

PRESENTATION OF RESULTS 2Q-2018

Operator: Welcome to Corficolombiana's second quarter 2018 presentation of results. My name is Silvia and I will be your operator today. At this time, all lines have been silenced. Later there will be a space for questions and answers. Please keep in mind that this conference is being recorded. From this moment on, the conference will be led by the Vice President of Corficolombiana, Mr. Bernardo Noreña Ocampo. Sir, go ahead.

Bernardo Noreña: Thank you very much and good morning. Welcome to the conference where we will present the results for the second quarter of 2018. As usual, I will start with a summary of the quarter. Then, Mr. Juan Carlos Páez will go over the financial aspect, and later Mr. Gustavo Ramírez will give us an update on the investments. Finally, we're going to provide an update on our issuance of shares.

Let's start by mentioning some of the most relevant events of the second quarter of 2018. It was a very good quarter and a good first half of 2018. Our assets closed at 21.4 trillion pesos and an equity of 5.5 trillion pesos. Controlled equity is 3.5 trillion pesos, which is a similar figure to that in the separate balance sheet, and we had a net profit of 165 billion pesos. Return on equity ended at 11.7% and, as usual, the company's solvency index stands at 34.1%, which is very good when compared to other financial entities.

In our separate figures, we closed with assets of 9.4 trillion pesos, an equity of 3.4, a net profit of 158 billion pesos, and a return on equity of 11.67%. Regarding our rating, as you know, we work hard to maintain our AAA rating. Fitch Ratings recently ratified our AAA local rating and our BBB international rating. Currently we are in the usual annual revision of the Standard & Poor's rating.

If we analyze the most relevant facts in detail, the consolidated Ebitda for the second quarter amounted to 583 billion pesos, with an 8.4% increase year-over-year. This growth was mainly driven by the performance of our investments in infrastructure, particularly Coviandes, Covipacífico and Coviandina, and our investment in energy, particularly in Promigas, which has yielded very good results in the first semester.

As you already know, I resigned on July 25 basically to devote myself to other personal and professional projects. As it was announced at that time, I will remain as a member in some of Grupo Aval's board of directors, and probably in an advisory role. As my replacement, the board has appointed Mrs. Maria Lorena Gutierrez, who has ample experience and background in the public and private sectors and deep knowledge of financial issues. The transition begun last week and will continue until August 31. We are expecting the Financial Superintendence to appoint Mrs. Gutierrez as soon as possible, but in any case the transition period will continue until the end of August.

The share issuing process began on July 30. I will not comment much about it now, because I will do it at the end of the presentation.

Another important fact is that on July 31 we increased our participation in Empresa de Energía Eléctrica de Bogotá or Grupo Energía Bogotá, going from 3.5% to 5.1%. The investment made was 298 billion pesos. Grupo de Energía de Bogotá has been a great investment and we believe that the company will have an excellent performance in the future.

Concerning Promigas, the most relevant fact is that gas supply began in the Quavii concession in Peru, where 3,900 users are already connected. Also, Mr. Eric Flesch was appointed as president of the company. Mr. Flesch was the president of Cementos Argos USA. He has a lot of experience in the private sector and was key in the expansion of Cementos Argos internationally, particularly in the American market. We think he is the perfect fit for what we want to do in Promigas in the future from the point of view of a more aggressive international expansion.

Regarding infrastructure, Covipacífico's initiation of construction phase was signed on May 10. As you may remember, Covipacífico was the company in charge of the concession from Medellín to Bolombolo. We had some Spanish partners there, and we acquired their participation last December. So, the fact that we already signed the initiation act is very good, because basically that allows us to execute fully the road construction works.

Also, on July 11, pillar C of the Chirajara Bridge was demolished in a controlled way. At this moment we are analyzing the five proposals to outsource the construction of the new bridge.

Finally, in terms of financial investments, on April 19 the Panamanian Superintendence of Banks authorized the liquidation of Banco Corficolombiana Panama. This was a strategic decision in the sense that Banco Corficolombiana Panama had fulfilled its mission. It was very important when the franchise was created. It was actually a Corfivalle franchise at the time. However, the truth is that today it does not add greater value to have a bank in Panama, since 98% of the things that are done by that bank could be done by the treasury in Colombia. Therefore, that operation and having personnel there in Panama was not deemed necessary any more.

Those are the most relevant facts of the quarter. I will hand the call over to Mr. Juan Carlos Páez, who will talk about the financial aspect.

Juan Carlos Páez: Thank you very much, Bernardo. Good morning. We will go over the most outstanding financial aspects of the quarter. You have the information on page 5. As Bernardo mentioned, assets reached 21,472,460 million pesos, increasing from 20 trillion pesos last year with a growth of 1.443 trillion pesos or 7.2%. This is associated to the growth of concession assets, such as financial and intangible assets of roads, and financial assets of Promigas and its subsidiaries.

There was a 0.5% growth in the quarter worth 114 billion pesos. It basically corresponds to organic growth.

As for equity, it increased during the year 408 billion pesos, 7.8% versus the 7.2% of total asset growth. In the quarter, equity grew 5.3% or 280 billion pesos, associated to dividends paid in shares. This added 194 billion pesos to the equity. Profits of the period were 160 billion pesos higher than one year ago.

In general terms, our asset structure remains stable, just as in recent quarters. Our loan portfolio and accounts receivable went from 20.5% to 17.4%. This represents a decrease of 400 billion pesos. As mentioned before, in the extent that concession agreements come into operation and the construction works advance, we would see the financial and intangible assets grow. Thus, financial assets increased from 2.5 trillion pesos to 3.4, and intangible assets went from 2.9 trillion pesos to 3.5, for a total of 6.9 trillion pesos in the quarter.

In regards to our investment portfolio, our participation went from 11.2 to 13.3. This represents a growth of about 270 billion pesos in investment and debt instruments. This has to do with our treasury strategy, which has improved, and this will be reflected in our consolidated income statement account.

Equity instruments went from 1.5 trillion pesos with a 12.4% participation to 1.35 trillion pesos with a 9.9% participation. This has to do with the deterioration of some of our investments. As you may remember, in December last year we had a 141 billion pesos impairment in Ruta del Sol. Total assets, which as mentioned grew 7.2%, are mainly composed by the gas and energy sector, and the financial and infrastructure sector. In general terms, these three sectors represent 95% of total consolidated assets. The financial sector, as you can see on page 6 of the presentation, grew 67 billion pesos, going from 6.054 to 6.122 trillion. It lost some participation, decreasing from 30.2% to 28.5.

Due to the good performance of Promigas, in the gas and energy sector total assets went from 9.511 trillion pesos to 9.889. Given the growth of other sectors, its share decreased slightly, going from 47.5% of total consolidated assets to 46%. Among these three leading sectors, the participation of infrastructure went from 17.1 to 20.2 in total assets, and from 3.418 trillion to 4.34 trillion pesos.

As we have mentioned in past presentations, these assets will grow progressively as construction advances due to the intangible assets of Coviandina and the financial assets of the other concessions. The other sectors (hotels, agroindustry and others) kept their marginal participation and expected performance.

On slide 7 we have the consolidated structure of liabilities and equity, which basically remain unchanged. Perhaps something to highlight is that there is a substitution between the issuance of securities and financial obligations. As you may remember, earlier this year there was a bond issuance in Promigas and its subsidiaries. The participation of the bonds issued went

from 16% to 18%. Their net value was 2.8 trillion pesos at the close of this quarter. The consolidated financial obligations, on the other hand, went from 4.053 trillion pesos to 3.554, decreasing their participation from 27 to 22% in the quarter.

The participation of the deposits decreased, mainly due to the increase in total liabilities. This participation decreased from 27% to 25%, but the 3.9 figure basically remains stable.

Our consolidated interbank funds, as you may remember, correspond to Corficolombiana's treasury operation. They went from 2.1 trillion pesos to 2.587 at the end of the quarter, reflecting a growth in the treasury position with a larger portfolio.

On the other hand, equity increased to 5.5 trillion pesos, given the company's organic capitalization of 97 billion pesos, the increase in reserves by the equity method of 100 billion pesos, and retained earnings of 160 billion pesos.

Non-controlling equity had a 38.5% participation a year ago, with 1.992 trillion pesos, and increased to 2.032. Its participation reduced slightly to 36.4 against our total consolidated equity.

Regarding the corporation's consolidated income statements, we have a net profit of 301 billion pesos, out of which 165 billion pesos correspond to controlling net income, which reaffirms the performance shown in the first quarter with 145.7 billion pesos.

It is worth mentioning that in these quarterly financial statements there is a reduction in administrative expenses, which is basically related to not including Pizano in our financial statements any more.

On the other hand, in terms of other income and expenses, you see that the figure of 8.8 billion is now 100 billion pesos, which is the consequence of several interesting events. One of them is the positive result of an arbitration process in favor of Coviandes for 43 billion pesos. There was also better performance of Promigas with the entry into operation of Loop del Sur and all related activities, which represent 21 billion pesos. There was also an adjustment, a leasing portfolio sale for 7 billion pesos. Also, in Coviandes we see an effect related to the resources previously mentioned, consistent of lower commission expenses for 5 billion pesos. It is important to consider these figures, since the other income and expenses account has experienced this significant non-recurrent effects and this is reflected in the corporation's financial statements.

On the other hand, Ebitda grew 8.4% year-over-year, driven by a better performance of infrastructure and energy. In this regard, the Coviandina and Covipacífico concession contracts have been making progress, which is reflected in an increase in financial and intangible assets.

The following slide shows the composition of the Ebitda, which grew 8.4% year-over-year. The participation of the energy and gas sector is still very important. It grew 10.6%, going

from 362 to 401 billion pesos. The infrastructure sector grew 19% in this period, going from 133 to 158 billion pesos. In the other sectors we see some marginal changes when compared to the total of 583.6 billion pesos in Ebitda in the second quarter of 2018.

Slide 10 shows the traditional funding structure of the corporation, which remains unchanged. Our funds come from mid-term and long-term certificates of deposit, savings accounts and interbank funds. Interbank funds are now 2.5 trillion pesos, as I said earlier, which is related to the growth of the fixed income portfolio in line with the treasury strategy. In terms of CDs, our participation in the local market continues to be important. The top right part of the slide shows that the average maturity of long-term CDs remains in 5.4 years, as we showed you in the previous quarter. A year ago it was 4.5 years. The information on the bottom left shows the Corporation's liabilities rates have benefited from the decrease in Central Bank rates. Our liabilities rate for the quarter is 6.5%, which is equivalent to Central Bank plus 2.3%, clearly showing our good performance in this process.

I will now turn the call over to Mr. Gustavo Ramírez, who will talk about the performance of our investments.

Gustavo Ramírez: Thank you very much, Juan Carlos. Good morning everyone. We will now describe the most important variables that explain the performance of our investment portfolio during the second quarter. A general comment before starting is that we saw a slight recovery in the economic activity. As you remember, last year we noticed a weak economic environment, which began to change at the beginning of this year and has continued to do so in the second quarter and the second semester. In general, we see a great performance in our portfolio, especially in the energy and infrastructure sectors, as we will see below.

On slide 13 we see the performance of the energy and gas sector, where as you know the most relevant is Promigas. Assets increased by 4% and Ebitda by 10%, mainly due to an increase in gas transport, both at Promigas main pipeline, and increased activity in the regasification plant in Cartagena. This was possible because during this period the thermal generation plants in the coast had a very significant demand. As shown in the bottom left chart, the volume of transported gas in this period increased by 9% over the same period last year.

Additionally, in the distribution business, as shown at the bottom right of that page, the distribution users increased significantly in all the companies where Promigas participates both in Colombia and in Peru, consolidating its presence in that sector.

On page 14, we see the global numbers of the infrastructure sector. There was a significant growth of the assets, which is explained, as Juan Carlos mentioned, mainly by the increase in our investment in the new 4G concessions, and also an increase in the consolidated Ebitda of almost 20%, which can basically be explained by two factors. First, there is a recurring factor in 4G concessions, because as construction pace increases, the Ebitda results of those

companies immediately reflect that. Additionally, there was a non-recurring incident also explained by Juan Carlos, concerning Epiandes as the Arbitration Court decision was favorable for the company and that produced an extraordinary income.

As for our activities in concessions, the chart below shows a comparison between traffic performance in the second quarter of this year and the second quarter of last year. Although the number we see for the second quarter of this year is lower than that of the previous year, it is basically due to a statistical effect caused by Easter. This year Easter was in March, while last year it was in April. But if we compare this number per semester, we can see that the total traffic this year was very similar to that of the first semester last year, which confirms that the economic activity, as measured by this traffic indicator, keeps growing.

On the next page we have a graph that we had not shown you before, which tries to better reflect the performance of concession projects. The Ebitda is shown in a semester by semester comparison. The table also shows what part of the Ebitda comes from the concessions business and from the construction business. As you know, Corficolombiana's business model is focused on the infrastructure sector and road concessions basically have two components: concession and construction. This component will grow as construction work advances.

Nowadays, a large part of our income comes from the concession business. In the future, the performance of the construction business will improve. The concessions business was separated between old concessions, meaning our four first and third generation concessions, and the new fourth generation concessions, which will also grow as time passes. The participation of the old concessions in the results is diminishing, which can be clearly seen in this comparison between the results of the first half of 2018 and one year ago. You can see there the increased participation of 4G concessions in the Ebitda. We hope to use this chart for follow-up in the coming semesters.

The chart on page 16 shows the current status of our 4G concessions. The most relevant fact was mentioned by Bernardo at the beginning, and it is the beginning of the construction stage in Covipacífico. After the favorable result of the Arbitration Court in the first quarter, it was finally possible to sign the initiation act and start the construction work. This implies that in the coming months we should see an important progress in this project, with the corresponding effect on the corporation's results, along with Coviandina, which is the other 4G concession under construction and the one with most progress, reaching 21.8% at the end of the second quarter.

Not much has happened in the other two concessions where the construction stage has not started. They are Covimar and Covioriente. In Covioriente we are still awaiting the decision of the Arbitration Court, which we hope will be informed towards the end of this year. It will determine the start of the construction phase. In Covimar we continue the environmental

licensing process with the ANLA. We think it will take the rest of the year, so construction will not start before the first or second quarter next year.

The graphs below show the evolution of our investment figures in the concessions. The total Capex estimate and the required equity contributions on the part of Corficolombiana are the same we have shown you before. Equity contributions continue during the period and as of June, this contributions for the concessions amounted to 830 billion pesos.

Turning to the hotel sector, we see stable consolidated assets, a 6.5% Ebitda growth reaching over 9,1 billion pesos and an occupancy rate of 54%. The figure of rooms sold show a slight deterioration, but the statistical effect of Easter can also be seen here, since in 2017 it was in April and this year it was in March, which affected our occupancy figures. However, when analyzing the aggregate figures for the whole semester, we can see some growth in the number of rooms sold. Also, in the coming months the operation of our new hotels in Medellin will start. The hotels are being furnished right now, so we hope they come into operation this quarter or the next.

In terms of agroindustry, the most significant fact is that Pizano is not included in our figures anymore because it is in liquidation, and that explains the significant changes in this area. Another outstanding fact is that the performance of Pajonales continues to be poor, basically because the price of rice is facing a historical low, probably the longest period of low prices faced by the sector. Because of this, the company's performance is not the best.

Finally, in the financial sector, the fiduciary performed well this quarter and in general in the first half of the year. Also, the situation of the leasing company continues to improve. Due to the deterioration of its portfolio, it continues to have a poor performance, as we have mentioned in recent quarters.

This was the review of our performance. I will turn the call over to Bernardo, who will discuss the issuance of shares.

Bernardo Noreña: Thank you very much, Gustavo. Concerning the issuance of shares, as you might know, we are in the process of receiving the offers.

Corficolombiana basically has some pretty significant investment requirements. Our 4G investments are roughly 7.5 trillion pesos, out of which 2.5 trillion pesos have to be provided by Corficolombiana for equity purposes.

Basically given our contributions and investments so far, the corporation's indebtedness, as measured through double leverage, has increased, and rating agencies have mentioned this in their reports. Standard & Poor's in particular has said that the corporation has a 157% double leverage level which, though high and acceptable, is actually in the upper limit.

What does this situation entail? That as we have important cash requirements and at the same time a high level of leverage, we have a very limited capacity to invest in new opportunities

that could arise. Particularly in the case, which is an example of this situation, of the investment in Empresa de Energía Eléctrica de Bogotá, where if we had not been involved in the issuance, probably we would not have been able to participate.

Clearly, there are new opportunities in the market. EPM has announced the possibility of selling some of its companies. Promigas has been analyzing some opportunities abroad, where it could potentially need shareholders' resources. So basically with the issuance we wanted to reduce our indebtedness level and to have the possibility to participate in some investments, guaranteeing at the same time that we have the required funds to make the equity contributions of the 4G concessions. Thanks to the issuance, we improved our balance structure and we have that flexibility I just mentioned. We made the investment in Empresa de Energía Eléctrica de Bogotá, we knew that the issuance was going to take place, and that allowed us to make that investment and have some temporary lenience regarding double leverage from the rating agencies.

The recipients of the issuance are basically Corficolombiana's current shareholders. As usual in recent issuance processes in Colombia, that right can be transferred to whoever the shareholder chooses, and I think that's a matter of flexibility and courtesy with the shareholder.

If all the shares were subscribed, the amount of the issuance would be 960 billion in ordinary shares and 51 billion pesos in preferential shares. The type of shares, as I mentioned, is basically ordinary and preferential, which is basically what the Corporation's bylaws requires. We are issuing 40 million ordinary shares and 2,500,000 preferential shares.

The next page shows the process and schedule of the issuance. The first stage was launched on July 30 and ends today. We should have by now the acceptance of those rights by the shareholders. There was a 10 working day period where they were allowed to transfer that right. That ended a few days ago. The second and third stage will take place between now and August 28. The second stage, or the growth stage, will take place between August 23 and 24. Shareholders who subscribed in the first stage will be able to subscribe in this growth stage. If there are any remaining shares still to be subscribed, we would go to a third stage on August 27 and 28, where the largest subscriber will be offered the additional shares and given the option to choose how many of those wants to subscribe. We'll go in order offering the shares, but that, again, will happen in case there are shares remnant after the growth stage.

That is basically the information concerning the issuance. We will now have some time for questions, which we will gladly answer.

Operator: Thanks. The question and answer session will start now. We ask you to limit yourselves to two questions per company, to allow other analysts to ask their questions too.

If you have any questions, please press * 1 on your phone. If you wish to be removed from the waiting list, please press #.

Once we end the audio questions, we will start with the questions from the web. Remember, if you have a question, please press * 1.

We have a question from Estefanía Mosquera, from Credicorp.

Estefanía Mosquera: Good morning. Thank you very much for the presentation and congratulations on the results. My question is about Coviandes, and the expected effect of the demolition of the bridge and the delay in the construction in the financial statements of Corficolombiana.

Gustavo Ramirez: Thank you very much. We expect the effects to be marginal. We expect a large part of the costs involved in rebuilding the bridge to be covered by the insurance companies. However, the final result will only be known once this is all over, but that is what our current estimates foresee.

On the other hand, the term of this concession is determined by its income. The concession will end once it receives all the expected income. We hope that to happen by mid-2019. At that moment, when the revenues foreseen in the contract have been received, the infrastructure will revert to the ANI, and the bridge will most likely not have been rebuilt at that time. However, Coviandes will still have the obligation to rebuild it and deliver it once it's finished.

Estefanía Mosquera: Perfect, thank you very much.

Operator: Next we have Carlos Rodríguez, from Ultraserfinco.

Carlos Rodríguez: Good morning, gentlemen. Thank you very much for the presentation. I have two questions. The first one is about infrastructure. The total consolidated results of infrastructure are 430 billion pesos. I would like to know which items are part of that, how much of that comes from construction or tolls, and what portion of that is cash. Also, why have infrastructure revenues increased, while at the same time costs have reduced? Obviously in terms of results that is very positive, but I would like to understand it.

My second question has to do with the investment in EEB. I want to know the rationale behind the purchase of those shares. Did you consider that the asset was somehow cheap and that its market price should be higher than today? Or is it related to stability in the flow of dividends? Thanks.

Gustavo Ramirez: Well, thank you very much for the question. Regarding the infrastructure sector, we tried to include additional information in the new graph shown on slide 16. The corporation's business model in this sector has two components: the concession business as a long-term investor, and we are also a participant in the construction business, which is medium-term and more of a margin business.

Once the construction work progresses, the results are seen on both sides of the business. Out of our four concessions, three are considered a financial asset, that is, the investment made yields a return according to the financial conditions of the contract. The higher the investment, the higher the return, because more financial asset is accumulated, and this explains most of the Ebitda.

On the other hand, in the construction business, depending on the progress of the construction, a margin can be generated, and this has happened so far.

Regarding whether it is cash or not, for the corporation it is not, because we are in the process of investing, so any cash generated by the concessions will be used to finance their construction work, and the situation will be the same in the next quarters and years until the construction is finished.

As for the question about Empresa de Energía, Grupo Energía de Bogotá, we have the advantage of having being shareholders of the company for many years. Therefore, we know the company thoroughly and its potential. In addition, this process had some special characteristics that made the investment even more attractive. As you know, the majority shareholder, the District, offered a good agreement to minority shareholders that significantly improves the company's governance. Additionally, with this investment we have increased our participation to a level where we probably have our own right to be on the board of directors.

These aspects, the company's performance and our knowledge about it, the significant improvement in its corporate governance through the agreement offered by the District, and our increased participation that makes our position in the company even more relevant, are the reasons to make this investment in EEB.

Carlos Rodríguez: Okay, thank you very much. One last question: can give us an update on Ruta del Sol? How is that process going on? What are your expectations for the rest of 2018?

Bernardo Noreña: In Ruta del Sol, we are following the Arbitration Tribunal. It is currently suspended, due to sad passing of the president of the Tribunal. The next step is replacing the president, which should happen between now and September 10th. Once the president is appointed, the Tribunal will continue its normal process and it should make a decision towards the end of 2018.

Carlos Rodríguez: Thank you very much.

Operator: Again, if you have a question, please press * 1. We have Rodrigo Sánchez on the line.

Rodrigo Sánchez: Good morning. Thank you very much for the presentation. I have two questions. The first one is regarding Banco Panama. What is the expected impact of that

liquidation on your figures? Could it generate any effects such as impairments or the situations experienced by Pizano?

My other question is, what level of double leverage are you expecting? Let's assume that all of the shares are placed. What levels are expected to be reached by the end of 2018 and 2019, taking into account the equity contributions required by the concessions? Thank you very much.

Bernardo Noreña: Regarding Banco Panama, we do not expect any effect. The liquidation of the bank in Panama is a very normal process, where we are transferring part of the loan portfolio and the liabilities. The operation of Banco Panama generated around 1 million dollars annually, which has no impact on the corporation. Therefore, we do not expect any negative impact.

With respect to the issuance and double leverage, basically if all the shares offered were placed, we should arrive at about 140% double leverage, taking into account the investment we made in Empresa de Energía Eléctrica de Bogotá. Estimating a figure for 2018-2019 would mean making a projection. You know that we are not giving any guidelines yet on the Corporation's, but we are considering the possibility of reinvesting that issuance on roads and other investments that may come up.

Rodrigo Sánchez: Understood, thank you very much.

Operator: At this time there are no questions.

Bernardo Noreña: What about questions from the web? No?

Well, in that case we will end the call. Thank you all. This is my last call here in the Corporation. I want to thank you for your attention and support in the last two years. Without your reports, it would be very difficult to reach all of our investors, so thank you for your work. We are always ready to help you so that you can better communicate what Corficolombiana is and what we do. Thank you very much.

Operator: Thank you. That ends our conference today. Thanks for participating. You can hang up.