TGI AND CALIDDA CONFERENCE CALL ON RESULTS AND KEY DEVELOPMENTS FOR 1Q 2015

TELECONFERENCIA DE TGI

Operator: Good morning ladies and gentlemen, and welcome to TGI and Calidda's 1Q 2015 Earnings Call - Results and Key Developments. As a reminder, this conference call is being recorded. Under the tab downloads, you will find today's presentation. Today's presentation is divided into two parts, first we will have with us Mr. Antonio Angarita, CFO of TGI, who will be presenting results and key developments of TGI, and then we will have Mr. Adolfo Hereen, General Manager of Calidda, who will present results and key developments of his company. I would now like to pass the floor to Mr. Antonio Angarita, CFO of TGI. Please go ahead.

Antonio Angarita: I would like to give to all of you a warm welcome to our earnings conference call, for the first quarter 2015.

First as you see on slide 3, this presentation is divided into 4 parts. First we will present the strategy of the company as part of the Overview. Next we will present a summary of the key updates of the 1Q 2015. Third we will review the main operational indicators and financial results. Then a summary of the expansion projects that are in execution and, finally, we will be pleased to open the call to your questions.

We will start by giving you an overview of the strategy execution during this year, then a brief overview of our future plans and then I will provide some insights on our key recent developments.

TGI has focused its strategy in consolidating its businesses in Colombia, enhancing the current infrastructure. TGI completed the execution of the most ambitious natural gas transport infrastructure expansion project in Colombia: enhancement of the Guajira and Cusiana gas pipelines

Today, TGI is the largest natural gas pipeline system in Colombia. We're in the natural gas transportation business and we owe approximately 61% of the national network. TGI transports basically 49% of the gas consumed in the country serving areas that represent 70% of the population of Colombia and 82% of GDP.

We also have access to the two main producing regions of natural gas in Colombia, Ballena in the Caribbean Coast and Cusiana Cupiagua in the eastern region. Moreover, we have a 36.8% stake in Contugas in Peru, with our parent company EEB, Contugas as you know is a concession of 30-year concession for natural gas transportation and distribution.

We have been growing internally and we expected to keep this track. We are currently expanding our network with three main projects, with investments amounting to more than USD 100 million in Colombia: First we have the Pipeline expansion: Cusiana – Vasconia, that we call(Phase III), second Loop to Armenia; and, coffee region in Colombia and third the Pipeline expansion: Cusiana - Apiay – Ocoa.

In addition to these projects, we are evaluating the possibility to continue with the expansion of our infrastructure in Colombia with three new projects that will increase our transport capacity and will require investments up to USD 460 million. These three projects will increase our transport capacity, the Pipeline expansion: Cusiana – Vasconia (Cusiana Phase IV), Bi-directionality Ballena – Barrancabermeja, and Pipeline Expansion: Mariquita – Gualanday to the southeastern of Colombia. TGI submitted the main features of these projects to its main customers and currently we are receiving their capacity requirements and then finally we will check profitability and financial closing before executing them.

All of these six projects are focused in expanding our existing natural gas pipelines in Colombia, with the construction of loops and compression stations. We are also evaluating projects that will increase the reliability of the natural gas pipeline network, such as new pipelines and storage facilities. There are also possibilities for investing in a LNG regasification plant, as well as in the associated pipelines, projects that are under technical and financial analysis in this moment.

However, our strategy is not only focused in Colombia, we are very interested and have been analyzing other Latam countries, such as Peru, Mexico, Brazil, Central America and Ecuador. Mexico represents important opportunities in natural gas transportation and distribution in the coming years, enhanced by the recent reforms. In Peru we expect significant growth in natural gas distribution and opportunities in new pipelines. In Brazil we are looking primarily for Brownfield projects in natural gas distribution and transportation. We expect to participate in new pipelines bid processes by ourselves or with our parent company EEB, moreover, TGI is continuously looking for opportunities through mergers and acquisitions in the region.

Now moving to slide 8 we can start to check key updates for this quarter. First of all as you know, 2H of 2011 TGI developed a strategy to increase its credit rating in order, first to reduce financial expenses and second provide better access to debt capital markets and three broaden its potential investors base. According to this, the three main rating agencies have granted investment grade to TGI, with stable outlook as you can see in that Slide no. 8. Continuing with the next updates, final steps of TGI acquisitions by its parent company EEB, the most important thing right now is that according to the structure that EEB defined for that acquisition, we are currently working on the merger of IELAH with TGI and we expect to complete this at the end of this year or at the beginning of next year. The company will receive additional debt from IELAH, which at this moment the current outstanding balance is U$569 million after the partial repay of US$76 million, a sum paid in March 2015. Moving on to the next slide, we have a summary of what TGI has worked for the transition to achieve high operating standards, that as you know are part of the mandatory transition period that began on January 1, 2014 and the transition date of the comparative financial statements under IFRS will be on December 31, 2015. The company has worked the last two years in this process, we have analyzed the impact of these new rules for our accounting books, we have contracted specialists in this topic, like ITG and our auditor Deloitte, we have discussed deeply the impact of the new regulations, the new accounting regulations with them and we are very happy with the results.

First I would like to refer to the part to the functional currency that belongs to IAS 21, this is an opportunity that we have now in Colombia, checking if the functional currency for the accounting books is the same currency of the country or if we can choose another one different to Colombian peso. According to the analyses that we performed, we found that the functional currency in TGI could be the US$ and that is a big opportunity, because we have a big part of our revenue coming from tariffs in US$, we have our main CAPEX in US$ and our debt is mainly in US$. This is a possibility, this is an opportunity also, because that part will isolate the P&L from the fluctuation of the currency and this is very good for TGI and for the Group. Secondly, I would like to refer to PPE, Property Plant and Equipment, we took the value of the technical appraisal as attributable cost, we included the BOMT contract Mariquita-Cali and some inventories such as spare parts have been included in PPE.

The third one, impact, is Income Tax, Deferred Income Tax as we have now the assets nominated in US$ we will have differences between the accounting books and the taxable accounting so that will be reflected in the balance sheet, the first one, at the beginning in the opening balance and then it will be reflected in the P&L on the operational side. Those three are the main impacts in our books, also in tangible assets, as you know we have an amount of servitude that were paid to building the pipeline and the compression stations, we are working on that, we are working on splitting that amount on the different tranches of the pipeline, and we will continue working on the next months on this, for that reason we will probably have some additional changes, more on the side of balance sheet and not so much on the P&L side. The operational side of the P&L has almost no changes, compared to the previous standards that is important, so EBIDTA, revenue, operational profit and EBIDTA is more or less on the same way as in the previous standards. So this is an important part for us, and we will present the financial statements according to these standards in the next slides.

In the next slides, we will show some regulations perspective, as you know the last tariff review was approved by the regulator on 2010, and became effective in 2012. The tariff review methodology process takes place every five years, but the actual tariff application is usually delayed. Previous tariff period was effective as of December 2003 to December 2012 for a total of 9 years, according to the regulator, the new regulation is expected to be approved between 2015 and 2016, with the effect of tariffs coming into effect between 2017 or 2018. The starting point for the tariff period begins with CREG's approval of a new tariff methodology. The regulator has presented a new methodology for calculating the WATT, which is currently under analysis by the company, and the final decision will be made on the 2H of this year. Based on what we have analyzed and taking into account the available data parameters for the calculation, the new regulatory WAC is estimated at 11.16% for capacity and 14.30% for volume that in the weighted average is more or less 12.30% that represents more or less 300 basic points below the current WAC and this is the maximum estimated impact. We are expecting an impact lower than that but this would be the maximum impact that we are expecting.

Moving on to the next slide, operational and financial performance, you can see our solid operational performance, I would like to repair now that our capacity is now 735MCFPD a little higher than previous periods, the firm contracting capacity is now 94% and if you compare with the graph below, load factor, the load factor is at 62% that means that our customers try to contract more capacity that what they really need, so we have more or less 32% difference between these two, so we have additional capacity for moving additional natural gas. Regarding the reliability of the pipeline and the compression stations, as you see they are in 100% and 99% and are above the minimum required by regulations in Colombia. Regarding transported volume, in 2014 we had the maximum, 494MCFPD, which was increased in that year because of El Nino expectations; which is a weather phenomenon that appears in the Pacific Region of Latin America and this year is a little lower than previous years.

In the next slide, number 13, you can see the main features of our cash flow generation, of our revenues, TGI's revenues are predictable with an approximately 99.6% coming from regulated tariffs and that is very important, and as I mentioned before, those tariffs are reviewed by the regulator almost every five years. 100% of TGI contracts are in firm contracts, with an average remaining life of 8.2 years. 89% of regulated revenues are based on fixed tariffs, not dependent of transported volume and the sensitivity of re-tariff is very low. 63% of the revenues right now are from tariffs denominated in US dollars and from regulated revenues in US$, which is very important for our cash flow and for our revenues. By clients, the most important customer in this moment is Gas Natural, the distribution company in Bogota and the surrounding departments. Then we have Gases de Occidente, another distribution company in the West of the country, then Ecopetrol that uses natural gas for the refinery processes in Barranca and then EPM and Isagen, those two are generators, EPM is also a distributor of natural gas in Antioquia, this is a very important feature of our revenues.

Moving on to the next slide, no 14, you can see the revenues for the period, the part in green corresponds to IFRS standards and the other part in blue corresponds to Colombian GAAP. We don't have the previous period results expressed in IFRS but as I mentioned before in terms of the operational accounts there are no big impacts, so our revenue at the end of 1Q of this year amounted to US$466 million, for the last twelve months the gross profit is US$328 million, corresponding to a margin of 70.5%(??), EBIDTA has a very good behavior of US$671 million, a margin of 80% and some funds from operations also increased to US$316 million.

Moving on to the next slide you can see some of the main figures of the balance sheet, first one is cash and cash equivalents, you can see that for example between 2013 and 2014, the cash decreased more than US$230 million, that is because we paid dividends in 2014, but right now in March we have US$275 million in cash, total assets amounting to US$2.85 billion, 80% of total assets are represented by PPE, that is US$2.2 billion, and on the side of liability and equity we don't have a big impact with the change to IFRS.

Moving on to the next slide, we have financial performance, first we have EBIDTA on the level of 3.3, net debt to EBITDA ration 2,3, interest coverage 6.6 that is a good performance, very much in line to that defined by the bonds, the indenture of the bonds and between the limits that the rating agencies demand for investment grade. Looking at enhancement projects, you can see a summary of our main expansion projects right now, the first one is Cusiana Phase III that will increase capacity in 20 MCFPD, by adding three compression stations, the compressor units are right now being built and they will arrive to the country in the next half of the year, the investment in the project is US$31 million and progress right now is 15%. The next project is Cupiagua-Apiay- Villavicencio-Ocoa, this is a BOMT contract and will increase the capacity in 31 MCFPD, with two new compression stations, Cupiagua Apiay with this capacity and Apiay Ocoa with 23MCFPD, the total investment in this project will be US$48 million, and expected completion of this project is 1H of 2017. The other project which is under execution is the Eje Cafetero branches, that are designed to give additional capacity to two regions in the country in the Coffee region of Colombia, the total cost of this project is US$28 million, we are in the engineering stage right now and we expect the completion in 2017. The other project, Ballena Barranca bidirectionality is part of the project that we presented to our customers in the last month, and we are expecting additional capacity, the requirement for capacities, and in order to check the financial closing of the project before starting to build or to invest any money. This concludes our presentation and thank you very much for your time. We are very happy with our results and we expect maintain the same track. Now we will open it for the Q&A Session.

Q&A Session

Operator: Ladies and gentleman if you have a question at this time you may press the * key and then one in your touch-tone telephone, if your question has been answered or if you wish to remove yourself from the queue press the pound key. The first question comes from Diego Buitrago from Bancolombia. Your line is open Diego

Diego Buitrago – Bancolombia:

Again ladies and gentleman if you have a question, press the * key and then 1

The next question comes from Michel Moss from Lord Abbett your line is now open.

Michel Moss: Hi there, just a couple of questions about, expansion plans outside of Colombia. I think you guys had spoken about looking at other parts in Latin America, could you give us some insights into where else you are looking and where those plans are at this point?

Antonio Angarita: Well out of Colombia, we are evaluating projects for example in Mexico, we are waiting for the new projects of the EMP, and maybe PEMEX in the near future will open new projects. We will check our capacity, we will check if we can go with EEB our parent company or maybe with other partners, and we think Mexico is a very important market for this business.

Michel Moss: And when do you see making an announcement for this?

Antonio Angarita: not in the short term, new projects are not defined, we are checking additional things inside the Group, we are checking our capacity for big projects, so I am not sure, but maybe at the end of this year we can announce something but it is not something sure at this moment. What it is sure is that we are looking for projects in Colombia, we are very active here in Colombia with the projects that I mentioned, we are working on that, and we are waiting for the requirements of capacity from our customers, in order to check profitability and financial closing. Right now we are working more on the side of internal projects, but we are waiting for new opportunities in Mexico, and maybe Peru will open for new opportunities, maybe not this year, but we will be checking new opportunities with Proinversion, or other opportunities or maybe movement in the current companies, in Peru,

Michel Moss: And it looks that over time your revenue mix is much more has increased more to Gas Natural and distribution, they seem to be beneficial because there are more fixed tariffs, are there any changes that you are seeing in terms of working capital and any other costs as it seems you increasing your contracted revenue mix.

Antonio Angarita: No we don't expect any changes in the working capital, our cash flow is very stable is very strong, our customer base pay on time their invoices, our business is mainly the transportation of natural gas, and distribution is with Contugas in Peru, is the company where TGI has 36% of the participation, of the stake in the equity, but here in Colombia 100% of revenues are coming from the transport of natural gas, and that is a regulated business with revenues that are very stable and highly predictable so we are not expecting any changes in the working capital.

The next question comes from Diego Buitrago from Bancolombia.

Diego Buitrago: I am sorry for the last opportunity, we had communication problems. But the question is related to what you mentioned about some regulatory works, is it possible that you tell us the impact of this review or the expected impact on revenues, or Ebidta margin from TGI, thank you.

Antonio Angarita: We are working on that. We recently finished working on the WAC, we are working on the upgraded financial projections of the company as we have new projects entering into operation, so the mix, we are expecting to keep the revenues, ebitda and margins more or less on the same levels that we had right now, of course that will depend upon the final decision of the regulator, but we these figures are the maximum expected impact, but it depends from when you take information from the market, the new WAC could even be increased, it could even be higher, this will depend on the date, on the term the regulator defines for calculating it, we don't have yet the final impact of this.

Diego Buitrago. And the other question is related to the future projects that you propose to the clients regarding Cusiana Vasconia, by-directionality Ballena Barranca, Mariquita Gualanday, what is the expected schedule for the definition finally of these projects.

Angarita: In the Naturgas Congress in Medellin last month we presented to customers at the beginning of that event, we are expecting to close that project maybe for the fourth quarter of this year, and we will check the profitability of them, and we will announce to the market, the customers and regulators if the projects will be executed and the conditions for that execution.

Diego Buitrago: Ok thank-you Antonio.

Operator: We don't have any more questions in the queue we would like to turn the call now to Mr. Adolfo Heeren, Calidda's General Manager, presenting Calidda's results and key developments

Adolfo Heeren: On behalf of the *Company,* I would like to welcome you here today, to the Q1 2015 Results conference Call. My name is Adolfo Heeren and I am the Chief Executive Officer of Calidda.

During last quarter the company continued its growing path. Our solid business performance was confirmed by the rating agencies. Standard & Poors, Moodys and Fitch, reaffirmed our BBB- corporate credit rating and stable perspective.

The credit rating of Calidda reflects our business risk profile, supported by the predictable and stable cash flow generation, the fact of being part of a high strategic industry for Peru, having a regulated tariff scheme that guarantees returns on our investments; and our strong market position due to our exclusive right to distribute natural gas in the department of Lima, the largest market in Peru, with a high potential growth.

Now moving forward to financials, as has been noted, last year Calidda was able to meet management's target to limit total the debt to EBITDA ratio at 3.5x (in 2013 was 4.4x) and now in 2015 it's below 3.3x.
This result is mostly explained by the important growth of last year's EBITDA, which had almost a 30% increase. Also this year's EBITDA continues its growing trend.

In addition to EBITDA growth, also last year's capex had a slight reduction, compared to the previous years, because we manage to optimize some important investments.

As result of this, extra EBITDA and efficient investments, turns into extra cash available for the company.

Given these points, last April the company distributed in amount of US$ 31 mm dividends to our shareholders. It is Calidda´s policy that as long as the company keeps a solid financial position, a low leverage ratio and keeps the capex funded, cash available could be distributed to our shareholders.

Now, I'd like to conclude by mentioning some of our short-term plans.

This year we plan to expand the network outside from Lima metropolitan area; also to develop operations in 4 new districts to attend residential customers, and finally to go after new industry hubs, in order to accompany their development with natural gas.