

CONFERENCE CALL TEXT

TGI's results and significant developments

2012

OPERATOR SANDRA

Welcome to the TGI Investors Conference Call discussing 2012 Full Year Results and Significant Developments. My name is Sandra and I will be your operator for today's call. At this time all participants are in a listen only mode. Later we will conduct the questions and answer session. Please note that this conference is being recorded. Now, I will turn the call over to Mr. Juan Felipe Gonzalez. Mr. Juan Felipe Gonzalez you may begin.

Slide 1: JUAN FELIPE GONZALEZ

Good morning and welcome to the First Earnings Conference Call of Transportadora de Gas Internacional, the leading Natural Gas transportation company in Colombia, and a subsidiary of Grupo Energía de Bogotá. Today we have with us Mr. Santiago Pardo de la Concha, TGI's Chief Financial Officer. My name is Juan Felipe Gonzalez, and I'm the Head of Investors Relations for EEB. Slide deck is available by webcast and will be posted on the EEB's website.

Slide 2: JUAN FELIPE GONZALEZ

This morning's presentation is divided in two parts. First I will make some introductory review overview of EEB in terms of Business Strategy and Portfolio scope. Then, Mr. Santiago Pardo will take a look on the principal TGI's business accomplishments of 2012. He will also review TGI's significant developments and most relevant Financial and Operating Highlights. After that we will be pleased to open the call to questions.

I take the opportunity to tell you that EEB expects to hold another Conference Call on April 9th, 2013 to review our 2012 results. We will be in New York and London in June 3rd and 7th, as part of the Colombian Inside Out Conference organized by the Colombian Securities Exchange BCVal and Citigroup. We hope to see many of you at this event.

So now we will review EEB strategy, remember everybody that EEB is the holding company of TGI and TGI is the most prominent natural gas transportation company working in Colombia.

Slide 4: JUAN FELIPE GONZALEZ

TGI, EEB holding company has focused its strategy on the transportation and distribution of energy. Therefore we have investments in electricity and natural gas with a regional scope. We currently have operations in Colombia, in Peru and Guatemala and we're looking forward to enter the Chilean market specifically the transmission electricity, the transmission business. We are hoping to make a bid by April. On the upper left part of the slide you will find a summary of the Group's strategy, beginning with our focus on Natural monopolies, most of the cash flow

generated by the group on a consolidated basis comes from natural monopolies as I mentioned before, transmission and distribution of electricity and transportation and distribution of Natural Gas. We have been developing a Business Plan focused on growth in controlled subsidiaries. If you remember the numbers of EEB in 2006 around 15% of the cash flow came from companies that we controlled. That picture changed dramatically and in 2012 around 43%, 44% of the cash flow comes from investments with control and TGI plays a major role in terms of cash generation for the group. Another key aspect of our strategy is our Business Plan under execution; it's not common to find a Utility company in the region with such an ambitious plan under execution. The business plan is valued at US\$2.5 billion, and is being executed in the time frame of 2011-2016. We work in countries that have self-regulatory frameworks, that's the case of Colombia, of course Peru, and also Guatemala, and definitely Chile, which is the market that we are, our next step in our business strategy. Next aspect of the strategy is that we have access to capital markets, of course, this is an industry, capital-intensive industry and we have a good name in the international bond market and it's also worth mentioning that at the end of 2011 we were able to make a re-IPO in the Colombian Market. And finally, there is an experienced management team with a long track record in the industry, not only in the holding company but also in our controlled affiliates. Finally, before I pass to Santiago, we have a diversified portfolio. We have investments in all the electricity value chain and in almost all the natural gas value chains with the exception of EMP which is a market or a business segment that we will not enter because it's not, the risks are too high so they, it's far apart from our core strategy.

Slide 5: JUAN FELIPE GONZALEZ

I will pass now the presentation to Santiago, please Santiago, continue.

SANTIAGO PARDO

Thank you Juan Felipe. Good morning to everybody. Thank you for attending. I would like to just briefly start with an overview of TGI before jumping over to our significant, most significant developments and key updates.

Slide 6: SANTIAGO PARDO

As you know TGI is the largest natural gas pipeline company in Colombia, we have a strategically located network that is connected to two main basins that produce natural gas in Colombia, in the north La Guajira and in the East the Cusiana-Cusiaga basin, and we serve the interior of the country where the 70% of the GDP and population of Colombia are located. As we are a natural monopoly, and as such we are a regulated company, the regulatory frameworks, that framework is quite severable, and stable and constructive and that has allowed us to generate very stable, predictable and continually growing cash flow generation. Our cash flow is a very strongly indexed to US dollars because the majority of the charts are indexed to US dollars, so approximately 75% of our cash flow is denominated in US dollars. And our strong financial results have been produced not only by what I just mentioned but also by the very strong and dedicated team that is running TGI on a day to day basis, which have a solid track record in the industry, as well as to the support and expertise of our two main shareholders, Grupo EEB and CVCI.

Slide 7: SANTIAGO PARDO

TGI is a relatively young company, it was born in 2007 as a result of the pay off of the assets owned by a company called ECOGAS to a, in a privatization process by the Central Government of Colombia, they sold these gas distribution assets which were awarded to Grupo EEB and thus TGI was created. Then we have assumed control of our operations, received some assets that were initially under BOMT scheme, and undertaken a very aggressive and important expansion program since 2008 and 2009 and by the end of the year 2012 and we're going back into this a little bit further, we finished that expansive program and we had meet some milestones such as the refinancing of our 2007 bond issue and becoming fully investment rate.

Also in 2011 we received a capital infusion from CVCI, US\$ 400 million, which enabled them to purchase a 32% take in the company.

Slide 8: SANTIAGO PARDO

Next, we go to the key update.

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Over the past six months or so, first, you probably are aware of this, but Fitch upgraded TGI to BBB minus in November 2nd, and together with the BAA rating at the Moody's that gives us two investment ratings and reflecting our improving financial results and stable cash flow generation. So, currently we're BBB minus by Fitch, BAA by Moody, then that would be a positive outlook by ratings.

Slide 10: SANTIAGO PARDO

Next, on the key update list I want to talk about the tariff review process with the regulator, with CREG. As you know in September 2010 we, CREG issued the, our new tariff schedule for the next five year period, this new tariff would have resulted in an increase in the operative charge for TGI of approximately 5%, however after reviewing carefully TGI considered that the full positive investments and assets were not reflected in the tariff schedule and thus we appealed the decision, this appeal put on hold the application of the new tariff, and the appeal process took 14 months, during which we were very focused and tirelessly and improving the results and by November 19th of last year 2012 the regulator issued the new tariff and those are a significant improvement of what we had gotten initially, our regulated revenues are going to increase by approximately 10% and despite this, we're still not entirely satisfied with certain aspects, and we're pursuing other legal actions, to get some of this issues fixed, but we are already in the process of applying the new tariff, so starting basically in December 2012 we have started applying the new tariffs, and those will be in full application starting by the 19th of this month. So that should give a significant boost to our 2013 results.

Slide 11: SANTIAGO PARDO

Back in the key update list, the completion of the Cusiana phase II expansion, this was a final phase of the expansion program we launched in 2008, which consisted of three phases, Ballena/Barranca, Cusiana Phase 1 and Cusiana phase 2.

We achieved commercial operations in this expansion in August 2012 that have cost us US\$ 296 million, our network was increased by 197 km, and our transportation capacity was increased by approximately 110 million cubic feet a day, of which approximately 91% was contracted in the long term. This should result in additional revenues of approximately US\$56 million per year.

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Additionally this expansion to the system has already been proven in real time operations and we're very pleased with the results. Next, we'll like to tell you about the takeover of the O&M activities of our compression stations; these activities were previously done by a third party contractor whose contract expired on July 27th 2012. In April, the board of directors of TGI had made the decision to take the operation of 12 of our 13 compression stations directly and so starting in July 28th we took direct control of these operations. We estimated the annual savings as a result of this decision will be approximately of US\$3 million and this will strengthen our know how in O&M and will allow for a better application of the RCM model to improve our running activity.

During the past six months, the results have been very positive, actual savings for the period August to December were actually US\$2.5 million. And finally this process implied that TGI hired 133 persons, most of which were essentially the same people that previously worked for the contractor and were doing the O&M activities at the compression stations.

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Moving on to the financial and operating highlights, first I would like to talk about our operational performance, starting from the top left you could see our network length increased to almost 4.000 km in 2012 as a result of the Cusiana Phase II expansion, which resulted also in an increase in our capacity importantly in our importantly in an increase in our term contracted capacity which by the end of February of 2013 is up to 627 million standard cubic feet per day.

In terms of transported volume, the volumes in 2012 were rather stable, which was partly a reflection of the fact that in the first half of the year we had a relatively low volume because of a very low dispatch in the gas fired power plants, as a result of a strong rainy season that we had in 2011-2012. In terms of gas losses we are at approximately 0.5% which is right in the middle of where we are allowed by regulations which is 1% and is consistent with industry standards, and finally in terms of our load factor, our load factor has shown a decrease in 2011-2012 from the levels seen previously, this as a result of obviously the expansion program coming into play but this is not something that is negative, this is a little bit by design, we need to have the extra capacity for when the gas fired power plants are detached fully and given that the gas is at a margin in Colombia being predominantly hydro for electricity generation, we need the extra capacity to be able to able to meet the peak need, as well as to be able to cope with the main growth over the next five years or so.

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Moving on, in terms of market share in 2012 we transported 48% of the gas transported in the country and we own approximately 57% of the pipelines network. There's a high barrier of entry to our business, as is not very economically efficient to build a parallel pipeline network. And finally I'd like to mention that as you've already probably know, we have already started our international expansion through the Compugas project in Peru, in which we have a 25% stake, this is a 30 year natural gas distribution concession, although it is really also transportation and distribution, and the project is online and is expected to begin operations by, fully by the first half of 2014.

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Our revenues are highly predictable as a result of the regulations; approximately 94% of our revenues are from regulated tariffs and the factors in the industry that we serve present a relatively stable consumption pattern. Approximately 55% of our revenues come from distribution companies which have a much stable consumption patterns, they're basically residential and commercial customers, and we have other very stable customer such as Ecopetrol refinery and the vehicle, the gas that is used as a fuel for vehicles. Those represent an aggregated of approximately 70% of our revenues. Approximately 82% of our revenues are based on fixed tariffs, which are not dependent on volume transported, so that gives us a very very strong revenue base and very predictable revenues that are not dependent on actual volume. And as I mention previously approximately 75%, 76% of our cash flow generation is denominated in US Dollars.

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Moving on to our main customers, five customers concentrate 77% of our revenues, but this is actually a positive sort of companies, this customers are some of the best quality names in Colombia, starting with Gas Natural which is the Gas distribution company in the Bogota region, which account for approximately 36% of our revenues. Ecopetrol which accounts for 22% of our revenue and Gases de Occidente which distributes the gas in the southwest region of Colombia, in Cali and in the Coffee growing region, 17% of our revenue, EPM distributes gas in Medellin and also is an important power generator, 8% of our revenues and ISAGEN which is the third largest power generator in Colombia, generating 4% of our revenue.

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Our revenues are contracted long term, we have an average capacity or an average life of contracts of 8.4 years, and we have an important maturities coming in 2021, but we see no problems in the rollover of those contracts as most of the clients, our clients would still need to use gas and therefore have the incentive to renew earlier rather than later to preserve their capacity in the pipelines. So we actually accept to renew contracts a couple of years before the rollover date.

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Moving on to our financial results, we had a good 2012, we met our targets in terms of revenues and EBITDA, we had US\$390 million in revenues, and we had EBITDA of US\$293 million, with an EBITDA margin of 75%. In terms of FFO we had US\$132.5 million, compared to US\$116 million in 2011, and this as we exclude from the FFO calculations the one-time fact of the cost associated with the refinancing of our debt, our FFO would have been close to US\$200 million. And finally our CAPEX were close to US\$185 million in 2012, most of which are obviously the expenses associated with the finalization of the Cusiana Phase II project.

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In terms of ratios, our leverage ratio measured as total debt to EBITDA including both senior and subordinated debt, continued to improve. We have moved from a leverage ratio of 6 and a half times in 2008 to 4.2 times in 2012 including senior and subordinated debt. If we look at net senior debt to EBITDA we are down to 2.4 times from 3.7 times in 2008. And last but not least in terms of interest coverage, we have gone from 2.5 times in 2011 to four times in 2012 and this is a reflection of the reduction of interest cost brought by our refinancing, in which we basically reduced our coupon from 9.5% to 5.7%; a 40% fading in our senior debt interest expense.

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Finally, moving on to the expansion project, we would like to mention that it is the vision of TGI shareholders and management to continue to grow the company, we want to continue to have growth, so we'll pursue growth opportunities both in Colombia and outside Colombia and we want to show you the first selection of the portfolio projects that we currently have in the pipeline, not pun intended, the most important project that we currently are working on is the Cusiana - Apiay - San Fernando project, that is a project that we're doing for Ecopetrol, it's to bring gas to the oil extraction operations in the eastern basin of Colombia. It required the building of 150 km 20 inch loop from Cusiana to Apiay and then a new 10 inch pipeline of 50 km length from Apiay to San Fernando. This should have increased the transportation capacity in that system by approximately 70 million cubic feet a day and the cost has been estimated in approximately US\$244 million with an uncertainty range of approximately 20%. We're currently in the engineering phase, we're doing basic engineering and also the environmental studies for, to apply for licenses, we signed a MOU with Ecopetrol in December of 2012 and we expect to have commercial operation of this project by 2015. Second project is the La Sabana compression station; this is US\$57 million project, to construct a compression station near Bogota, to basically increase transportation capacity in the Bogota and the surrounding area to be able to keep up with the growing demand. This is a project that is actually at a relatively advanced stage, we are already, we are advanced in engineering, we've already purchased the, signed the contract to purchase the main equipment for the compression station and the RFP for the EPC contractor is already ongoing and should be finalized by May of this year. Site works are expected to start into the second half of the year and the expansion, or the station is expected to begin operations by 2014. And finally we have three smaller branches of our network near, in the region near Bogota; these are smaller projects that in aggregate are about US\$35 million; these are projects that are undertaken in partnership with Gas Natural, as we are serving a population and cities that are in

the area of service of Gas Natural. Currently we try to resolve some tariff differences with CREG, the regulator dealing with the tariffs that we will apply for these projects and once we solve those differences in the tariffs that would be applicable, we would begin engineering and design for this expansion project. These are kind of the projects that we have at a more advanced stage, we are also looking for other opportunities but these three opportunities are fully financed, both based on the cash we have on hand plus the cash flow generation, we won't need to incur in any additional debt or require equity infusion to undertake these projects.

Slide 23: SANTIAGO PARDO

That is it for what I wanted to cover, so now I will open the call for questions and answers.

OPERATOR SANDRA

Thank you, we will now begin the questions and answers session. If you have a question please press star then one on your touch-tone phone. If you wish to be removed from the queue please press the pound sign or the hash key. If you're using a speakerphone, you may need to pick up the handset first, before pressing the numbers. Once again, if you have a question, please press star then one on your touch-tone phone. Standing by for questions. Once again, if you have a question, please press star then one on your touch-tone phone.

And at this time we have no questions.

SANTIAGO PARDO

Thank you. I'd like again to thank you, to thank everybody, at the back of the presentation you would also find appendices that will give a more general overview of the industry and the Colombian economy and the regulatory environment, as well as our management team and shareholders. I would like to thank everybody and look forward to your participation in future conference calls. Thank you.

OPERATOR SANDRA

Thank you ladies and gentlemen, this concludes today's conference. Thank you for participating, you may now disconnect.