode. Later there will be a space for questions and answers. Please keep in mind that this conference is being recorded.

From this moment on, Corficolombiana's president, Mr. Bernardo Noreña Ocampo, will be in charge of the presentation.

Bernardo Noreña Ocampo: Well, thank you very much. Good morning everyone and thank you for connecting to this presentation of results.

As usual, I'll start by discussing some relevant events of the quarter, then I'll turn the call over to Mr. Juan Carlos Páez, who will talk about the financial results in detail and later Mr. Gustavo Ramírez will tell us about the results of the investments, which as you know are the most important business in our corporation.

On page three you can see the consolidated figures for the first quarter of 2018. Our assets were 21.3 trillion pesos and our equity was 5.3 trillion pesos. Controlling net income was 145 billion pesos, which represents an increase of 75% versus the first quarter of 2017. This represents an 8.35% return on equity and a solvency of 37.27%.

When looking at the separate figures, our assets closed at 9.5 trillion pesos, a total equity of 3.3 trillion and a net profit of 139 billion pesos, which represents a return on equity of 8.61% and a solvency of 41.37%. Our ratings have not changed during this quarter.

Let us look into one of the most relevant facts. The corporation's consolidated Ebitda and its investments amounted to 575 billion pesos, which represents an 11.8% year-on-year increase. This growth is mostly driven by investments in infrastructure companies. Gustavo will talk about this. You will notice that the works are progressing and that is having an impact on the corporation's profits. Also, Corficolombiana's treasury had much better results during this quarter.

Dividends were paid on May 3. We paid a dividend of 500 pesos per share on ordinary shares and 824 pesos on preferential shares. 55.5% of the profits generated in 2017, which were equivalent to 121 billion pesos, were distributed.

As you may remember, shareholders had the option to get those dividends by means of shares or cash. 80% of the dividends were paid in shares, which represents 97 billion pesos and in effective terms this implies a capitalization of the company.

One of the most important facts in the energy sector is that Promigas maintained its AAA rating. Perhaps the most important fact is that on April 24 Mr. Antonio Celia announced his decision to leave the Presidency of Promigas. He was in the company for 33 years and served as its president for 26 years. Antonio made the company grow from a relatively small firm to one of the most important ones in Colombia. He did an extraordinary job that we must recognize and applaud.

As usual for a company of this size and level of sophistication, a succession plan was already designed, as well as a compensation and development committee that is in charge of choosing the person who will replace Antonio.

In terms of infrastructure, Modjeski & Masters presented its final report. It states that in their opinion the bridge problem was caused by a design error. Additionally, it recommended proceeding with the demolition of pile C, which is still standing. Also, we are in the claim process with the insurance company to demolish pile C and collect the debris. Also, a new tender for the construction of the bridge is already underway.

The good news is that the Modjeski & Masters report states that the bridge's foundations, keystones and footings are in perfect condition and that they can be used to build the new bridge, which is important because it has an impact on costs, but especially on construction time.

The average daily traffic in concessions grew at a 2.6% year-over-year rate, with 118,730 vehicles per day in the first quarter of 2018.

Turning to Corficolombiana's financial subsidiaries, as part of the implementation of the strategic plan approved by the Board of Directors last year, the fiduciary's collective investment fund and Casa de Bolsa were merged, which facilitates us first, it gives us a larger size, reaching 2.5 trillion pesos in funds. As an added value, we can now accept larger deposits from investors in the fund. Also, from the point of view of administrative efficiency, we have to control a group of mutual funds instead of two, which was the case when both Casa de Bolsa and the fiduciary had their own funds.

In the agroindustry sector, as you may recall, Pizano was traditionally classified within that sector for market reporting purposes. We had already mentioned in the last call that on February 14 Pizano entered into liquidation and it is undergoing the Law 1116 process, which is being conducted by a liquidator appointed by the Superintendence of Societies.

These are the most relevant facts. I will now turn the call over to Mr. Juan Carlos Páez, Executive Vice President of the corporation, who will talk about the financial results.

Juan Carlos Páez: Thank you Bernardo. Good morning everyone.

Let us start on page six, where the graphs show us the evolution of the corporation's consolidated balance sheet. Between the first quarters of '17 and '18 the balance has grown 1.5 trillion pesos. The most important growth occurred in 2017, when we grew 1.3 trillion pesos basically thanks to a modification of the treasury portfolio and we grew about 300 billion pesos. Our concessioned financial assets grew in a significant way, close to 50% of the total growth.

In this quarter the same figures grew around 200 billion pesos. The main driver of this growth was a higher amount collected by the corporation's treasury through savings accounts and CDs (certificates of deposit.)

Apart from that, the corporation's asset structure remains stable. Perhaps the most important change, as you can see at the bottom of this slide, is that the participation of the concession agreements went from 26% to 30.4%, which is related to what Bernardo mentioned in his introduction, and that is that roads, especially Coviandina, which is under construction, have been incorporating this result into their intangible assets, which are finally registered in the concession agreements account.

Apart from this, investments in debt instruments are, as you may remember, those made by the corporation, and investments in equity instruments too. Fixed assets are to a greater extent the operating assets of the concessionaires and they remain around 12% (12.9 last year, and 11.8 or almost 12% this year.)

On the next page we see an aspect of the 1.5 trillion pesos growth of total assets. The largest growth occurs in the financial sector and it is related to the corporation's operation, where the treasury accounts for 498 billion pesos of growth. Therefore, in the other financial entities there is a slight reduction.

Another important contribution to growth is the gas and energy sector, which grows 384 billion pesos. As we expected and as we had mentioned in previous meetings, the infrastructure sector grows 563 billion pesos, mainly due to the size of the concessioned assets both in intangibles in Coviandina and in financial assets in the other concessions.

It is worth noting that the agroindustry sector decreased. We went from 871 billion pesos to 667 billion due to the effects of Pizano in this sector.

On the next page we see the structure of the corporation's liabilities. Again, it is worth saying that the structure remains unchanged in terms of total figures. Also, within the financial obligations there is a debt substitution because of the issuance of bonds in two subsidiaries of Promigas, specifically Gases de Occidente, which in March of this year issued 300 billion pesos, and Promioriente, which placed successfully 205 billion pesos which, I repeat, are essentially intended to replace debt.

As for the composition of assets, our total growth is 5.9%. As you can see, between the last quarter of 2017 and the first quarter of 2018 there was a reduction of 139 billion pesos, also associated with the impact of Pizano. The equity associated with minority interest in the corporation is basically related to Promigas, Pizano, and other small agroindustrial companies. However, the most affected is Pizano, which participates in that minority equity with 108 billion pesos.

Regarding the corporation's income statement, we went from having a total profit of 181 billion pesos in the first quarter of 2017 to 253 billion, growing 40%. The controlling profit, which is very similar to the profit of the separate financial statement, goes from 83 billion pesos to 145 billion pesos.

After analyzing these financial statements, the gross margin of the real sector went from 588 to 603 billion pesos. There are several effects here. If we discriminate the profits of the different sectors, we can say that infrastructure, energy and gas are basically stable. The differences that we are seeing in this aggregate are related to variations in the evolution of the road operation, and that of the construction process.

As you can see, between the first quarter of '17 and the first quarter of '18 the operating income is basically the same. There is a significant increase in the fourth quarter, which is when the adjustments associated to the change in the construction contracts between Coviandina and Covioriente concessionaires and their construction consortiums were made. That contract change has an effect both on operational income and cost of sales. That's why we see big differences and the comparison is made to analyze growth only between the first quarters.

From the point of view of the equity, we have a relatively stable operation moving from 82 billion to 86 billion pesos. It is associated to a greater dividend distributed by our subsidiary Axa. In the first quarter of '17 the dividend obtained was 1,600 million pesos, while in this quarter it was 3,800 million. Apart from that, the dividends received by the subsidiaries and the corporation are stable. Last year, we received 42,300 million pesos of dividends in the quarter, while this year we received 43,000.

The financial margin corresponds to the real sector and it is negative, without any major changes, although there is a difference related to the credit that Covioriente has acquired in dollars, which improved given the evolution of the currency against the Colombian peso.

In terms of administrative expenses, we see again a relative stability between the 316 billion pesos of '17 and the 305 of '18. There is an important difference with the fourth quarter of '17. Those 550 billion pesos include, as you may remember, the impairment of Ruta del Sol, which corresponds to 140 billion pesos and which explains that difference to a great extent.

Regarding other income and expenses, which is normally a relatively small account, it was 9,800 million pesos in the first quarter of 2017, and in the fourth quarter 112 billion pesos, because it included a significant investment in the concessions where we bought the participation of Iridium. Therefore, it is affected positively by 57 billion pesos, and also by about 10 billion pesos due to the updated appraisal in one of the corporation's subsidiaries called Valora, and the recognition of some risks in concessionaires that were equivalent to 100 billion pesos.

Since these are not recurring events, they are not reflected in the income-expenditure of the first quarter of '18. However, we do see an important difference of over 20 billion pesos explained by other operational revenues of Promigas.

On page 10, as Bernardo mentioned, we can see that the Ebitda has grown 11.8%, going from 514 billion pesos to 575 billion. The image explains the participations. As he said, the greatest participation comes from the infrastructure sector, which grows 50 billion pesos, and in fact grows 44 % over the year. Energy and gas participate with 3,850 million pesos, as I mentioned before. It is relatively stable, growing 1%. The hotel sector had an interesting reaction, growing by 13% and contributing 1,345 million pesos to this Ebitda.

The financial sector also contributes with 9 billion pesos and grows 110% against the lower figures of last year. Agribusiness subtracts 929 million pesos from this Ebitda, basically because of the differences mentioned before.

In slide 11 we talk about funding. We went from having 2.5 trillion pesos in CD (certificates of deposit) last year to 2.9 trillion pesos. As you may remember, our capitalization obligations and the treasury strategy led us to increase those 2.5 to 2.9 trillion pesos in CDs during 2017. This year we have grown 80 billion pesos.

Regarding other deposits, which are basically savings accounts, we have a stable presence that is comparable to the one we had a year ago. Also, we maintain our presence in interbank funds, which normally are around 2.5 to 3 trillion pesos. In this case, as of the end of March, they were 2.5 trillion pesos.

CD capture rate has continued to grow. However, given the existing maturities, the weighted average of the collections that finance the infrastructure has reduced from 5.5 to 5.4 years. Also, the deposits used to finance the treasury operation remain unchanged.

The corporation's CD capture rate is still very efficient. On the bottom left graph you can see that in comparison with the IBR, which describes the reduction of the Central Bank's intervention rate, our collection has maintained. In the last quarter capturing costs have only changed by 10 basis points. We used IBR plus 2.5 at the end of the year, but throughout this quarter we have used IBR plus 2.4%, which we consider very successful.

I will now turn the call over to Mr. Gustavo Ramirez, who will describe our business management.

Gustavo Ramírez: Juan Carlos, thank you very much.

Let's go over the performance of the investment portfolios of the corporation's companies for the first quarter of 2018.

As an introduction, it is worth noting that this performance was quite good, as we have seen. We saw an increased economic activity that had slowed down throughout last year. We have experienced a recovery in the economic activity, which is reflected in the main variables of our investments.

Another important fact is that we are beginning to see the results of our investments in infrastructure, especially in 4G.

Let's start out with the energy and gas sector. On page 14 we see the consolidated figures of assets and Ebitda. The corporation's consolidated energy assets grew 4.1%, reaching 9.7 trillion. The consolidated Ebitda in this sector reached 363 billion pesos with a 1.1% growth when compared to the same period last year.

Two aspects are worth highlighting. On the one hand, as we see at the bottom, in the case of Promigas there is a 10% growth of transported gas when compared to last year and a significant increase in the number of users, which contributed to better results. There were some negative effects too. For example, the exchange rate evolution, since a large part of Promigas' transport revenues is denominated in dollars. Because of the revaluation experienced during the first quarter, those revenues were affected, but they were overcompensated by the increase in volume that we can see on the bottom left.

In conclusion, the results of our energy sector, especially Promigas, were quite solid and we expect them to continue like that for the rest of the year. I would like to devote some time to the infrastructure sector. As you can see, it shows the best growth in the first quarter. Consolidated assets increased more than 16%, reaching a little over 3.9 trillion pesos at the end of March this year, mainly explained by our increase in investments in the 4G concessions.

Concerning the results measured by the consolidated Ebitda, we also see a significant increase of 43%, amounting to 164 billion in the first quarter. There are basically two explanations to this. The first one has to do with the progress made in the execution of the projects, especially in Covipacífico and Coviandina. As we will see, these projects are fully under execution and as investments are made, this will generate results for the concessions and, of course, for the corporation.

Another effect that we had already discussed in the last two calls is that by advancing in the designs and analyses of these projects, efficiencies are achieved in the investment costs of the construction works. This lowers costs and greater efficiency starts to be reflected as a profit margin in the concessions. This affects the income statements as the work progresses.

These two combined effects are beginning to show, and we hope they continue like that in the coming months, bringing an increasing and sustained result in our investments in infrastructure.

At the bottom of slide 15 we see the actual traffic activity in concessions, which grew over 2.6% this quarter compared to the previous year, reaching an average daily traffic of 118.730 vehicles.

For statistical purposes, we must take into account the Holy Week effect from March this year, while it was in April last year. That may distort the quarterly seasonality. We will have to wait for the figures for the entire first half of the year to make reliable statistical comparisons, but we think that traffic has a more positive trend. As you may remember, last year it was very stable and in some cases it even decreased.

On page 16 we show our traditional follow-up chart of 4G works. There are several facts to point out here. As we have mentioned, our four concessions are divided into two groups, those already in full execution (Covipacífico and Coviandina) and those whose construction has not yet started (Covioriente and Covimar.)

Important things have occurred in the first two concessions even after the end of the quarter, and in fact, this table is basically up to date. In the case of Covipacífico, last week we finally signed the start of construction agreement, so the execution of the project is at full speed. It is also worth noting that some weeks ago the arbitration tribunal we had with the ANI ended. The purpose was to specify the date of start of the construction stage and the results were in our favor. These two developments together open the path to the Pacific Project and we are already in full swing.

Coviandina, the private initiative between Chirajara and Villavicencio that was in full execution, continues like this. The execution began at the end of 2016. It is our concession with the most progress (20%) and no significant issues have arisen there.

The status of Covioriente and Covimar is basically the same since our last call. In Covimar we are still waiting for the environmental license process, which will not probably be ready before the end of this year. For this reason, we think that the construction work will not start in 2018. In Covioriente, our controversy with the ANI on the scope of the designs continues. It is in an Arbitration Court and we expect to get good news by the third quarter of this year.

We can see at the bottom the follow-up figure as of the end of March. We have invested in these projects a total of 780 billion out of the 2.7 of equity that we have planned for all the projects. As of today, the expected Capex is 7.6 trillion. If you go over these same figures in previous conferences, the current total Capex has been reduced in comparison to the one that we initially showed, basically because of the design improvements and optimizations that I mentioned before. It means that now, according to the latest designs, the works are going to have a lower cost than originally planned and that is reflected, I repeat, in a profit margin in the concessions that in turn affects our income statements as progress is made in the execution of the works.

On page 17 we see the results of the hospitality sector. There is also a significant increase of 13% in Ebitda. We must also take into account the statistical effect of the Holy Week, which this year, I repeat, was in March. This growth takes this effect into account. However, we do notice in the case of roads an increase in the demand for hotel services, which is measured by the figures shown at the bottom. The occupation of Hoteles Estelar grew significantly this year with respect to the previous one reaching 57%, which is closer to our historical levels in comparison to the 54% of last year. Also, the rooms sold grew almost 7%.

Our expectations to open two new operations in Medellín probably mid-year continue and this is shown in the lower right.

Finally, in agribusiness the price of rice is still struggling and that has not allowed Pajonales to grow as we would like it to. That is not happening to us only, but in general to all the rice sector, which is depressed by a generalized oversupply in the country. Also, something similar is happening in Unipalma and that explains the sector's fall in the consolidated results.

Finally, we show the results of our financial subsidiaries. The fiduciary had solid results similar to last year's. Our leasing company had a deterioration mainly explained by the implementation of IFRS 9. According to those standards, in the consolidated results there are larger provisions than those of the previous year.

These were the main facts of our investment portfolio during the first quarter. We will now open the session to questions and answers. Thank you very much.

Operator: Thanks. The question and answer session will begin now. If you have a question, please press * and 1 on your phone. If you wish to be removed from the waiting list, please press the # key. Remember, if you have a question, please press * and 1.

We have Rodrigo Sánchez from Ultraserfinco on the line.

Rodrigo Sánchez: Good morning, gentlemen. Thank you very much for the presentation. I have a couple of questions. The first one is: considering that Covipacífico is already under construction, and given the purchase of the Iridium shares that you have mentioned, I would

like to know how long you will wait for the funding stage to finish. In the meantime, would you expect to make a strong equity contribution to be able to move on to the construction stage?

The other question is: I would like to understand the reason for the reduction of the Coviandina and Covioriente contracts that you showed us during the last quarter. I would like to understand the justification behind that. Could we also expect a similar strategy for Covipacífico and Covimar in the future?

My last question is: what are your comments on the possible sale of Gas Natural España's stake in Gas Natural? Would you be interested in participating in that takeover bid or buying an additional share of Gas Natural somehow? Thank you very much.

>> I will try to answer your questions. The first one is regarding the financing of Covipacífico. As you know, we had a closed syndicated loan two years ago. Due to the delays involved in the start of construction agreement and the costs it implied, we decided to cancel that funding. So far we have funded the concession ourselves and we expect to continue doing so for at least one more year with bridge loans that give us better financial conditions. Because of that, the project is advancing normally and we have guaranteed the resources for that execution. But as long as we find the right market conditions, we could get a long-term structured financing.

We believe that the legal and contractual conditions have already been defined thanks to the start of construction agreement and result of the Arbitration Court. That path is clear and we expect to have no problems regarding the financing aspect. We just want to start doing what we do best, which in this case is carry out these projects.

Regarding your second question, I think that our strategy in infrastructure projects starts to show. As we have mentioned from the beginning, we actually see two businesses in these projects: the concession investors business, which is the typical long-term interest of an investor in a concession like this, but also the construction business, in which we also have a lot of experience. And this is the business that generates those margins that you refer to. It is a process that starts when the proposals are made in the tenders of those concessions, where initial studies that define a budget are made. Once they are assigned and the pre-construction stage of these projects begins, one of the main activities is concluding the final designs, where efficiencies are sought. In fact, in these two projects (Coviandina and Covioriente) they have already been achieved, and that results in the margin that you referred to.

About your question on the other two projects, so far with the information available, they are already included. Additional efficiencies might be achieved, but at this moment they do not exist. However, it is a continuous process that is part of the construction business development throughout the design and the execution stages.

Finally, on the last question you asked, we have nothing to say. As you know, we are shareholders of Gas Natural de Bogotá with a minority share, 1.6% of the company. We have followed the process through the media, but we do not have any comments to make.

Operator: Remember, if you have a question, please press * and 1. Please remember to ask a maximum of two questions. We now have Steffania Mosquera, from Credicorp Capital.

Steffania Mosquera: Good morning. Thank you for the presentation. My first question is on the expected effect of the implementation of IFRS 15, which is mentioned in the report. I would like to know how it affects the financial statements. My second question is on the Chirajara bridge issue. Do you believe that it may result in delays in the completion of the concession? Have you quantified the result of those delays?

>> Yes. IFRS 15 in fact has an important effect on concession contracts. In these cases it is important to evaluate the relationship between the contract and its fulfillment on the part of the contracting party. Therefore, the changes were not very large when compared to the size of the assets involved in the infrastructure sector.

In fact, the impact of the implementation of IFRS 15, assuming that this standard has always been followed, amounts to 40 billion pesos. Those figures are part of an equity account mainly as retained earnings. The net effect of IFRS 15 on the corporation is the amount that I just mentioned, 40 billion pesos.

The other question...

>> The other question has to do with the Chirajara bridge. The truth is that at this point we have no estimation of fines. We are rather focusing on building the bridge as quickly as possible, taking into account that the bridge has an approximate length of 500 meters and the entire section is almost 30 kilometers long. It is a very small portion of what is already built in that section. There are legal implications and a discussion with the ANI on the subject, but it is clear that we have already started the process of rebuilding this bridge. A tender was made with five private firms for the construction of the bridge and we are committed to finish that bridge and the road to then deliver them to the Government.

Operator: We have Juliana Aguilar from Bancolombia.

Juliana Aguilar: Good morning everyone. I wanted to ask a question. On the news we have recently heard about the Solarte family and the likelihood of them selling their shares in the various 4G projects where they are currently participating. Would Corficolombiana be interested in acquiring a participation in any of these projects? Thank you very much.

>> Thanks for the question. The truth is no, so far we have not considered taking part in any of the potential transactions, because we are talking about something hypothetical. We are not aware if there is a process of selling those concessions. If they enter the market, we will

evaluate it, but at this moment we do not have any intention to approach the Solarte family or to make a proposal for those companies or those works.

Operator: At this moment we have Angie Rodríguez, from Davivienda Corredores.

Angie Rodríguez: Good morning. Thanks for the presentation. I have two questions. The first one is related to the financial business. I would like to know if the increase in provisions was related to the implementation of IFRS 9. If it was not the case, why this increase in provisions in Corficolombiana and Leasing Corficolombiana?

The second question is: when do you expect to see better results of this business? We have seen sustained declines during the last quarters. Thank you very much.

>> Yes, indeed, in the case of the financial business, and specifically the leasing company, mixed effects produce those figures. On the one side, the ad portfolio quality continues at poor levels. The leasing company has also been affected by the crisis in the consumer portfolio of the entire system. Also, there have been deteriorations in the leasing operations since last year.

However, we feel at ease because the quality of the portfolio since last year has been good. The deteriorations have occurred in loans granted prior to the previous year, which means that the strategy we adopted since last year to improve our credit granting process has worked. We are in the process of reorganizing the previous portfolio and we expect to do so by the end of the year.

The other effect we have observed at the consolidated level given the implementation of IFRS 9 is a larger portfolio provision, which requires calculating the expected loss in the leasing portfolio.

>> Yes, in that sense, in regards to your question on provisions, as Gustavo says, IFRS 9 and IFRS 15 imply a disclosure of impact on the corporation, taking into account that IFRS 9 has to do with the valuation of fixed income investments, the valuation of derivatives, accounts receivable, and credit portfolio. The total impact was 13 billion pesos. Somehow what we do is standardize the provisions regime to what we have as a regime in Colombia, and we will see, because of origination, some very small production differentials.

There is also another effect related to the provisioning rhythm of our exposure to Electricaribe. In the first quarter, it was around 3 billion pesos, while this quarter this figure it is reflected three times because of the change in the provisioning rhythm. The provision for the total exposure we have in Electricaribe will finish in May.

Operator: Right now, we have no further questions.

>> Well, thank you all for connecting. As usual, you can reach Adriana González if you need any additional clarification. Thank you very much and see you next quarter.

Operator: Thank you all. This is the end of today's conference. If you want to listen to this conference again, it will be available on the website soon. Thank you for participating. You can disconnect.