TEXT CONFERENCE CALL

TGI Results 1H 2013
Investors Report

Moderator – Santiago Pardo:
Good morning. This is the conference call for TGI's results for the first half of 2013. We're going to start with the bit of a recap and overview of TGI, then move on to our financial and operating highlights for the past quarter, and then talk a little bit about the expansion projects we are working on.

So, as you all probably know well, at TGI we're the largest natural gas pipeline company in Colombia. We are, we have a strategically located pipeline network, and are a regulated monopoly in the areas where we operate in. We have as a regulated company, we have a very constructive and stable regulatory framework, which enable us to produce stable and predictable cash flow generation. And that traduces itself into a strong and consistent financial performance; obviously, which comes hand in hand with an experienced management team and support from our shareholders. We are a relatively young company, we owned, we were created in 2007 when the government sold off the assets of Ecogas to EEB. And we've been on a pretty consistent growth path since then, and we now own approximately 57% of the national pipeline system in Colombia, and serve about 70% of the area where about 70% of Colombia's population lives and which generates approximately 80% of the GDP of the country.

Moving on to our highlights for this first half of 2013, in terms of our operational highlights, we, our network length has not been modified this semester or this quarter, because we finished our latest expansion project in August 2007 so our network length remained stable at 3.957 Km, as well as our transportation capacity of 730 Million cubic feet a day.

However, and this is something that have been consistent and will continue in the following months, and quarters, our contracted capacity continues to grow as we renew contracts with existing clients, some of which require more capacity or we sign up new clients and so now we are now at a contracted capacity of approximately 628 Million cubic feet a day.

In terms of transported volume in the first half of 2013, we transported an average of 436 Million cubic feet a day, and that is an increase from 2012, when we had 422 and 2011 when we had 420. This is a result on one hand of growing demand in the residential, industrial and commercial sectors as well as higher, slightly higher dispatch in some of the power plants that use natural gas as fuel.

In terms of gas losses we are at 0.4% gas losses which is well within the gas losses we are allowed to have, which are 1%, so we are comfortable with this number, and actually, it might continue to trend down slightly; in the first half of 2013, we had an incident at the pipeline in January, you might remember, and that increased our gas loss numbers for this first half, and the gas losses for the years 10, 11 and 12 are abnormally higher because we were finishing expansion projects at that time, and when they, when the expansion projects are put into operation, there is need to vent gas when you do the interconnections.

And in terms of load factor we are at approximately 60%, which is a number as we said before, which we are fairly comfortable with; we need to have spare capacity to be able to keep up with the demand of the thermo power plants when they are all dispatched and we also need some spare capacity so that we can allow our customers to grow into their demand because we can't be adding on new capacity over the years, so we need to have some extra capacity and we are rather comfortable with the number we have.

In terms of our market position, we fairly separate the systems, we transport approximately 47% of the gas that was consumed in Colombia in the first half of the year; Promigas, which is the other large pipeline company in the country transported approximately 38%. And other smaller companies transported the other 13%. It's worth noting that most of the gas that the others transport is gas that has been in some way, transported through our system.

In terms of our revenue generation, as we continue the trend of having our main customers and our main revenue generators, the customers with very stable consumption patterns as you can see, approximately 60% or 59% actually in the first half, our revenues came from the distribution sector, which is what goes to mostly regulated customers, basically residential, commercial and some small industrials, that is very stable pattern and it's been growing over the past few quarters, if you kept up with the presentations, this number was around 50% a few quarters ago, the refining sector, the Ecopetrol's refinery in Barrancabermeja, which is also very stable, consumed about 11% , or produced about 11% of our revenues. And the natural gas that goes to vehicles, approximately 7% and other industrials, approximately 3%, so with that we have a pretty stable base, of approximately 80%, 77% to 80% of customers with very stable consumption patterns. Around 15 to 20% of our consumption, 15% is power producers, which are more seasonal and have less predictable consumption patterns.

We have, as you all know, excellent contract quality, 100% of our contracts are firm contracts, the average life of those contracts is 8.5 years and more than 80% of the revenues from those contracts are regulated, are fixed tariffs.

And approximately 76% of the, our EBITDA is denominated in US Dollars because the majority of the tariffs that are paid by customers, are denominated in US Dollars although they are paid in pesos.

In terms of our customers, our largest customer is Gas Natural, the distribution company in Bogota and the surrounding area. The second largest customer is Gases de Occidente, the distribution company in the Cali and coffee growing region in the west of the country, Ecopetrol, that's with 17%, Ecopetrol has 16% of our, had 16% of our revenues in the first half, EPM, Empresas Públicas de Medellín, 12% and Isagen, the third largest power producer 7%. Other customers represent about 24% and those are approximately, I would say, 40 customers represent approximately 24% of our revenues. So we have a concentration in 5 customers, but it's a healthy concentration because of the credit quality of these customers.

Next slide shows the profile of our contracts, when they are coming due, as you can see we have rollovers coming in, or maturities coming in December 2020, we are not very concerned about our ability to roll those over, because as the day comes our customers will need to basically renew their contracts and extend them in time, if they want to keep the capacity in the pipeline. Demand continues to grow so customers will have all the incentives to basically keep or renew their contracts as early as possible so they can maintain and potentially increase their capacity in the pipeline.

Coming on to our financials, in terms of, we had a good couple of first quarters of the year, in terms of revenues, we had as last twelve months as of June, US$435 Million of revenues, that compares to US$390 Million of revenues for 2012 and US$339 in 2011. Big reason for that is that the fact in one hand we had large contracted volume because our latest expansion program, the Cusiana Phase II project, came in on stream in August 2012 and that has generated additional revenues because of that second, as you know, as we mentioned in our last conference call, we, our new tariffs were approved by CREG in December, and since the first quarter throughout the first quarter we started the, basically charging this tariffs to our customers, and that has basically resulted in higher revenues than we had obviously in the past few years.

In terms of, the other thing as we saw in one of the previous slides we have slightly higher volume transported, although most of our revenues are fixed we do have some variable revenues that depend on transported volume and the higher transported volumes obviously resulted in larger revenues.

So if we look at it, on a comparable basis, like last twelve months as of June 13 vs. Last twelve months June 12, the growth is somewhere in the 25 to 30% range, which is pretty healthy.

Obviously in terms of EBITDA that has also resulted in very healthy growth in EBITDA, and we ended 2012 with US$289 Million in EBITDA, and as of June the last twelve months were at 330, which is a growth rate of approximately 14% just comparing to December 2012.

And obviously Funds from Operation has grown even, and at even larger cliff, because here we also have the effect of the reduction in the interest rates in our debt, which increases our funds from operations, so funds from operations increased in the last twelve months, as of June increased to US$239 Million, vs. revenues, our FFO of US$132 Million, that's an increase of almost 81%.

In terms of CAPEX, we have a CAPEX of June 2012 of US$185 Million; first half of 2013 is US$19 Million. We expect an increase in CAPEX during the second half, and we expect to finish the year, our official number right now is about US$90 Million, there is a little bit potential to our CAPEX to be a little bit lower than that, the US$90 Million number, so overall we are going to be, fairly or significantly cash flow positive during the year 2013.

In terms of our metrics, there's obviously a very positive impact. Total Debt to EBITDA is 3.9 times, we take the last twelve months as of June, Total Senior Debt to EBITDA is at 2.7 times and interest coverage is at 5.5 times and will continue to grow during the rest of the year.

Our debt has not had any changes; we basically have our senior debt, the bonds, US$750 Million, sub debt with our parent EEB, and the Mark to Market of some hedging operations which is approximately US$109 Million again that is as of June.

Moving on to another, so that is it for the financial side, we are very comfortable where we are and we expect to have, the second half of the year continue to be strong, and then we will be able to I think post pretty, pretty decent numbers by the end of the year.

In terms of our organizational structure what I wanted to communicate to you guys today is that in May our Board basically approved a new organizational structure of

TGI, basically with the main objective being aligning the organizational structure more with the long term strategic vision that the Board has, which is to have a company that is growing strongly and is very dynamic.

The new structure is in part based on the recommendations of the CT Partners, which is an internationally recognized HR consulting firm and as part of this process the Board also decided to relocate the company's headquarters from Bucaramanga to Bogotá, this is a process that will take us the rest of the year and hopefully by the end of the year we'll have, if not everybody, most of the people who are now in Bucaramanga and more than 90% of the people who are now in Bucaramanga in Bogotá.

In terms of the Org. Structure the main changes, I think, are I mean on the financial side, there are no changes, on the, we created a new Vice presidency for Development and Growth, under which the New Business Development area will be and additionally the area that is in charge of the constructing and new projects, or the actual managing the construction of new projects that's called the Gerencia de Proyectos is going to be under that in the box, as well as the, our commercial side, who are the people who basically have the relationship with our existing customers, and the reason for this is that many of the growth opportunities we see are in transactions with our existing customers.

So, and those two Divisions, the Projects Division and the Commercial Division, were previously under the COO, under Vice presidency of Operations and so, we, that Vice presidency of operations will now strictly focus on the operations and maintenance of our existing infrastructure and we think that will be a very positive thing for the company.

And we also created another Vice presidency which is for legal and regulatory effects, you know the importance of regulations in a, for a company like us, so we are going to have a new VP that is in charge of non only legal aspects, but regulatory aspects as well, and also the purchasing function, which moves from the Administrative VP to the Legal and Regulatory VP.

So, that is the new Org. Structure, we are still in the process of filling in some of these positions, and I also wanted to mention that at the beginning of June of this year, our long standing CEO, Mr. Jorge Pineda resigned, and so had a process to look for a new CEO and finally found somebody to replace Mr. Pineda at the end of August, Mr. Mario Garay will be joining TGI. Mr. Mario Garay is Chilean and he has a very significant and long career in the National Oil Company of Chile, in their gas and pipelines division.

So we're very excited, we're happy and we look forward to continue to work and growth the company with this new structure.

Finally, and last but not least, just an update on our expansion projects. In terms of the Sabana Compression plant, which is the project to construct a new compression station near Bogotá, to increase transportation capacity in this area, the EPC contract was awarded at the end of May of 2013, and so with that EPC contractor already selected, which is SNC-Lavalin or best, SNC-Lavalin's subsidiary here in Colombia, we expect to be able to get notice to proceed and sign and begin the actual site work during the second half of 2014, sometime in the month of August probably we will be given notice to proceed and so, that is going according to plan.

Cusiana, Apiay, San Fernando which is the project we are negotiating with Ecopetrol to construct a new pipeline to bring gas to their power producing, to bring gas to power plants that they have in the Meta area region of Colombia, this project is approximately US$ 247 Million project, and we have already signed an MoU with Ecopetrol, we are already in the process of doing the engineering and design work for the project and once we have basic engineering completed and a budget, a better budget for the project, we will start the process of signing documentation with Ecopetrol, that will allow us to basically proceed with construction.

And finally, we are starting work also and engineering for a couple of branches to our network in the coffee growing region, one in Armenia and one in Chinchina; and this will basically increase capacity, delivery capacity to these cities, and we expect to begin commercial operations in 2016 and the estimated cost for this project is approximately US$28 Million.

So, we are, we have a good pipeline of projects, which are basically fully financed and we don't need any additional funds or debt to be able to construct these, so we are happy at the position we are and we expect to continue to find new growth opportunities in the future.

That is it for me for now, I'll turn it over to questions and answers, and I thank you all in advance for your time.