



## Teleconferencia sobre las Utilidades de TGI y Cálidda: Resultados y Actividades Importantes Año Completo 2016

**Operator:** Good morning Ladies and Gentlemen, welcome to the Earnings Conference Call TGI and Cálidda Results and Key Developments 2016. As a reminder this Conference Call is being recorded.

Under the tab download you will find today's presentation, today's presentation will be divided into two parts, first we will have with us Mr. Jorge Olazabal Cálidda's CEO presenting Cálidda's Results and Key Developments, and then we will have with us Mr. Julián García TGI's CEO and Mr. Antonio Angarita TGI's CFO presenting TGI's Key Developments and Results.

I would now like to turn the call over to Mr. Jorge Olazabal Cálidda's CEO, please go ahead Mr. Olazabal.

**Mr. Olazabal:** Good morning everyone and thank you for joining us today, on behalf of the company, I would like to welcome you to the Cálidda's 2016 Results Call, my name is Jorge Olazabal and I am the Chief Executive Officer of Cálidda. I would like to start this presentation by giving an overview of our business during the past year, we have concluded the year 2016 with better than expected results, our EBITDA was 124 million dollars, 20% higher than last year result of 104 million dollars, also our Adjusted EBITDA Margin increased from 52% to 60% due to higher distribution revenues while keeping our operational expenses at lower level than last year.

I would also like to mention that we connected more than 93.000 customers to our distribution system, our total clients base passed the 438.000 mark, thanks to this performance we now have more than 2.000.000 people who benefit from the use of natural gas in Lima.

On the other hand, we are currently working on creating a two separated business approach within our commercial structure; business to business and business to client, our view is that we must anticipate the market niche in order to create a more adequate value proposal for each client segment. Therefore, we expect to develop our new commercial strategy by business unit within the next month.

I will now handover to Martin Mejía, Cálidda's Chief Financial Officer who will go over with the presentation.

**Mr. Mejía:** Well, thanks Jorge and good morning everyone, my name is Martín Mejía, now, please follow me in order to continue with this presentation. First I would like to begin with Cálidda's 2016 highlights, in the right side of the slide you will find Cálidda's 2016 results compared to 2015, the first chart shows the key operational results, while the second chart shows our key financial results.

As you can see our client base for 2016 increased by more than 93.000 customers and it's now composed by 438.400 clients, this represents a 27% growth in terms of connected clients against 2015. Likewise our invoiced volume reached 738 million cubic feet per day, which represents a 6% increase compared to the same period of 2015. This growth was supported by the construction of over 1.400 kilometers of new pipeline infrastructure over the last

year, totalizing an entire distribution system of 7.425 kilometers of underground pipelines.

In the chart below you will find our total revenues for 2016, which has a decrease by 1%, compared with 2015, this is due to the reduction in natural gas prices, which was effective in January of 2016. However, we will like to remind that for Cálidda and natural gas transportation services are pass-through concepts, therefore do not affect our cash generation because all we can collect from our clients is transferred to the gas supplier and to transporters, respectively.

In the other hand, total adjusted revenues that are calculated of total revenues less pass-through concepts, as seen in the note number 3, have increased by 4% driven by higher distribution revenues, mainly due to the higher take-or-pay contracted volume with power generators and higher income from other services as pipelines relocations. Regarding 2016, EBITDA is increased by 20%, an amount over 124 million dollars, this is claimed by the higher revenues mentioned before and the decreases in our operational expenses by 10%.

In the next slide, please follow me, you'll find our Commercial Performance, as of 2016 Cálidda has connected more than 431.000 clients from the residential segment in 20 districts within Lima and Callao, of which almost 92.000 were connected to Cálidda's distribution system during 2016.

In addition, as of 2016 Cálidda has connected more than 6.000 commercial clients out of which almost 1.300 were connected during 2016. It is important to mention that currently most new residential clients benefit from two Peruvian Government programs created to further increase the use of natural gas and achieve the massification of Natural Gas service in Peru. These programs subsidize up to 100% of their connection cost to Calidda's gas distribution system, and these programs are the Bonogas and the Promotional Discount programs. Both programs can be accessed only by people from the economic sectors C, D and E, which are low-income population, and we expect that the demand for new residential connections will increase during 2017 due to this program.

Please, moving on the next slide, you will find a connection performance of our three main client segments in terms of invoice volume, in the power generation segment there has no thermic plants connections this year, however a cogeneration client has been connected, which is an industry with which I have been connected and which is capable of generating its own electricity. As for the Industrial and NGV sectors, 28 industries and 8 NGV Stations has joined our distribution system during 2016. It is important to notice that NGV Stations supply natural gas to more than 224.000 vehicles in the city of Lima and Callao.

Please follow me to the next slide to see the historic invoiced volume as of December 2016, as you can see the invoiced volume shows a sustained average growth of 16% over the past year. If you compare last year results to 2015, Cálidda's invoiced volume increased by 6% mostly explained by the demand of the power generation segment due to a higher Take-or-Pay contracted volume, it is important to mention that the Take-or-Pay invoiced volume represents 79% of the total invoiced volume of 2016 minimize the impact of volume volatility on volume demand from the power generation segment..

Moving on the next slide, you will find our invoiced volume breakdown by client segment in four charts, the most important volume increment came from power



generation, due to a renegotiation of the contract with three of our main clients increasing our Take-or Pay contracted volume during 2016 in 56 million cubic feet per day.

The industrial sector volume shows a slight increase of 3% recovering from 2015 results of lower average volume by clients, and in the NGV Stations segment, it also increased by 1%. On the other hand the most dynamic segment was the residential and commercial sector, which invoiced volume increased by 27% explained by the successful addition of approximately 100.000 customers.

Well, the next slide present our historic operational performance as of December 2016, as you can see in the first chart to the left, Cálidda's distribution system consist of 7.425 km of underground pipelines as result of the construction of 39 km of steel high pressure network and 1.396 km of polyethylene low pressure pipelines during the past year.

In the second chart you will find Cálidda's network efficiency, which we can measure by quantifying the connected clients over the number of potential clients located in front of Cálidda's network. This efficiency ratio increased in 2.1% during 2016 which allowed raising the network penetration rate as to 58.7%. Now we have more than 747.000 potential clients of which more than 438.000 are currently connected to our gas distribution system.

Well, in the next slide of our operational performance I would like to talk about Cálidda's installed capacity and distributed volume, as of 2016, Cálidda's distribution system capacity is 420 million cubic feet per day measured from the City Gates Lurin which is located at south of Lima to Ventanilla which is located at north of Lima. 63% of this capacity is currently in use by our regulated and independent clients located in this region, equivalent to 266 million cubic feet per day.

As a reminder I would like to mention that we contract both, natural gas and transportation capacity in order to a third of our regulated clients, and on the other hand, independent client contract this service directly with the natural gas transporter. Our contracted natural gas supply and transport capacity amounts 223 million cubic feet per day and 228 million cubic feet per day respectively. This allows us to attend 149 million cubic feet per day volume demand from our regulated clients.

It is important to say that for both, natural gas supply and transportation contracts Cálidda's capacity cost is totally transferred to the final client. We also have independent clients located in Chilca in the south of the city gates at Lurín which has a large power generator with Take-or-Pay contract that consumes 342 million cubic feet per day during 2016, in total Cálidda's distributed volume amounted 608 million cubic feet per day, this is lower than the 738 million cubic feet per day invoiced volume due to Take-or-Pay contracted volume.

The next topic is the Financial Performance and Key Metrics with charts presented in the next slide, in this slide you'll find three graphs that represent our invoiced volume, our distribution revenues and our adjusted revenues for 2016. These are evidence that even though 75% of all the invoiced volume came from the single client segment; which is the power generation sector, our revenues are diversified, I will explain this in the slide, the first pie to the left is the invoiced volume presented before, as you can appreciate even though the residential and commercial segments represents only 1% of the total invoiced volume, it explains 11% of the distribution revenues, as you can see it in the middle pie,



then in the third pie, If we add the revenues generated by our client connection business, we can see that the residential and commercial segment represents 36% of Cálidda's Adjusted Revenues. As a reminder, Cálidda's Adjusted Revenues are the total revenues less the pass-through incomes.

On the other hand, while Power Generators represents 75% of the invoiced volume, segments relevant come down to 51% when analyze our distribution revenues, and 33% of the Adjusted Revenues. This shows that the residential and commercial segment, and the Power generation segment are equal important in terms of Adjusted Revenues, other Revenues represent 7% of the Adjusted Revenues, mainly explained by income received from pipeline's relocation services.

If we move to the next slide please; at the end of 2016 Total Revenues were 536 million dollars including Pass-through & IFRIC 12 revenues, which represent a 1% decrease compared to the 2015 results, nevertheless Total Adjusted Revenues increased by 4% from 199 million to 207 million dollars.

On the second chart to the right, we can see Cálidda's historic EBITDA which totalize in 2016 124 million dollars, showing a steady increase from 2015, you can also see in this chart our Adjusted EBITDA Margin.

In the third chart bottom left, Funds from Operations calculated as of 2016 (Net Profit + Depreciation + Amortization) were 84 million dollars, and in the last chart bottom right, you can find the Debt and Net Debt to EBITDA ratio, as you can see we have maintained our Debt to EBITDA below the 3.5 times target, and closed last year with a ratio of 2.8 times EBITDA.

To sum up, in the next two slides you will find Key Financial Metrics, they reveal that our Financial Performance over the past years consistent with the company's' vision and expected results of our shareholders, you'll find debt indicators and ratios as Total Debt, Debt / Capitalization ratio, Interest Coverage, Funds From Operations / Net Debt, Total Assets, Equity, Net Income, CapEx.

Well, regarding this presentation, as conclusion, with this said, I would like to end this presentation mentioning that despite of the different challenges in 2016, we have increased our total client base in order by almost 8.000 clients per month for the third year in a row, and we are close to reach a million households by now, we expect that this rate will be positively affected during the current year with the Bonogas and Promotional Discount Programs in order to reach a higher number of clients.

2016 EBITDA which were increased 20% from 2015 levels totalize 124 million dollars, which allow us to continue developing the company according to plan, as measured by Debt to EBITDA ratio of 2.8 times below of 3.5 times target.

Cálidda's overall results and (Inaudible 17:40) infrastructure show that we continue on track to reach our main objective, which is the massification of the natural gas service in Lima and Callao. In this sense we maintain our view for the next five years expecting to supply a total of 1 million household and benefiting around 5 million people, which is almost half of the population of Lima and Callao while attending the demand for more than 12.500 industrial and commercial clients and more than 300 NGV Stations.

Well, this is the presentation and we open the session for any question that you may have.

- Operator:** Thank you, we will now begin the Question and Answer session, if you have a question please press “star” and then “1” on your touchstone phone, if you wish to be removed from the queue please press the “pond sign” or the “hash key”, there will be a delay before the first question is announced, if you are using a speaker phone, you may need to pick up the handset first before pressing the numbers, once again if you have a question please press “star” then “1” on your touchstone phone. Our first question comes from Andrés Duarte from CORFICOLMBIANA.
- Mr. Duarte:** Hello, thank you very much for the presentation I have two questions, the first one is when is the next tariff revision taking place in Peru for distribution?, and the other question is, I wanted to know how has the vehicle conversion evolved in Peru, conversion into natural gas fueled vehicles, thank you.
- Mr. Mejía:** Hi, well, the next tariff review will be on year 2018, it will be valid through May 2018 to May 2022; there will be no tariff adjustments until 2018. And for the vehicle, we are expecting to develop afforded the vehicle. We are expecting to develop the market during the next year, so we can continue to convert to the natural gas system.
- Mr. Duarte:** OK, but do you have any, like any numbers regarding this? Or related to the conversion? Like how has the evolution been taking place?
- Mr. Mejía:** No, we do not have number of connections to this date, but we’re expecting to be in the rate as of what happened this year around 1.500 converted vehicles per month.
- Mr. Duarte:** OK Thank you.
- Operator:** Our following question comes from Diego Buitrago from (Inaudible 21:06) Colombia.
- Mr. Buitrago:** Thank you for the presentation, good morning everyone. Could you please tell us what will be the CapEx for 2017 please? Thank you.
- Mr. Mejía:** Hello, CapEx for the next year will be around 95 million dollars.
- Operator:** We have no further questions at this time, I’ll now would like to turn the call to Mr. Julián García TGI’s CEO.
- Mr. Angarita:** Thank you, good morning and welcome to our Earnings Conference Call for the full year results 2016 of TGI, my name is Antonio Angarita I’m TGI’s CFO, today’s presentation will be made by Mr. Julián García Chief Executive Officer of TGI and then by myself.
- The presentation is divided into four parts, first our CEO will make some introductory comments and a strategy update, second we will briefly review the main Key Updates during this fourth quarter, third we will have a look of TGI’s Operational and Financial Performance during the 2016 and the most important financial indicators, and to conclude this Conference we will be pleased to open the call to a Question and Answer session. Mr. García, please go ahead.
- Mr. García:** Ok good morning, I’ll go to the three slides that say “New TGI Strategic Plan”, so I will go through those three slides, so you please follow the three slides.

First of all, the Group has communicated, the Group has a Strategy that was communicated some week ago, and of course we are part of that strategy as part of the execution or the implementation of the strategy of the Group, we worked in TGI in re chasing our strategy as a company, as a member of that Group, and therefore we worked on that during the last few months to implement what corresponds to us with regard to the strategy of the Group. So, what I will tell you is the implementation of that Group strategy into the TGI business.

In the first slide what we are saying is that we are re chasing our strategy as follows; we are considering that we should see ourselves as a market maker of the gas business, of the gas industry, so we are not producers, we are not distributors, you know that we are only transporters and we don't do trading of gas, we are just an infrastructure company, we think that we have a key role in the making or in the creation of the gas business, and this is a role that we want to reinforce because we think that is fundamental. If we manage for the market to increase the use of gas, of course that market will use our infrastructure.

So this is what we are saying, that we have three of our five key areas of attention now, or the consideration of three businesses of our four businesses is to focus in this market creation. In that sense, what we are doing is working towards more (Inaudible 25:32) of the gas in the cities, and in mobility to promote that the gas is used for example in massive transportation systems in cities like Bogota, and you have seen that we are working hard with distributors in that matter.

We are working in several cities, so that we manage to increase the consumption of gas in cities, in massive transportation and other activities, we also want to work harder in terms of ensuring that the power generation with the gas is competitive, and this is an area that we are working, in Colombia as well for example working alliance with CONTUGAS in Peru, so we promote the power generation with gas, as most gas is used for power generation, that gas uses our infrastructure, so for us growth means more use of gas, and also we are working harder with industries to ensure that the industries by using gas become more competitive in the areas that we work.

So this is three of the four dimensions let's say that is part of our strategy, the fourth dimension is that we want focus in the midstream to producers, is making a little bit hard, widening the scope of activity of the company. We see that we are a company that can provide services and solutions to the producers, to the E&P producers, so we want to widen our scope of activity to that, for example we can do gas treatment to the producers, the strategy before was to receive for example the gas on specifications, so the producer has to treat or to process the gas to put it in our system, so we are working is towards helping the producer to take for example the product that comes from the underground as we do the treatment of that for them, that's an example of these type of activities or midstream activities.

So the producers see us as the company that can build and operate the infrastructure they need to market their products. And of course the number five, which is the one on the bottom that we call "Share Infrastructure", it is about operating with very good efficiency the system that we have today, and to do the construction and operation of new system, of new infrastructure as they will assure you where we want to go, where we want to grow the business in terms of looking at other geographies and another type of activities with regard to infrastructure in midstream.



Moving to the page number two, with that conception in five businesses, we want to deliver the following in the next year, the first line in the slide says 2027 not 2018, so the message is that in ten years we want to be a one billion dollars revenues company, remember that we are today as 430.000 around that, we want to move to reach out a one billion dollars revenues in ten years time.

We want to enhance our international activity; we are putting a target that in ten years 30% of our revenues should be out of Colombia, from others LATAM countries, so we are working hard.

We as well want to as I mentioned, we want to enter into this other midstream activities with the E&P producers, and so we have a target that in ten years 10% of our revenues be from these other activities that go beyond transportation, that is really solutions to the producers, of course we want to be sure that we apply the best industry practices in what we do in terms of construction and operations, and we are strengthening our Corporate Governance to be a top quality Corporate Governance.

We are doing some adjustments in our structure to deliver this strategy; we also want to start working with strategic partners, all of our investments and our operations are alone, we don't have partners in any, the only project that we have partners is in CONTUGAS, but we want to start working more with strategic partners because we want to enter into material projects and in that we want to be partner with world players, and of course we want to maintain and reinforce our good financial position with the proper risk management.

Moving to the page number three, what I would like is to mention a material news for the industry in which we are, which is that the Government in January approved what is called the "Plan de Abastecimiento" which is the new expansion plan of the gas infrastructure for the country, so is something very material because this is our core business.

So, what I would like is to spend a few minutes telling you what is what the government released in January and what our role is in that expansion plan of the infrastructure. You see the key project strategically and see that the objective of the Government is to guarantee that there is gas supply and there is reliability in the gas system, and for doing that the Government established what is the infrastructure that is required to ensure this availability and with reliability for the gas supply, the total cost of the plan is estimated by the Government in 800 million dollars or around 800 million dollars, the project should be constructed in the next three years, is a plan the should be in play in the next three or four years.

About 200 million dollars of that plan that Government approved, are inside infrastructure of TGI, for example the plan established that the line between Mariquita and Cali should be in both directions, what is called bidirectional, the gas can flow to the west but we have to make the system available to flow to the east as well, so we should be able to do that from Cali to Mariquita, and this is like for example the construction of four compression stations, and those projects are around 200 million dollars which are projects in our infrastructure, so is basically projects that we should deliver.

Some other projects, or the main other projects are the regasification plan on the Pacific in Buenaventura, and the connecting gas pipeline to TGI infrastructure, so of course we want to participate, the schedule for the process is expected to be in the following month, initially the Government said that they will be awarded

to sign the contract this year, looks that the project is at least to be later, probably it will be for the first quarter of next year, so we are preparing to participate in that process, because of course this is about infrastructure where we want to participate.

This is basically what we wanted to share with you about our strategy now, what we are trying to do and visions that we have to deliver in the next 10 years, and that we are in the process of implementing that strategy that was approved by the Board recently as a follow to the strategy of the Group.

**Mr. Angarita:** Ok, thank you Mr Garcia, now we will continue with the rest of the presentation, just let me go some slides before, I would like to emphasize in the overview slide two important facts about TGI, we continue with our stable and predictable cash flow generation, and with a strong and consistent financial performance which is important for us and for the Group.

On the next slide I would like to highlight that on 2016 TGI transported 60% of the total national gas consumed in Colombia, which is very important for us, the second operator transported 34% of the total consumption in Colombia.

Please go to the slide of the key update with the ratings of the agencies, at the end of 2016 TGI maintained the investment grade from the three main rating agencies with Stable Outlook, all the three agencies highlighted the stronger and stable cash flow of the company.

On next slide, we have the summary of the schedule of the regulator, this is the same that we've presented on previous quarter, there are no modifications from the regulator, we are expecting for these months the release of the final resolution for the regulatory Wacc and methodology for calculating tariff, and we are expecting that for this quarter. This new methodology will be in place for 2019 according to this schedule that is presented in this slide.

At the end of previous year on December, TGI presented to the regulator all the comments and all the studies we performed directly and with consultants showing the situation mainly of the Wacc decision and the importance of these decisions for all the sectors and for all the industry in Colombia. We are expecting some adjustments in this part.

On next slide we have the main operational indicators of the company, Capacity on 2016 remain in the same level of the previous year. The Firm contracted the capacity is also in the same level than in 2016, 673 million cubic feet per day.

The Volume Transported decreased because 2016 was the highest year due to the El Niño phenomenon that occurred at the end of 2015 and the first quarter of 2016. Now for 2016 the average volume was 494 million cubic feet per day.

The Load Factor decreased in the same sense, to 56% of the total capacity available.

On next slide we have the summary of the revenues generation, 96% of the revenues are coming from regulated tariffs which is the reason of our predictability and stability of our cash flow. 68% of the revenues are nominated in US dollars, only 32% in Colombian Pesos. 100% of the contracts are firm with a remaining life of 9 years at this moment. Regulated revenues are divided in 90% coming from fixed tariffs and only 10% from variable tariffs.





On next slide we have the main indicator of the Financial Performance, revenues closed 2016 in 433 million dollars, is a small decrease compared to previous year, This decrease is due to some capacity facts, because some thermal generators applied discounts to our invoices, also the depreciation of the local currency when we compare the average of the exchange rate at the end of every month of 2016 is higher than 2015, for that reason we have lower amount in US dollars from the 32% of the revenues coming in Colombian Pesos, that is the reason why we have this small decrease of 1.4%.

In terms of the EBITDA, the behavior follows the behavior of the revenues, and we closed with 855 million dollars of EBITDA with an 82% of margin that is very good. The next indicator Funds From Operations, we have an important decrease and this is due mainly to three reasons; first the decrease in EBITDA, second we have now an additional loan in our balance sheet, remember that we closed the merger with IELAH on May 2016, and the financial expenses increase by this part, and the third one is the income tax because on 2016 we will pay based in the income, not in the minimum rate that occurred in 2015.

On next slide we have the summary of the balance sheet, Total Assets decreased to 2.81 billion dollars and this is only the result of the merger with IELAH, remember that we needed to eliminate some inter-company loans that TGI granted to our shareholder IELAH, this is the reason of the change on the Total Assets amount.

In Cash and Equivalents we closed with 294 million dollars, is an important position for our company, this amount includes 65 million dollars corresponding to short-term loans, inter-company loans granted to EEB, to our main shareholder. In terms of the Property Plant and Equipment (PPE), we also decreased a small amount and this is only because our depreciation on the year is higher than the CapEx executor. On the liability side the main part is the decrease in the equity and this is also a consequence of the merger with IELAH that we already explained in the previous quarter.

On next slide we have the main indicators related to loans, to our debt, the first one Total Debt to EBITDA which is in the level of 4 that was the planned level for this indicator, in order to get this result, we already paid an important amount of the syndicated loan that came from IELAH, if you see the other indicator Net Debt to EBITDA the level is very good 3.2 even the important cash that we have at the end of the year. Senior Net Debt to EBITDA closed on 2.1 and Interest Coverage is 5.2.

All of these indicators are very good for our company, our financial strategy is based on also in maintain these levels for these indicators related to debt.

Moving on next slide; Growth Projects in Progress. First one, we have the Cusiana Phase III project that is an investment of 31 million dollar for increasing the capacity in 20 million cubic feet per day to transport natural gas from Cusiana field to the west of the country, this investment is for upgrading three compression stations between Cusiana and the Valley Magdalena River. Now we have already the firm for transportation contracts in place with our customers, also we have the constructions and assembly contracts tightened at this moment and the contractor is already working in the place.

Remember that these contracts for this project we had an old contract that was closed by the company and we started a new process on the second half of 2016, we expect the completion of this project into on the second quarter of

2017.

The second project is the Armenia Loop for increasing the capacity in 2.2 million cubic feet per day in the city of Armenia and the region of coffee land in Colombia, is a 37 kilometers loop parallel to the existing pipeline, we have also the contract with the customers already in place, the execution is 31%, we have now the (Inaudible 44:40) contract in place and also the construction contract and we expect the completion at the end of the year.

The third project is Cusiana – Apiay – Ocoa, where also we had to change the strategy for executing the project, now we have in place an EPC contract and we are working now and in the new compression station, this project is for increasing the capacity 32 million cubic feet per day to transport natural gas to the south of the Department of Meta through the construction of 2 new compression stations, total investment will be approximately 48 million dollars and the expected completion of this project is also the end of 2017.

On next slide we have also two projects that were approved by the Board of Directors from previous year. Cusiana Phase IV for increasing capacity in Cusiana line to the interior west of the country in two parts; Cusiana – Vasconia: 43 million cubic feet per day, and Puente Guillermo – Vasconia: 17 million cubic feet per day. The total investment is 78 million dollars.

The other projects is the pipelines replacement due to regulatory life, previously we had 10 pipelines to be replaced in this project, now we have 18 pipelines and also the investment on this project increased to 57 million dollars, this investment will be paid as part of the tariff system, the expected execution of this project is between 2018 and 2021.

Ok, we are very happy with the results of this year, our track continues to be very good, and we expect to maintain this track also in this new year 2017. Now we will open the session to the question and answer session.

**Operator:** Thank you, once again, if you have a question please press “star” and then “1” on your touchstone phone. And our first question comes from Andrés Duarte from CORFICOLMBIANA.

**Mr. Duarte:** Hello, thank you very much for the presentation again, I have three short questions, the first one is if EEB’s debt restructuring includes a lowering part of TGI’s debt outstanding? The second question has to do with the regasification plant of the Pacific, has the Government given any specific details regarding how the regasification plant construction is going to be remunerated? Specifically I wanted to know if the remuneration scheme is different or is the same as has that out of Cartagena. And finally I wanted to check if the tariff update that takes place in 2018 includes previous CapEx affecting the whole transportation activity or not. Thank you very much.

**Mr. Angarita:** Ok, the first one is related to debt? To our debt is it?

**Mr. Duarte:** Yes.

**Mr. Angarita:** We are evaluating different alternatives for improving our financial (Inaudible 48:43), at this moment we don’t plan to continue paying additional amounts, but we are planning to improve the cost to lower the cost and maybe with the new project we will need additional debt, and we have additional capacity, we will have higher EBITDA in the next year, we will have additional capacity for new

debt, so we will be checking every day in our financial strategy is including that, we would take additional debt if we need for the new projects in the coming years.

**Mr. Duarte:** Ok, so the restructuring that EEB is going to do doesn't affect TGI's portfolio?

**Mr. Angarita:** Ok, we are working together with EEB, they are now on the market with phones and many other operations, we will go after EEB, and of course, the capacity of the Bank for the group will be affected by this fact, we are sure according to our marketing investigation, we are sure that all the financial system, international banks and national banks will have enough capacity for all the Group needs a group needs including EEB and also TGI.

After finalizing the EEB process, we will continue with our process after getting all the approvals in the National Planning Department and also in the Finance Ministry, so we are coordinated with our shareholders and we will go to the market after them.

The second question is about the regasification plan and Mr. García will answer this question.

**Mr. García:** Ok, the rationale of the regasification plan, the rationale of the Government is that there is the Planning Unit, the UPME, which is the Planning Unit for the energy sector did the analysis and concluded that considering that the main fields are on the (Inaudible 51:19) the Goajira is on the (Inaudible 51:21) and the other main large fields are Cusiana and Cupiagua they are at Plató and is expected that will be on the (Inaudible 51:31) in the following few years.

The analysis of the Government is that there is a risk that the reliability of the gas supply could not be achieved and the Government wants to ensure that this is not the case, as a result of the analysis of the Government and the analysis of this Planning Unit, as a result of that, the Ministry based on the recommendation of the Planning Unit and the analysis and modeling of the Planning Unit, concluded that is required to reinforce and to guarantee the operability of gas supply, concluded that such infrastructure is required. And the infrastructure is reinforced through the Pacific because the analysis concluded that this is the way that improves the reliability and is the cheapest way for the market to pay on that.

As a result of that, the Ministry issued an approved resolution in January, ordering and deciding to build such infrastructure.

As I mentioned, the largest of those projects is the Regasification Plant, and the timing, the schedule for that is defined by the Government, as I mentioned, the Government says that they want these plants to be constructed in a short period of time, they say that the startup should be in 2021, and of course the Government is reviewing the schedule and is preferring detain the process.

This is as far as we know, we are just a player that is ready to play the game, but who leads the game is the Government and not us, of course we as industry acting together in association, and as well as every company has done comments about the draft of the plan but now is the Government the leader of the game and we are just a player.

**Mr. Angarita:** Ok, in the third question regarding tariff updates, the resolution presented by the Regulator on July of previous year included all the infrastructure of the company,

including previous assets that were built many years ago, that are operating for 20 years at least in our infrastructure, so that will be affected by the final resolution by the Regulator.

**Mr. Duarte:** Ok, thank you very much.

**Operator:** Our following question comes from Diego Buitrago from (Inaudible 54:11)

**Mr. Buitrago:** Thank you for the presentation, I have one question regarding the strategic plan that you recently announced, could you please give us more color regarding how TGI will incorporate 30% of revenues to 2027 from other LATAM economies? Could you please tell us if is going to be via inorganic growth or organic growth, or what countries are interested for TGI.

**Mr. García:** Ok, yes we are developing a plan and we started doing some exploration of the opportunities in the market, we are initially doing the analysis of the different countries Inaudible (55:05) we wish the opportunities, so we are doing the cleaning of that, of course some countries has some attractiveness in terms of the industry, but we also have to review country risk and this kind of things that any company would do, so we are in this process of initiating some conversations, some exploration of opportunities.

So, I could say that there are several countries; we are in this process as I said. So yes we are we are working in that, and in terms of your question about if organic or inorganic, we are open to either, simply it has to follow our very rigorous criteria, so what we don't want to do, let me tell you what we are not going to do; what we are not going to do is to for example, if is an inorganic opportunity to do a overpay, so we are very clear that we have to add value, but of course we are open to organic and inorganic opportunities, and we are going to start working in those, and the countries is a wide scope, a wide range of countries that we are evaluating an analyzing and start looking the opportunities.

You have any other questions? Or thing do you want to comment more please tell me.

**Mr. Buitrago:** Ok, thank you, I want to know if it's possible, the main comments that TGI made regarding the regulatory project on the current view.

**Mr. García:** Ok, as you know this resolution was issued which is a very uncommon to the Industry, we have done a very in-depth analysis of the resolution, we have commented many things, the process of awarding, the process of contracting because this is very long, there's so many pages of the resolution, in fact we had the help of several consultants that helped us to do the comments to the regulation authority, we have done several presentations to them, many documents that we delivered to them, it includes as I said many things, one of those and of course one that is important is the Wacc, this is the rate of return that the Regulator approved, we have done a long analysis of what should be the Wacc to be recognized to this activity, for example we have done a very good analysis of what is that Wacc in other countries, we have supported the documentation of the rational and how the Industry works in other countries, and we have illustrated that to the regulation authority, so Colombia is competitive in terms of rewarding the activity.

Recently we have received in good terms what we have commented, but in general, what happen is that the resolution cover several issues, as I mentioned one of those, of course one that is of our attention is the Wacc, we think that should be maintained unattractive and even more if the Government wants that

(Inaudible 58:39) invest as I mentioned in this expansion plan, a large amount of money they have to acknowledge that they have to reward that property.

So we are working in that, but I would say that the resolution covers many things, it's a very long document, I tell you; the document we delivered to the Regulator is a 300 pages document, so we commented a lot.

**Mr. Buitrago:** Ok thank you, and the last one is regarding the new strategy of being market maker in the natural gas industry, I want to know how TGI will conciliate the current situation of the producers on the scarcity of natural gas in Colombia, and I want to know if it is important and if its needed the new regasification plant in the Pacific to develop this strategy? Or how will the producers encourage producing of natural gas.

**Mr. García:** Ok I will answer the following, first of all we are working this strategy as cited in partnership with the producers and with distributors, the example that I use is that we are working the Inaudible (1:00:17), for example ECOPETROL as producer, TGI as transporter and Gas natural FENOSA the distributor, we all the three working together.

Let's see for example, the fuel for the Transmilenio the gas massification system for Bogota be natural gas, so we are working in partnership so you can call it the Inaudible (1:00:39) because we think that is important to clarify to the market that there is not scarcity of gas, that the gas is there in the short, in the medium and in the long term, and therefore there is no excuse not to develop projects like Industrial, power generation or gas transport massification, any project should be stopped with the view that there is scarcity.

So our approach his that and we are working with producers and the distributors in terms of enhancing and clarifying to the Industry that there is not scarcity in the short, in the medium and in the long term.

The regasification plan initially is more a warranty, is to improve the reliability of the system. Of course, if there is not materials or are not competitive the new discoveries, you can call it the (Inaudible 1:01:37) but if there is gas discoveries this is the insurance. This is the way that we see it and this is the way that the Government presented the project, is the insurance to warranty that every minute of every day you have got.

The country cannot take the risk for example of El Niño phenomenon, you know that the gas is the source that is ready when there is a El Niño phenomenon, the gas is the fuel to warranty that the country is covered to overcome to a dry season. So, is kind of having insurances, there is gas, there is potential gas to discover, there had been some discoveries of gas, but the country and the Government has decided that that should be a warranty to have certainty, full certainty that there is gas supply in the short, in the medium and in the long term.

**Mr. Buitrago:** Ok thank you, and finally the last one is regarding what TGI expect in terms of revenues from the current pipeline projects that are in construction?

**Mr. Angarita:** We don't have that information now, but for this year for example, we will be in the same level of previous year, after finishing the project, every day we will increase, every year the revenues according to the enter in operation of every new project, but remember that on this moment we will have revenues until the end of 2018 with the previous resolution, so of course, the increase, the growth



of our revenues is given mainly by the new project, and maybe later we will can share some information of the five projects that we have approved, that we are constructing and approved by the board.

**Mr. Buitrago:** Ok, Thank you everyone for the presentation and for the answers.

**Operator:** We have no further questions at this time.

**Mr. García:** Ok have a good day, thank you.

**Mr. Angarita:** Thank you very much.

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