1Q 2018

TGI
GrupoEnergíaBogotá

Financial **Results** Report

- **TGI continues to control and operate Colombia's largest gas pipeline network**:
  - Gas pipelines: 3,957 km, Capacity: 784.9 Mmscfd.
  - Average capacity under firm contracts: 712 Mmscfd.
  - Covers 54% of the Colombian market.

- **Total Capex actual spend:** USD$10.1 million.

- **On march 11 early payment was made on the syndicated loan** acquired through the merger with IELAH in the amount of USD$44 million, leaving a remaining balance of USD$40 million.

- **Commissioning of the Cusiana – Apiay project**, which increases capacity from 33 Mscfd to 64.2 Mscfd, and of the Apiay – Villavicencio – Ocoa section, from 17.2 Mscfd to 22 Mscfd, including completion of construction of two compression stations (Paratebueno and Pompeya).

- On march 20, an **ordinary meeting of the General Shareholders Assembly was held**, which declared dividends in the amount of COP$300,077 million, to be paid in two installments (June and October, 2018).

1Q

2017 - 2018

Operating revenues **(+6.3%)**

USD $103.4 million **USD $109 million**

EBITDA **(+4%)**

USD $88.3 million **USD $91.6 million**

Operating profits **(+8.7%)**

USD $65.1 million **USD $70.7 million**

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Executive Brief

Operating and financial highlights

Table 1 - Relevant Indicators

	Q1 2018	Q1 2017	% Change
Operating Revenues – USD$, million	**109.9**	**103.4**	**6.3**
Operating Profits – USD$, million	70.7	65.1	8.7
EBITDA – USD$, million	**91.6**	**88.3**	**3.8**
Net income – USD$, million	22.7	75.7	-70
Transported volume - Mmscfd	425.6	428.1	-0.6
Capacity under firm contracts – Mmscfd	705	672	4.9
Capacity under firm contracts – Mm^3d	20	19	4.9
International Credit Ratings:			
S&P - Oct. 31 | 17:	**BBB-, stable**		
Fitch - Oct. 12 | 17:	**BBB, stable**		
Moody's – Aug. 01 | 17:	**Baa3, stable**		

Natural gas market in Colombia

Table 2 - Natural gas demand in Colombia

Demand (GBTUD)	Q1 2018	Q1 2017	Change %
Thermoelectric	168.47	182.02	-7.4
Residential - commercial	189.80	175.77	8.0
Industry - refineries	464.32	425.50	9.1
Gas for Vehicles (GNV)	66.28	66.37	-0.1
Petrochemical	19.89	17.15	16.0
Other uses	46.29	35.29	31.2
Total	**955.0**	**902.1**	**5.9**

- In the first quarter of 2018, total demand in the Colombian natural gas market increased by 5.9% compared to the same period in 2017.
- In the first three months of 2018 the sectors with greatest demand were manufacturing, petrochemicals and trading, with growth of 9.1%, 16% and 8%, respectively.
- Consumption by the thermoelectric sector decreased by 7.4% due to the recent end of the meteorological phenomenon of El Niño, which affected previous years; this implies that generators are operating at a lower rate, and are therefore consuming less gas. Lastly, the other uses item increased by 31.2%.

Financial Results

This report presents comparative financial statements in accordance with the International Financial Reporting Standards (IFRS) at March 31, 2017 (Q1 2017) and 2018 (Q1 2018).

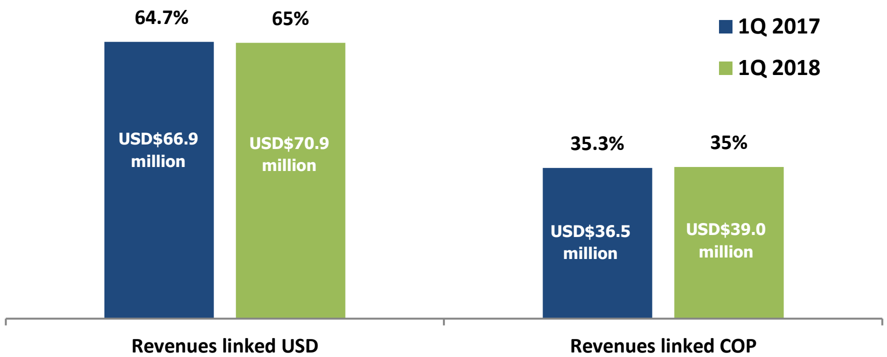
Table 3 – Income Statement

	USD$ thousand		Change		COP$ thousand	
	Q1 2018	Q1 2017	USD$ Change	%	Q1 2018	Q1 2017
Revenues	**109,917**	**103,406**	**6,511**	**6.3**	**310,623,624**	**300,211,359**
Cost of sales	(34,109)	(32,201)	(1,908)	5.9	(96,485,176)	(90,404,145)
Gross profit	**75,808**	**71,205**	**4,603**	**6.5**	**214,138,448**	**209,797,214**
Administrative and operating expenses	**(5,100)**	**(6,138)**	**1,038**	**-16.9**	**(14,103,452)**	**(17,374,474)**
Personal services	*(1,717)*	*(1,176)*	*(541)*	*46.0*	*(4,882,025)*	*(3,394,400)*
Taxes	*(304)*	*(2,475)*	*2,171*	*-87.7*	*(861,513)*	*(7,035,364)*
Depreciation, amortization and provisions	*(1,048)*	*(667)*	*(382)*	*57.3*	*(2,665,833)*	*(1,771,632)*
Other expenses	*(2,092)*	*(2,271)*	*179*	*-7.9*	*(5,869,928)*	*(6,479,363)*
Other income	*61*	*451*	*(390)*	*-94.0*	*175.848*	*1,306,285*
Operating profit	**70,708**	**65,067**	**5,641**	**8.7**	**200,034,996**	**192,422,740**
Operating margin	*63.3%*	*62.9%*			*64.4%*	*64.1%*
Financial expenses	(18,341)	(19,982)	1,641	-8.2	(48,734,894)	(69,416,449)
Financial income	749	6,294	(5,545)	-88.1	2,096,745	29,406,460
Net difference in foreign currency translation	(8,425)	(11,900)	3,475	-29.2	(24,087,495)	(34,777,142)
Income from interests in affiliates	(1,195)	(654)	(541)	82.7	(3,415,091)	(1,903,295)
Pre-tax profit	**43,496**	**38,825**	**4,671**	**12.0**	**125,894,261**	**115,732,314**
Income tax	(23,487)	(18,436)	(5,051)	27.4	(66,338,067)	(53,570,561)
Deferred tax	2,677	55,285	(52,608)	-95.2	7,652,361	161,569,562
Net profit	**22,686**	**75,674**	**(52,988)**	**-70.0**	**67,208,555**	**223,731,315**

Revenues

In Q1 2018 operating revenues increased by 6.3% compared to Q1 2017 to USD$109.9 million. This increase in revenue is primarily the result of increased fixed charges, mainly due to the start-up of the Cusiana-Apiay-Ocoa project in February 2018, a lower number of suspensions reported by senders, and stable trends in contract generation, highlighting that no observations were reported during the period.

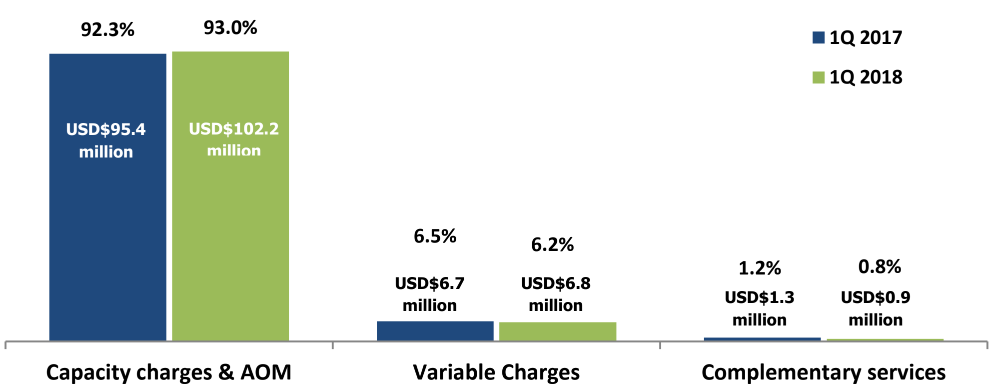
Graph 1 – Operating revenues by currency



Of total operating revenues, USD$70.9 million are denominated in dollars and the remaining USD$39 million are denominated in Colombian pesos. Revenues in the last 12 months totaled USD$419.7 million, equivalent to growth of 0.3%.

In the first three months of the year, dollar-denominated sales increased by 5.9% compared to Q1 2017, accounting for 64.5% of total sales. Sales denominated in Colombian pesos (35.5% of the total) grew by 7% compared to Q1 2017, reflecting a change in the average exchange rate between the two periods.

Graph 2 – Operating revenues by type of charge



In Q1 2018, approximately 93% (USD$102.2 million) of revenues were derived from fixed charges set in "firm" transportation contracts, equivalent to growth of 7.1% compared to the same period the previous year. Consequently, only 6% of revenues from natural gas transportation contracts are affected by changes in demand for this commodity, which is reflected in its constant growth rate of 2.2%, totaling USD$6.8 million in the quarter. The remaining 1% are not-regulated operating revenues.

Costs and expenses

Altogether, operating costs and expenses increased by 1.2% in Q1 2018, an amount that is very similar to costs and expenses in Q1 2017, due to an increase in maintenance and repair orders, personal services and depreciation, as well as a reduction in amortizations.

Operating profit

Operating profits increased by 8.7% compared to the same period in 2017, as a result of higher operating revenues (6.3%), associated with greater fixed charges, fewer suspensions and successful operating cost control efforts, thanks to which costs grew slower than other items.

Non-operating income

Non-operating income displayed positive performance thanks to the elimination of the tax on equity, which had remained in effect until 2017, and a USD$1.1 million reduction in the valuation of hedging transactions.

Regarding financial expenses, in line with the above trends, a 5.3% decrease was reported, ending up at a level similar to last year's.

Other expenses

There was a significant decrease in deferred tax due to changes in tax law regarding treatment of the useful lives of fixed assets. Such recalculations produced a lower depreciation expense for tax effects in Q1 2018.

Regarding the net difference in currency translation for the quarter under analysis, it is closely correlated with the behavior of exchange rate fluctuations on items expressed in Colombian pesos.

Net profit

As a result of the above, Q1 2018 net income totaled USD$22.7 million, noting that the change is the result of a one-off adjustment to deferred taxes, as indicated earlier, which is unrelated to any material or structural events associated with normal business operations.

EBITDA

Table 4 – EBITDA

	USD$		COP$	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017
EBITDA	91,646,048	88,289,089	259,361,731,391	256,241,914,920
EBITDA margin	83.4%	85.4%	83.5%	85.4%

The behavior of EBITDA reflects the profitability and sustainability of TGI's business operations. In the quarter ended in March 2018 it totaled USD$91.6 million, and in the latest 12 months it totaled USD$327.3. The EBITDA margin remains stable in this period at 83%.

These historic EBITDA levels provide the Company flexibility and growth capacity in terms of projects, as it remains below established covenants, both in terms of the Gross Total Debt/EBITDA ratio, and of the EBITDA/Financial expenses ratio, as indicated further below.

Debt profile

Table 5 – Classification of debt items

	USD$ thousands			
	Q1 2018	Q1 2017	USD$	%
EBITDA	327,245	343,802	(16,557)	-4.82
Total net debt	1,109,102	1,142,059	(32,955)	-2.9
Gross senior debt	798,468	1,047,847	(249,379)	-23.8
Total gross debt	1,168,468	1,417,847	(249,379)	-17.6
Financial expenses	83,474	84,092	(618)	-0.7

Table 6 – Debt structure

Debt structure	Amount	Currency	Coupon (%)	Maturity
Senior - international bonds	750	USD$ million	5.700%	March 20, 2022
Inter-company - Subordinated	370	USD$ million	6.125%	Dec. 21, 2022
Syndicated loan	40	USD$ million	Libor 6M + 2.25%	Sep. 11, 2019
Leasing – Renting	8	USD$ million	N/A	Long-term

Senior debt displayed a substantial 24% decrease due to an early payment made on the syndicated loan acquired through the merger with IELAH in the amount of USD$44 million, for a remaining balance of USD$40 million.

Table 7 – Coverage ratios

		Q1 2018	Q1 2017	Unit
Total Gross Debt / EBITDA	**OM: < 4.8**	3.57	4.12	Times
EBITDA / Financial Expenses	**OM: > 1.7**	3.92	4.09	Times

The Company continues to comply with the covenants of the 2022 Bonds Indenture in terms of the Total Gross Debt to EBITDA ratio. However, it should be noted that this covenant is currently suspended because an investment grade rating was received from at least 2 of the 3 major rating agencies. At march 2018 the Total Gross Debt to EBITDA ratio stood at 3.57x and the EBITDA/Financial Expenses ratio stood at 3.92x.

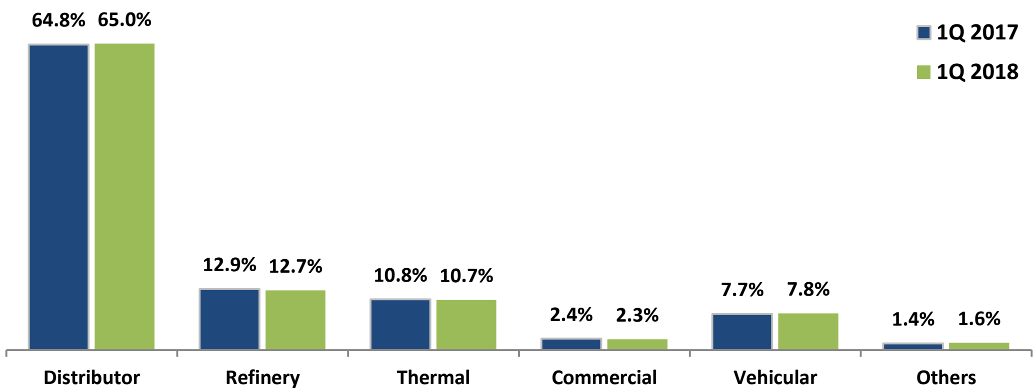
Sales Performance

Sales by sector

During Q1 2018, the distribution business, which includes residential, commercial, small industry and some vehicles, remains the company's main source of revenues, accounting for 65% of total revenues. Its share of total revenues remained stable compared to the same period in the previous year.

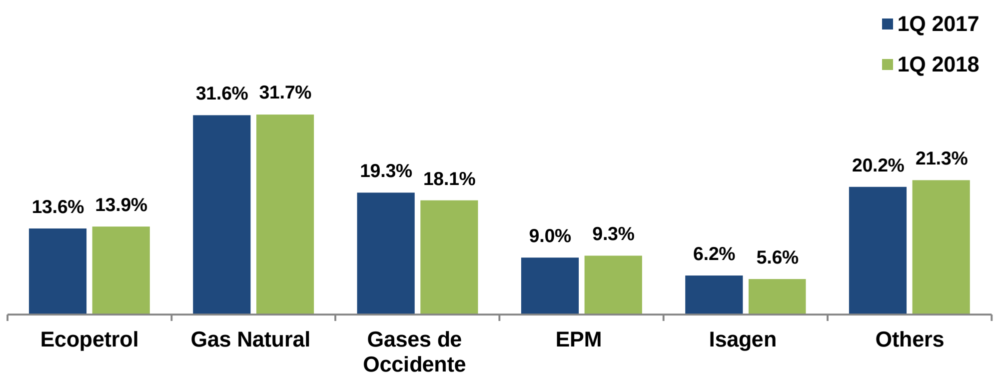
Direct sales by TGI to distributors of natural gas for vehicles (GNV by the Spanish original) remained stable compared to Q1 2017. This performance of GNV is due to the fact that transportation companies have promoted the conversion of gasoline-powered vehicles to natural gas in recent months, which is a growing market trend.

Graph 3 - Revenues by sector



Similarly, in Q1 2018, TGI's main clients accounted for approximately 80% of total operating revenues, while sectors where the Company holds a greater market share accounted for close to 97% of this amount. It should be noted that consumption patterns have remained stable.

Graph 4 - Revenues by client



Contractual structure

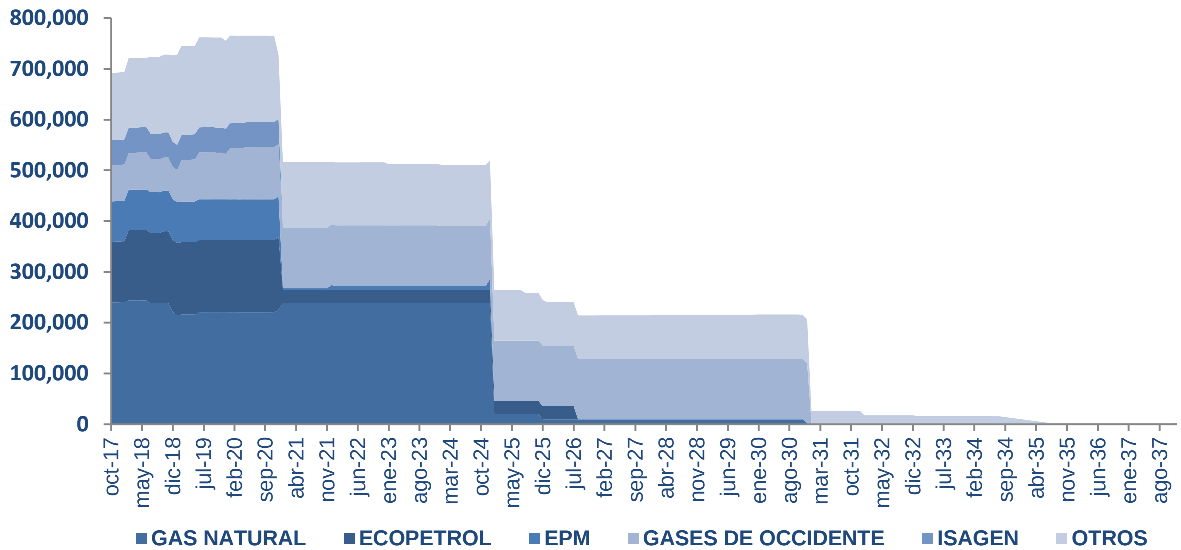
Table 8 – Structure of firm contracts

Period	Number	Contracted Capacity (Mmscfd)	Remaining life (average years)
Q1 2017	1,109	672	8.35
Q1 2018	1,704	712	7.89

In Q1 2018, firm contracted capacity levels were similar to those reported in the previous year, at 712 Mmscfd, a 5.9% increase compared to Q1 2017 as a result of the company's sales efforts to acquire new contracts. As a result, at the end of the reporting period, 92% of the Company's available capacity is covered by contracts.

The clients covered by TGI display stable and non-seasonal consumption patterns, with 99% of their contracts under the firm modality, and 1% interruptible. Similarly, on average the contracts specify 90% of fixed charges and 10% variable charges, approximately.

Graph 5 – Remaining life of contracts



Operating Performance

The gas pipeline network of TGI measures approximately 3,957 km, of which 3,807.29 km are owned and operated by TGI; while the remaining 150 km are operated by a contractor, though under the control and supervision of TGI, as set forth in the operation and maintenance contract. The system mainly uses natural gas from the basins of Ballena / Chuchupa and Cusiana / Cupiagua.

Table 9 - Volume by transporter – Mmscfd

	Q1 2018	Share %	Q1 2017	Share %	%	Mmscfd
TGI	425.6	44.7	428.1	46.9	-0.6	(2.5)
Promigas	373.1	39.2	331.3	36.3	12.6	41.8
Other	154.3	16.2	153.3	16.8	0.7	1.0
Total	**953.0**	**100**	**912.7**	**100**	**4.4**	**40.3**

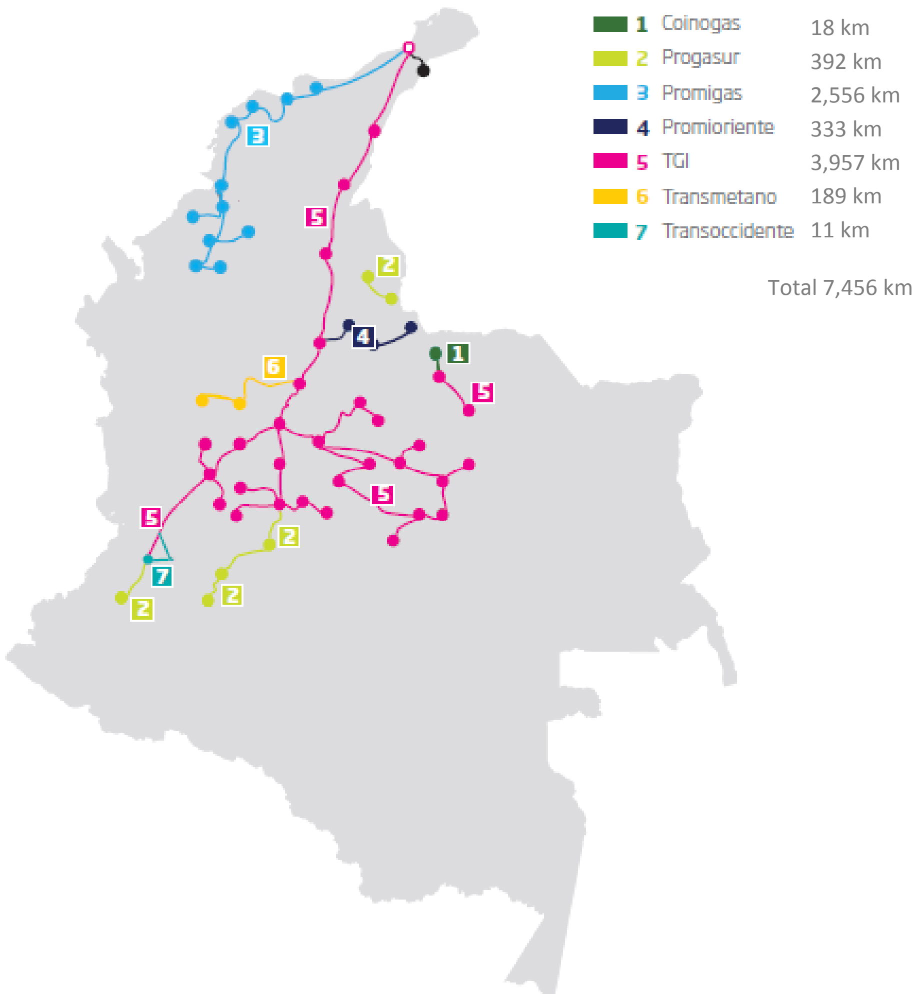
Of total volumes transported through national gas pipelines, TGI remains the largest participant with 425.6 Mmscfd, followed by Promigas with 373.1 Mmscfd. Both companies account for 84% of the total, equivalent to transportation of 798.7 Mmscfd.

Table 10 - Selected operating indicators

	Q1 2018	Q1 2017	% Change
Total Capacity (Mmscfd)	784.9	733.8	7.0
Transported volume - Mmscfd	425.6	428.2	(0.6)
Usage factor - %	50	52.8	(5.2)
Availability - %	99.1	100	(0.9)
Length of pipelines - Km	3,957	3,957	
Length of pipelines - Mi	2,459	2,459	

As indicated above, the current national gas pipeline network measures 7,456 km and TGI is the market leader in terms of natural gas transport in Colombia, accounting for 53.1% of existing infrastructure and 44.7% of transported volumes.

Map 1 – National natural gas transport system



Source: Ecopetrol – Informe del Sector Gas Natural en Colombia 2017 Promigas

Transport capacity has increased in recent years thanks to system expansion and operating improvements. System losses remain below the 1% threshold allowed by regulators, and 0% losses were reported in the current period.

Lastly, TGI holds a 32.8% interest in the Peruvian natural gas distribution company Contugas; the remaining 67.2% is owned by GEB. This company has been awarded a concession by the Peruvian government to operate and maintain a transportation network of 291 km of gas pipelines with capacity of 350 Mmscfd, plus 1,023 km of a distribution network in southern Peru, in the department of Ica. TGI performs technical operating supervision of this company.

Table 11 - Total transport capacity of TGI's system - Q1 2018

By section - Mmscfd	Capacity Transport	Volume Transported in Q1 18
Ballena – Barrancabermeja	260.0	72.3
Mariquita – Gualanday	15.0	0.3
Boyacá – Santander	11.0	9.2
Cusiana – Porvenir	411.9	300.4
Cusiana – Apiay	64.2	36.6
Apiay – Usme	17.8	1.3
Morichal – Yopal	5.0	5.5
TOTAL	**784.9**	**425.6**

CAPEX

In accordance with CREG Resolution 107/2017, TGI has declared to CREG and UPME its interest in undertaking projects related to the Natural Gas Transitory Supply Plan that are viable for execution, as defined by UPME by means of Resolution 803/2017, which are mentioned below:

- Mariquita – Gualanday Loop
- Two-way Barrancabermeja – Ballena
- Two-way Yumbo – Mariquita

The Company is currently waiting for the Regulatory Commission to establish the efficient investment values and AOM.

Table 12 – CAPEX | USD$ million

Q1 2018	Q1 2017
10.1	**1.6**

Cusiana Phase IV

Increase natural gas transport capacity by 58 Mmscfd between Cusiana and Vasconia by building 39.6 km of loops with 30" diameter.

- Expand the gas compression station at Puente Guillermo.
- Perform upgrades to the gas compression stations at Miraflores and Vasconia.

Status

Started construction of compression unit UC9 at Puente Guillermo Station. Initiated opening of process for Loop pipelines.

Began process of establishing mutual agreements with Cenit and Ocensa and meetings for coordination to supersede the CENIT license.

Capex – USD$70.7 million
Actual Capex Q1 2018 – USD$1.2 million
Execution – 20%
Commissioning – 17 Mmcsfd in Q2 2018 and 41 Mmscfd in Q2 2019

Armenia Loop

Increase capacity by 8.28 Mmscfd by building a 36-km loop with 8" diameter, running parallel to the existing 6" line. It will enable supplying gas to the municipalities of Caicedonia and Sevilla in the department of Valle del Cauca, La Tebaida, Calarcá, Montenegro, Armenia, Quimbaya, Filandia, Circasia and Salento in the department of Quindío.

Status	
ICANH authorization to lay pipeline PK 29. Pending ICANH PHD response for sites 23 and 24. Mechanical activities: 93.70% Stations and Valves: 79% Geo-technical works: 77.90% Archaeology: 84.90%	**Capex –** USD$19.2 million **Actual Capex Q1 2018 –** USD$1.9 million **Execution –** 92.42% **Commissioning –** Q2 2018

Replacement of Sections

Replacement of four sections that have reached the end of their regulatory useful lives, according to CREG Resolution 126/2016. Replacement of the following branches in southern Bolívar:

- Yarigüíes - Puerto Wilches branch
- Z branch Industrial Cantagallo – Cantagallo
- Cantagallo – San Pablo Branch
- Total Galán – Casabe – Yondó

Equivalent to approximately 15.7 km of 2" diameter pipes and 11.7 km of 4" diameter pipes.

Status	
Adjustments to Environmental Management Plan: 94% and approval of 100% of the ICANH Archaeological Management Plan. Began acquisition process of pipes and closing of basic engineering process.	**Capex – USD$16.7 million** **Actual Capex Q1 2018 – USD$0.08 million** **Execution – 9.04%** **Commissioning – Q2 2019**

Cusiana Phase III expansion

Increase capacity at Cusiana - Vasconia by 20 Mmscfd to cover Colombia's central region. Basic and detailed engineering; environmental studies; request of environmental permits from CARs; sourcing of compression units, equipment and pipes; environmental and social offsetting, contract supervision; construction to expand the Miraflores, Puente Guillermo and Vasconia stations, and upgrades to Vasconia hub.

Status	
Vasconia: Performed interruption to upload the automation communications program to bring the unit on line. Completed connection of filters for expansion of the Vasconia station. Operating tests are under way at the Vasconia unit.	**Capex – USD$31.59 million** **Actual Capex Q1 2018 – USD$0.65 million** **Execution – 96%** **Commissioning – Q2 2017**

Cusiana Apiay Ocoa Expansion

Cusiana Apiay Termo Ocoa Expansion Construction of two new gas compression stations: the Paratebueno station on the Cusiana – Apiay gas pipeline and the Villavicencio station on the Apiay-Villavicencio-Ocoa pipeline.

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The project will increase transport capacity to cover natural gas demand of senders that requested 32 Mmscfd in transport capacity from Cusiana, Apiay and Villavicencio; of these 32 Mmscfd, 7.7 Mmscfd will be diverted through the Apiay-Villavicencio-Ocoa gas pipeline.

Status

Non-compression units: Paratebueno Station, Villavicencio Station.
Units in operation as of January 24, 2018: Paratebueno and Villavicencio stations Sourcing: 100% Construction: 94%

Capex – USD$48.26 million
Actual Capex Q1 2018 – USD$6.3 million
Execution – 96%
Commissioning – February 2018

Annexes

Annex 1: Legal note

This document contains terms such as "anticipate", "believe", "expect", "estimate", and others with similar meanings. Any information other than historical information, including without limitation information that makes reference to the Company's financial position, its business strategy, management plans and objectives, is based on forecasts.

The forecasts of this report were based on assumptions related to the economic, competitive, regulatory and operating environment of the business, and took into consideration risks that are beyond the Company's control. Forecasts involve uncertainty and it is possible that they will not materialize. Unexpected events or circumstances may also arise. For the above reasons, actual outcomes may differ significantly from the forecasts included herein. Consequently, the forecasts of this report must not be interpreted as factual events. Potential investors should not rely on the forecasts and estimates contained in this report, nor use them as basis for investment decisions.

The Company expressly declares its exemption from any obligation or commitment to distribute updates or revisions of any forecast contained in this document.

Past Company performance must not be considered a pattern for its future performance.

Annex 2: Clarifications on the report

- Since 2015, TGI's functional currency has been the United States Dollar. The figures in the 2016 and 2017 income statements in USD were translated into COP at the market exchange rate (TRM, for the Spanish Original) as of the date on which the items were recorded.
- In this report we have translated Capex figures into their equivalent in US dollars solely for information purposes, using the TRM as of the end of the period as published by the Financial Superintendence of Colombia. The following were the exchange rates used for such translation:
  - Exchange rate at March 31, 2018: 2,780.47
  - Exchange rate at March 31, 2017: 2,880.24
- In the figures of this report, a comma (,) is used to separate thousands and a period (.) to separate decimals.
- EBITDA is not an indicator recognized by the accounting standards of Colombia or the United States, and difficulties may arise in using it as an analytical tool. Consequently, it should not be used in isolation as an indicator of the Company's cash flow.
- In each period, EBITDA is calculated based on operating profits (or losses), adding amortization of intangible assets and the depreciation of fixed assets for the same period.

Annex 3: Link to the consolidated financial statements for Q1 2018

http://www.grupoenergiadebogota.com/inversionistas/estados-financieros