RESULTS PRESENTATION 3Q-2020

Operator:
Welcome to Corficolombiana's third quarter 2020 earnings call.

My name is Juan and I will be your operator today. At this moment, all participants are on mute. Please note that this call is being recorded.

We will have a question and answer session later. We will first answer questions via phone and then questions received via webcast.

You may ask your questions at any time during the call.

I will now give the floor to Corficolombiana's President, Mrs. Maria Lorena Gutierrez. Go ahead, please.

Maria Lorena Gutierrez:
Good morning, everyone. I hope you are listening to me. Can anyone confirm?

Operator:
Yes, we can hear you.

Maria Lorena Gutierrez:
Alright. Good morning to all of you. Thank you very much for joining Corficolombiana's third quarter earnings call.

As usual, I am going to make an introduction first. But today I wanted to invite Mr. Jose Ignacio, our Economic Research Director, because I think it is interesting to know his vision on the economy by year-end, based on a report that was presented by the Economic Research Department very recently.

So, before talking about the most relevant facts during the third quarter, I want to give the floor to Jose Ignacio.

Jose Ignacio, welcome.

Jose Ignacio Lopez:
Hello?

Maria Lorena Gutierrez:
Jose Ignacio?

Operator:
Jose Ignacio, go ahead.

Jose Ignacio Lopez:
Alright. Can you see the slide?

Maria Lorena Gutierrez:
Yes.

Jose Ignacio Lopez:
Perfect. Thank you, Maria Lorena.

Before presenting the results, we are going to review briefly what we are seeing from the macroeconomic perspective. As we all know, this year has had significant volatility and economic convulsion.

The third quarter figures recently revealed show that the economy is contracting at a 9% in annual terms. This obviously shows the adverse effect of lockdowns, restrictions on mobility and in general consumption and demand behavior during the pandemic, but also, on the positive side, we see a very significant quarterly recovery, because this 9% fall in annual terms represents some recovery after the strong restrictions in the second quarter and we are seeing a rebound with 8.7% in this quarter.

These figures show the significant relationship between economic activity and mobility. Mobility is an indicator that doesn't usually tells us much about economic activity, but it has been key this year to understand the dynamics and overall pattern of economic growth.

You can see on this slide the close relationship between the monthly economic activity index published by DANE and some mobility indicators, such as Google, which we are presenting. Basically, as long as people can move to go to their jobs, to stores or other places of interest, economic activity shows in fact some recovery.

In sectoral terms, we are also seeing quarter-on-quarter recovery, although there is still a big disparity between some sectors. Agriculture, real estate and financial, sectors in which we also participate, are already showing some annual growth, that is, they have recovered from the level they had a year ago. Other sectors such as public services, industry, information and communications and a large part of commerce are still below, which is clearly consistent with the 9% year-on-year fall.

The sectors which are still lagging are all those related to services, such as the tourism sector and its entire value added chain. It has been affected in a very significant way. Color red in that chart shows the significant contraction in all the services related to that segment.

The entertainment segment is also experiencing a very significant contraction, as well as the energy and mining sector due to the fall in oil prices and some restrictions, especially in the coal sector, with some strikes plus low prices of this raw material, which largely explain the contraction in these areas of economic activity.

What are our expectations? We are expecting economic activity in the third quarter, in year-on-year terms, to continue to decrease, but much less than 9%. After the reactivation of many economic sectors since September, mobility indicators and some other leading indicators show that the economy is recovering. Therefore, we are expecting a fall in GDP in the fourth quarter of around 3.5%, which would take us to a total growth figure of -6.8% for 2020.

We think the recovery is going to continue in 2021, in some sectors more than others. We expect some sectors such as industry to recover to pre-pandemic levels. Sectors such as agriculture and financial, which have already recovered, will continue to grow, but some other sectors such as services are still behind and recovering those pre-pandemic levels is going to take longer. We expect to see some recovery in those sectors by late 2021 or early 2022, particularly in those related to international tourism.

Then, our specific forecast for 2021 is 4.2%. Therefore, given the growth path that we are projecting, a 6.8% contraction this year and 4.2% growth in 2021, at an aggregate level the level of economic activity would be recovered in 2022.

That is the macro context where we are still seeing the adverse effects of restrictions and the pandemic on the economy, but we are already beginning to see some light on the path to recovery and that will lead to a rebound in 2021.

With that, I think we can continue the call.

Maria Lorena Gutierrez:
Thank you very much, Jose Ignacio. I know you have to leave. Does anyone want to ask him any question about the macro context before he leaves?

Operator:
We have no questions at this time.

Maria Lorena Gutierrez:
Are there any questions for Jose Ignacio?

Jose Ignacio Lopez:
If there are no questions, then thank you very much

Maria Lorena Gutierrez:

Thank you very much, Jose Ignacio.

Now I am going to make a general introduction about this third quarter, then we will cover very briefly the financial results, and then our Vice President, Gustavo Ramirez, is going to present the results of our investments.

For the third quarter of 2020, our consolidated figures show assets of COP 36.31 trillion, equity of COP 11.16 trillion, and net income of COP 415.5 billion , which means an increase of 15.2% when compared to the previous year. Our annual income as of September 2020 was COP 1.03 trillion, with a 9.8 decrease compared to the previous year. As we have seen in our previous calls, in the second quarter the country's economy came to a halt and these figures are the result of that. Our EBITDA as of September was COP 3.05 trillion, with a 4.1% increase over the previous year and a 43.8% margin. Those are our general figures.

As for relevant facts, I would mention that Promigas, our main company, and all of its energy and gas subsidiaries, are operating normally. I think we will be very close to the budget we had for this year, as we will see later. Also, I would like to mention the two successful bond placements in the international and local markets. The international placement was for USD120 million, and we had a bid-to-cover ratio of 8 times. In the local market, 600 billion were issued, with a bid-to-cover ratio of 1.74, in which Corficolombiana was involved in terms of treasury, placement through Casa de Bolsa, and also investment banking.

In infrastructure, as relevant facts, I would like to mention that the ANI recognized all COVID-related matters as exempt from responsibility during the 98 days, especially, that infrastructure projects were paralyzed from March 25 to June 30. This was a joint effort between the CCI, the General Solicitor's Office and the Comptroller General. Also, idle costs that were incurred between March 25th and May 31st were recognized, which is good for our financial statements. And in general terms, as Gustavo will show you, our concessions have recovered their construction pace and we continue ahead of our commitment with the ANI.

Concerning the airports, private initiative concessions both in Cali and Cartagena expired in September. There was a six-month extension for the Cali concession and a two-month extension for the Cartagena one, to work on the recognition about Covid related events and to present the new private initiatives.

We are pleased to see the economic reactivation in the third quarter, especially since lockdowns became more flexible. 20 hotels resumed operations and they have the biosecurity seals required. Gustavo will show you our hotel results at the end. Obviously, they are still negative, but not as much as they were in the second quarter.

Agroindustry is doing well, as we will see at the end of the presentation. I would just like to point out that we were trying to get an international certification for rubber export, especially for tire manufacturing, and we completed this homologation process with Michelin in Brazil and Tornel in Mexico.

Finally, I would like to provide a brief update on our sustainability strategy at Corficolombiana. We had good news this third quarter. We became members of the PRI - Principles for Responsible Investment, which sets six Principles for Responsible Investment both for fixed and variable income, supported by our Board of Directors and our shareholders. We are working on those investment policies.

We held a forum on Principles for Responsible Investment, which was a success. 5,300 people attended. We invited Fiona Reynolds, PRI's CEO, who had never addressed Latin American audiences, and we had a panel where Gustavo Ramirez, our Vice President of Investments was present, together with BlackRock and Ashmore.

At this moment, 8% of our corporate fixed income portfolio is invested in sustainable bonds. This will continue to be part of our policy and we will have even stronger criteria, both for fixed and variable income investments.

Another positive news we had last week is that we entered the Dow Jones Sustainability Index MILA, which recognizes our efforts in environmental, social and corporate governance aspects. Therefore, we will continue to work hard to be part of this index. I am very proud of Corficolombiana for having achieved this.

We had a certification for the 2020 Silver Medal for Mavalle [audio drop - 00:17:12], so that really is a recognition.

As we announced when we presented our sustainability strategy, we are committed to measure our carbon footprint. We already did that in Corficolombiana and now we are going to do it in our subsidiaries. Therefore, next year we are going to focus on reducing our carbon footprint.

And finally, because of the pandemic and the situation in Cartagena, both Corficolombiana and Surtigas foundations have been working with 36 suppliers in Cartagena to support them in strategic, financial and marketing issues. This is part of the work we have done but we had not announced it in the second quarter.

These are the most relevant events of the third quarter. I now give the floor to our Vice President, Juan Carlos Paez. Juan Carlos, go ahead.

Juan Carlos Paez:
We are glad to show you our financial results.

I am going to start by mentioning that in the last column, where we compare accumulated figures for both 2020 and 2019, there are still some negative differences, but really minor ones.

We have made some adjustments to this presentation to be able to better present trends in our figures. Concerning the real sector gross margin, it went from COP 1.1 trillion in the third quarter last year to COP 1.147 this quarter. This comparison shows a slight improvement. But when comparing this quarter's figures to last quarter, when we had COP 674 billion, the result of the real sector is clearly positive.

When comparing our aggregate figures to the ones obtained last year, they are quite similar. It is basically due to the effort made by all the real sector entities and to a significant reduction in the costs of sales and services, as you can see in the slide.

We also separate the gross margin of the financial sector. In 3Q 2019, we had COP 37 billion and this quarter we are showing COP 88 billion. I insist that these figures aggregate the Corporation and its two financial subsidiaries, showing an excellent performance in comparison to one year ago and also show a growing trend from COP 70 billion obtained the previous quarter.

In terms of share of profit from equity method, we have COP 40 billion, very similar to what we had the previous quarter, although it is lower than one year ago because current figures do not incorporate extraordinary events that were included one year ago.

As for financial expenses in the real sector, those COP 215 billion is more than double the figure we had in the second quarter. As we mentioned in our last meeting, there is a high sensitivity to exchange rate differences and that is what explains that variation, not only between these two quarters, but also when compared to the third quarter of 2019.

As far as administrative and general expenses are concerned, I would say they have been stable. Our savings were COP 292 billion , which show the effort of the real sector and financial companies. That is COP 292 billion compared to COP304 in the previous quarter.

Our EBITDA has had the same trend as the gross margin, when compared to the third quarter of 2019, which was COP 1.016 trillion. This quarter, it is 4.1% higher, COP 1.154 trillion. When compared to the COP 619 billion of the previous quarter, we can see the excellent recovery of all of the entities in our investment portfolio.

Thus, our pre-tax income reached COP 797 billion, our total consolidated net income was COP 535 billion and our attributable income was COP 415 billion, which is also higher than the controlling net income one year ago, which was COP 360 billion.

The graphs in this presentation show what I have just said. As you can see, when comparing both quarters the gross margin of the real sector grows marginally. As I said before, the accumulated gross margin is practically the same we showed one year ago.

On the next slide, we are comparing 2019 and 2020 quarterly and the accumulated, first in terms of the EBITDA and then the controlling net income. I think that looking at these trends is very important. Our first quarter, as you may remember, was extraordinary not only in terms of EBITDA but also in controlling income. It was COP 1.279 trillion in the first quarter and earnings were COP 433 billion. Given the economy shock experienced by all economies in the world, our EBITDA went down to COP 619 billion and our net income was COP 186 billion. But the recovery has been spectacular, reaching about COP 1.154 trillion EBITDA this third quarter and an income of COP 415, which allows us to reach the accumulated figures we see on the right, highlighting the Corporation's resilience and generating very interesting expectations about for the rest of the year.

The next slide shows how [audio drop - 00:25:31] consolidated fundamentally [audio drop - 00:25:35] gas and infrastructure, where energy and gas went from COP 1.2 trillion to COP 1.318 trillion. In infrastructure, despite the shocks experienced in the second quarter, our EBITDA contribution reached COP 1.6 trillion, which is very close to the figure we had in the first three quarters of 2019.

I would say that although the other sectors contribute marginally, they continue to be strategically important to us and they follow positive trends. That is how we reached an EBITDA of COP 3.053 trillion, with a 4% growth over the previous year.

Concerning the Corporation's funding, I will now give the floor to my colleague, Julian Valenzuela, Vice President of Treasury, who will explain these figures. Go ahead, Julian.

Julian Valenzuela:

Perfect. Thank you, Juan Carlos. Good morning to all of you.

Well, concerning funding, the context in which we moved was characterized by high liquidity, in addition to a downward trend in rates as a result of the Central Bank policy, besides activity resumption in all entities issuing securities as CDs and bonds.

This quarter figures reflect our efforts to take advantage of these opportunities. CDs remain our main source of funding, accounting for almost 53%. Our total term deposits amounted to 59.5%, equivalent to almost COP 4.5 trillion.

Our goal was increasing the average term. The chart on the left shows the increase from the second quarter of 2020 to the third quarter, which was almost 0.5, going from 9.1 to 9.6. It is a significant increase compared to last year, going up from 7.4 to 9.6.

With respect to the average funding costs, they are very much in line with IBR movements this quarter. The average funding cost fell by around 90 basis points.

Our leverage indicator, in relation to the balance of our term deposits, remained at around 132.6%.

So, in conclusion, our funding has had better conditions and liquidity through an increased average collection term and lower costs.

This is what I had to say about funding. In the next part, I will give the floor to our Vice President of Investments, Gustavo Ramirez, who will talk to us about our portfolio management.

Gustavo Ramirez:
Good morning everyone.

We are going to make a brief summary of our companies' performance in the third quarter. Let us move on to the next slide.

This was a quite active quarter, both because economic activity in general has recovered and also because new challenges are being set for the coming year. In this first slide we want to show briefly the main operational figures of the different sectors.

On the top left we see the volume of gas transported, which has remained stable in the year. As you remember, we mentioned last time that the first quarter had high gas consumption, then there was a drop because of the pandemic and lockdowns in April and May. After that, it has recovered and has endured. These figures also include October to show you that the trend has continued. And as we have mentioned several times, the gas transportation business, was minimally affected by the situation we have experienced this year.

On the other hand, in the gas sector, the distribution business was highly affected, basically because it was directly impacted by the reduction in economic activity and the lockdowns in the second quarter. The graph shows the fall in the second quarter, especially in the months of April and May, and some recovery in July. And during the third quarter, even in October, we have seen a growing trend even at levels higher than before the lockdowns, so we believe that as far as gas is concerned, both in terms of transport and distribution, we are at normal levels.

At the bottom, we show two indicators that I believe are important. First, in gray, below left, Estelar hotels occupancy. As you can see, it was good in the first two months of the year, even higher than historical levels of over 65%, and then it fell sharply in March. Since then, it remained practically at zero, with a few hotels open. Since September, due to the end of the mandatory confinement, it has been recovering. In September, hotel occupancy was 17% and in October it increased by over 25%. Of course, as we will see in our financial numbers, this is not enough to reach breakeven, but we expect occupancy to consolidate well into next year.

In the following chart, we see the variation of traffic on roads. When comparing each month of this year to the same month last year, the behavior is what we expected. There was a drop in traffic this year, especially in the second quarter. In April, traffic was 62% below that of April last year, but it has been recovering since then. The same thing happened until August, but in September, with the end of the mandatory confinement there was a rebound so by October and September traffic on our roads was almost 10% and 11% respectively higher than the same months last year. We believe that these are rebounds after the lockdowns. They will probably not happen again, but of course we will not return to the same levels from previous months.

And finally, the chart on the right shows the progress of our three concessions under construction. The green color shows the project progress in the third quarter. We compared with the progress achieved during the second and first quarters to show the recovery in those three concessions. Not only are we building more than we did in the previous months, but we are determined to make up for the time we lost due to the lockdowns and also to government provisions by which we had to stop our construction work..

So, in conclusion, from an operational point of view, you can see what we have mentioned in previous calls, which is recovery. We have already overcome the drop from the second quarter and in general all of our sectors reaching normal levels. Hotels, perhaps, is the only sector that will take a little longer to recover.

Now, moving on to our figures, let us talk about Promigas. As we have said several times, it has been quite resilient during this crisis and continues doing investments. The asset has grown by 13% compared to last year and its accumulated EBITDA is almost 10% higher than last year.

And in operational figures, we also see some growth in transport levels, very similar to those of the first quarter, as well as in distribution. Although in the 9-months to September, this year's consumption is not at the same levels of last year, the number of users continues to grow and those consumers are resuming consumption, as we saw on the previous page.

In conclusion, Promigas has definitely shown resilience. It is already operating under normal conditions and we believe that by yearend, when we analyze this year's total financial results, they will be equal or better than those of last year.

In the next slide, we also see how we continue to invest in the infrastructure sector. Our consolidated infrastructure assets have grown by almost 40% compared to a year earlier, because we had been investing on our roads as planned.

EBITDA is 11% higher than a year earlier. In aggregate figures, it is still 2% below the second quarter, but we are confident that the EBITDA for the whole year will be at least equal to that of the previous year.

As for traffic, as I showed in detail in one of the slides, total traffic for the first nine months is still below last year's level. However, as we saw, in September and October it has been higher. The reduction in traffic in the second quarter was huge. As we saw, in one month, traffic was even lower by more than 60% and, of course, in the accumulated traffic figures, we are not at last year's levels yet, but we are going to get there.

In the following slide we show some progress figures related to our 4G projects, focusing mainly on those under construction. By late September, we had invested COP 2.4 trillion in these projects. Let me remind you that our investment goal for these projects is a little over COP 3.2 trillion. In other words, we have already allocated two thirds of those commitments, which we will conclude next year or maybe by early 2022, but investment level and construction progress are back to normal. As you know, our Coviandina concession is in its final phase, reaching 76% construction progress. Covipacífico has already passed the half-way mark and is at 52% and Covioriente is at 37%.

Let's continue. We now see the hospitality sector, which as we know is the most affected. All levels are below last year's. We still have losses and a negative EBITDA. In October, we achieved positive gross margins and this will continue, depending on the pace of occupancy recovery. As we saw in a previous slide, we are already at 25% occupancy levels, but we will not reach breakeven again until we reach levels of at least 40 or 50% and we expect this to happen well into 2021. In the meantime, we continue to have losses. The good news is that this loss is lower each time.

And finally, our two outstanding sectors this year are agroindustry and financial. Not only have they grown in terms of results, but they have also exceeded by far last year's expectations and results.

Agroindustry, as you may remember, was not good last year especially due to palm and in a lower degree to rice. This year has been much better and that is why we are seeing such positive growth. Moreover, as you know, this sector didn't stop during the lockdowns, so production has remained constant and that is reflected in our results.

And finally, regarding the financial sector, which has also had a good year, we have to take into account that last year we still had the negative effect of our leasing, whose liquidation was approved in December last year. That helps to explain this year's growth, but even if we were to eliminate that effect, both our Fiduciaria and Casa de Bolsa have performed quite well and even better than last year.

So, in summary, we want to show that the consolidated EBITDA in our sectors has grown by 4% in total when compared to last year, which confirms our growth and recovery especially in the construction sector.

We are ready for the question and answer session. Thank you.

Operator:

Thank you. We will now begin the question and answer session. If you have a question, please press star (*) one (1) on your touchtone phone. If you wish to be removed from the queue, please press the pound sign (#). Remember, if you have a question, please press star (*) one (1).

We will now answer questions received via phone and then we will answer questions received via webcast.

We have a question from Juliana Aguilar, from Bancolombia. Go ahead.

Juliana Aguilar:
Thank you very much. Good morning everyone. Thank you very much for the presentation. I have a question regarding Covimar. We know it has had many problems related to consultations and the environmental license. Are you still positive that this concession will begin its construction phase in 2022? What can you tell us about this process? Thank you very much.

Maria Lorena Gutierrez:
As we had announced last year, the National Environmental Licensing Agency requested another study regarding one area of this concession, which is Las Pavas. Conducting that study requires over a year because it has to be done during dry season. We continue with that commitment, but we really expect to solve all those community issues. However, given the consultation and lawsuit issues in this country, we continue working on that.

What I could say is that we are complying with all the requirements set by the ANLA, the Valle Department environmental corporation, and the communities. We hope to solve that to start construction in 2022.

Juliana Aguilar:
Okay, thank you very much.

Operator:
Thank you. We have a question from Carlos Gaviria in the webcast. It reads, "What other investment sectors is Corficolombiana interested in?

Maria Lorena Gutierrez:
As we have said several times, we are focused on those five sectors, which are: infrastructure, gas and energy, agriculture, hotels and the financial sector. We believe that these are the sectors that drive our country's economy and that is why Corficolombiana´s behavior is linked to Colombia´s economy, but we are always open to evaluate new projects. However, we would not want to change our investment profile, which is profitable, sustainable, long term investments. That is why, we bet on the five sectors that I have just mentioned.

Operator:
Thank you.

The next question is from Fabio Escala. It reads, "Do you expect weather to have any impact on inflation in 2021?

Maria Lorena Gutierrez:
Well, I'm going to give Gustavo the floor.

Gustavo Ramirez:
Hello? Our inflation forecast for next year is around 2%. We believe that aggregate demand is going to be weak next year, especially consumption, and we do not expect to see any inflation levels above that.

Operator:
Thank you. We have a question on the line from Rodrigo Sanchez, from Davivienda.

Rodrigo Sanchez:
Good morning, thank you very much for the presentation. I have two questions. The first one is about Promigas and resolutions 155 and 160 related to the regulatory WACC for transport. I would like to know how if the proposal meets your expectations regarding the regulatory WACC level and what is the expected impact on Promigas' revenues and EBITDA in case those resolutions are not modified.

And my second question is, how much is the compensation for idle costs agreed upon with the ANI in terms of infrastructure and when do you expect to receive such resources? Thank you very much.

Maria Lorena Gutierrez:
Gustavo.

Gustavo Ramirez:
Yes, about Promigas. The project and draft resolution were within our expectations. Of course, it has been subject to comments and Promigas did so. There are specific things that Promigas has requested or commented on.

However, for us as investors, the effect we expect from this resolution is not negative. In the end, we are interested in the impact on Promigas' revenue after the rate update is made. We believe that revenue will not drop, even if WACC decreases, because the new rate will recognize assets that were not being recognized, the asset base will be higher than the currently being recognized, and that will produce an increase in Promigas' revenue.

As investors, we should insist on the fact that this regulation does not only affects revenue, which as I already mention not in a negative way in our case, but also that it is a regulatory signal for future investments to the extent that things like WACC decrease, because it discourages new investments.

Furthermore, we don't see a negative impact on Promigas' revenue and we are assessing the impacts on new investments according to that new tariff structure.

What was the second question?

Rodrigo Sanchez:
Yes. It was about idle costs.

Gustavo Ramirez:
At this moment, all of our concessions are evaluating those cost overruns. Once this claim is made by the concessions, it has to go through a process, both in the auditing of each contract and later in the ANI to, first determine the amount, and then the payment mechanism. It is established that first, if the contract has accounts with surpluses, ANI accounts that have surpluses in the trust, those resources will be used. Otherwise, other payment mechanisms will be used and that may include contract extensions. So far, we are in the process of estimating figures and gathering information. We do not have a number yet but we expect the first stage to be completed this year to then put those cost overruns for the consideration of the auditors and the ANI. We expect this to conclude in the next few weeks, before yearend.

Rodrigo Sanchez:
Perfect, thank you very much.

Operator:
Thank you. The next question comes from Nicolas Erazo from Credicorp Capital.

Nicolas Erazo:
Good day everyone. It's Nicolas Erazo, from Credicorp Capital. Can you hear me?

Maria Lorena Gutierrez:
Yes, Nicolas.

Nicolas Erazo:
Alright. I apologize because the line broke and I do not know if this has already been asked. I only have two questions. Is the 7% increase in infrastructure income year over year given to the progress in Covipacífico and Covioriente and not so much in Coviandina, since Coviandina is already entering its maturation phase?

And the other question is about Promigas' open season process for the Jobo Transmetano project. When is this expected to happen and what can we expect there?

Gustavo Ramirez:
Yes, as far as the first question is concerned, an important part of our infrastructure income comes from project progress in our three concessions under construction, which have different schedules to be taken into account.

The first concession that started construction was Coviandina and that is why it has been the one that has produced the most income in the last three years. Now, by late 2020 and early 2021 those construction income is going to be reduced because construction is finishing. On the other hand, construction started since last year in Covipacífico and Covioriente, in that order. Therefore, this year, Covipacífico is going to yield even more income than Coviandina did.

After Coviandina was for three years the one with the higher income, next year are going to be Covipacífico and Covioriente the ones yielding higher income, given the reduction in income in Coviandina because it is already finishing construction works. So, let's say that this mix in the next two years, at least, will vary according to the point in the construction curve of each concession. That's regarding your question about the concessions.

As for the Promigas open season, as you know, this is not a novel process, but it is a very interesting one foreseen by the regulation to develop infrastructure. It also overcomes the regulatory difficulties that we mentioned in the previous question, because Promigas proposes an asset to the market, in this case a gas pipeline, under the conditions that it deems appropriate, both in terms of technical and financial conditions. That is, the technical specifications of that pipeline, tariffs and other economic conditions in which it could be used, and then asks the market, under those conditions what demand there would be and then receives offers to provide that demand. That guarantees that, if those demands are met, then the pipeline or project is viable.

So, this mechanism is very interesting for us and, as I said, it overcomes the regulatory difficulties caused by the CREG delay, the WACC, etc., because Promigas invests only if, given those technical and financial conditions proposed to the market, there is enough demand or interest of the agents involved.

So we are working on that. Promigas would like to provide some certainty as to whether the gas pipeline will be built this year or not, but it doesn't have any dates yet. The important thing here, as I said, is that the consultation with the market be successful under the conditions proposed by Promigas. That also gives Promigas and us as investors peace of mind that it is a viable investment and that the market needs it.

I can't give you a specific timetable but I would like to say that we are interested in this process, especially because we see it as a way of making investments in a transparent way while mitigating risks for the investor. We expect to have more certainty about this project by yearend or very early next year.

Nicolas Erazo:
Thank you Gustavo.

Maria Lorena Gutierrez:
There are two more questions about Promigas. One is from Carlos Rodriguez and the other one is from Eduardo Greca, about the contract between Canacol and Promigas.

Before giving the floor to Gustavo, I would just say that Promigas continues to look into the contract with Canacol. The deadline for signing the transport contract according to the initial conditions is December 1st. We will pursue all legal actions to guarantee the legal security of the contract. Gustavo, would you like to add anything?

Gustavo Ramirez:
No. Maybe it is important to add, and Promigas will inform you about the technical details, our vision as investors. We believe that, since the development of this sector

is based on contract fulfillment, beyond the impact of the contract breach which we believe may not be significant for Promigas, it is a sensitive issue in terms of the reliability for new investments. That is why Promigas has taken it so seriously, from a legal standpoint.

Fortunately, this pipeline parts of the transport infrastructure for the new fields, not only of Canacol, but also of other producers in the area. Promigas believes that the pipeline can be used fully, regardless of the contract breach by Canacol.

Therefore, we believe that the financial effect of an extreme case of non-compliance by Canacol as it is at the moment, is not significant on Promigas' figures. We are more concerned about legal precedent.

As for the impact of [unintelligible - 01:00:26] on Promigas, what Promigas has done in the last month has been quite interesting. As you know, it has gone to both national and international capital markets. And this has been a subject that of course has been discussed with the investors, and even the rating agencies updated their Promigas ratings knowing all the details about this situation. The conclusion of both investors and rating agencies is the same, that the financial impact on Promigas is not material. Therefore, the ratings were maintained. Also, as you have seen, Promigas placements were successful in terms of demand, rate and term, which gives us peace of mind, not only because of the generation of value achieved, but also because of the market's perception of this unfortunate situation with Canacol.

Maria Lorena Gutierrez:
Perfect. There is another question. Will Promigas participate in the bidding of the Pacific Regasification Plant?

Gustavo Ramirez:
As the only agent in the market that has a regasification plant, Promigas is interested in any project related to expanding its regasification capacity, so of course, Promigas will consider participating in the Pacific plant. That decision will depend on the risk-return evaluation made by Promigas. We agree that in the medium term, probably in four or five years, there will be a deficit of local gas and importing gas will be necessary. That is why Promigas and we decided to enter the regasification business several years ago. We are already there, we are a player in that line of business, and we believe that, as I said, it will be necessary for our country.

It's an important business opportunity for Promigas and it's one of its strategic focus looking forward. The specific decision to participate in this or other projects will depend, I repeat, on the evaluation made, but we will certainly look into it.

Maria Lorena Gutierrez:

Okay. To summarize, as Gustavo said, we are evaluating it, but the decision to participate or not will be made later, depending on the evaluation of the financial aspect and other social issues in the area.

There is another question from Eduardo Greca. It reads, "Any updates on the 5G projects and the renovation of airports?

Well, the National Government has published the road network proposal for Valle del Cauca, which we are studying. Comments have been sent, we are working on a possible structure. We have not yet made the decision until we complete the financial appraisal, but we are very interested in new infrastructure projects.

And as for airport renovation, due to the pandemic the national government postponed private initiatives. What we are doing is updating traffic studies, etc., both for the Cali and Cartagena airports, so that we can submit these private initiatives next year.

There is another question from Carlos Rodriguez. "Is there any medium or long term project, maybe a train infrastructure project, which is more competitive in transportation cost or navigability of the Magdalena River?

We have been looking into that. We are not really interested at the moment because we don't have much experience in that regard, but as we always say, we evaluate all projects so we will see if we have enough technical capacity to get involved in railway projects and in the navigability of the Magdalena River. But for now, I would say that it is not one of our priorities.

A question for Julian, from Darwin Cardenas: "In view of the fall in funding rates due to excess liquidity, have you considered buying back shares instead of issuing at the time of paying dividends? And maybe Juan Carlos Paez can answer.

Julian Valenzuela:
Well, no, the fall in interest rates can certainly generate many opportunities but buying back shares is not something we are considering at the moment. Juan Carlos, do you have...

Juan Carlos Paez:
It is a possibility that is evaluated year after year while analyzing dividend distribution and resource needs to continue with our investment dynamic, but we have discarded it and for the moment is not part of our perspectives.

Maria Lorena Gutierrez:

Well, there is a question from Faubricio Cárdenas about renewable, solar and wind energy plans.

There are some plans, as we have said, we are [audio drop - 01:06:43] investment and in the board of directors, but [audio drop - 01:06:56], but we are interested in renewable energy and we are evaluating several projects in the country.

I don't know if you have any further questions.

Operator:
We don't have any further questions.

Maria Lorena Gutierrez:
[audio drop - 01:07:23] There is a question from Darwin Cárdenas, that Juan Carlos Paez and Gustavo can answer very quickly. "What are the revenue growth projections for each business unit in 2021?

Gustavo Ramirez:
We definitely see 2021 from two points of view. On one hand, it is going to be a year of recovery. As I mentioned before, we see that aggregate demand is going to continue to be affected next year and we expect an economic slowdown. Although it is going to show some growth with respect to this year, the level of economic activity for next year is not going to reach pre-pandemic levels yet. And then, policy measures in terms of taxes will be very important, and fiscal stimuli will tell us to a great extent what we can expect from the level of economic activity, and above all, how long it will take to reactivate.

Fortunately, we participate in sectors that, as we have mentioned, are going to lead the recovery, especially infrastructure and energy. Our commitment is to continue to invest, both in roads, where our investment plan remains unchanged, and as we have discussed today, we continue to look for investment opportunities. We believe that the only way to overcome a crisis like this one is to renew confidence in the economy and continue investing.

We have seen that the energy sector has been resilient, and we are confident that next year will see growth, compared to this year. And perhaps the hospitality sector, which, as we know, is going to take the longest to recover, maybe around the second half of next year will start to show positive figures, which, in any case, will be better than this year's.

Juan Carlos Paez:
Yes. I would perhaps add that...

Maria Lorena Gutierrez:

Perfect, and...

Juan Carlos Paez:
Hello?

Maria Lorena Gutierrez:
Go ahead, Juan Carlos.

Juan Carlos Paez:
I would perhaps add that concerning the recovery we have seen between the previous quarter and this one, we aren't expecting to see extraordinary growth. What we have seen with satisfaction is the recovery path of the plans we had originally set for investments and therefore for results.

As one of the attendees mentioned, margins will probably be lower and operations such as the Treasury will have reduced net margins compared to what we saw this year, but as Gustavo says, the regulation and reincorporation of each of our sectors to the economy and the importance of this recovery allows us to assume that the Corporation will have a steady growing trend next year.

Maria Lorena Gutierrez:
There is a question from Carlos Rodriguez and that is whether there is any study on the possibility of paying the dividend in monthly installments to give greater sustainability to the share price.

Juan Carlos Paez:
Yes, we once did that, and to be honest, it affected stock marketability. We have considered many possibilities about how to distribute those dividends, but that one in particular affected stock marketability. We will consider this.

Maria Lorena Gutierrez:
There is another question from Faubricio Cardenas: "Any investment plans in roads or other businesses at the international level?

Well, clearly, as Promigas has announced, and as we have announced too, we continue to evaluate gas and energy projects in Peru and in other countries. We would like to take investment banking to other countries in the region. Corficolombiana, as the most important investment holding in the country, is evaluating projects, both in Colombia and in other countries. But those have basically been our priorities.

And Faubricio asks again, Juan Carlos, if next year the dividends could be paid in shares.

Juan Carlos Paez:
Yes, we will probably see something similar. The shareholders know our investments dynamics perfectly well through our reports. Dividend distribution through shares has always been associated with our investment expectations, with our obligations and commitments to support the investments we have made, and we will surely see distribution of dividends with a high proportion in shares.

Fortunately, the Corporation's stock is highly liquid and that helps us.

Maria Lorena Gutierrez:
Very good. Are there any other questions by phone, Juan?

Operator:
We don't have any further questions by phone.

Maria Lorena Gutierrez:
Well, thank you all for your interest in Corficolombiana, for your questions, for being here.

I think that, as you saw, Corficolombiana represents the recovery of our economy. We are optimistic of what is going to happen in the last quarter of this year, except the tourism sector, which is surely going to take much longer to recover. As you could see, good results, both in our investments in the five strategic sectors as well as in treasury and financial.

So, thank you very much and we will be in touch in case of any new news from Corficolombiana. Have a nice day and week. Thank you.

Operator:
Thank you.

Juan Carlos Paez:
Thank you very much to all of you.

Operator:
Thank you, ladies and gentlemen. This concludes today's conference.

If you want to listen to this conference call again, it will be available on the website www.corficolombiana.com in the next few days. Thank you for participating. You can disconnect.