TRANSPORTADORA DE GAS INTERNACIONAL - TGP's Purchase Agreement

ADRIANA:
Welcome to the TGI Conference Call. My name is Adriana and I'll be your operator for today's call. At this time all participants are in listen only mode. Later we will conduct the question and answer session. Please note that this conference is being recorded. I would now like to turn the call over to Mr. Santiago Pardo De La Concha, Chief Financial Officer of TGI. Mr. Pardo, you may begin.

MR. PARDO:
Good morning and thank you very much. Good morning and welcome to this conference call. First of all, before we begin, I would like to make sure that people have access to the presentation. The presentation that we, the material in our Investor Relations website which is www.grupoenergiadebogota.com/em/investors/upcomingevents/2014 and then there you can find the, download the material where I'll be talking from. That said, I want again welcome all of you and thank you for your…for participating in this conference call, the topic of which will be to discuss the recent announcement we have made regarding the signing of the Purchase agreement to acquire a significant stake in of Transportadora de Gas del Peru, TGP.

Moving on to page (dónde, dónde estás, no, no. Devuélvete, devuélvete). So, I mean, what we'll do here, is first, I will give a brief description of the transaction, I'm on page 3, on the table of contents, then, I will give you un update on a preliminary basis on TGI's numbers, as well as an on a proforma basis how our main credit metrics will look after the acquisition, and third a little bit of the feedback that we gotten from the rating agencies on this. And fourth we open up to Q and A.

Moving on to the first topic, which is the description of the transaction, in page 5. I'd like to take a step back and just mention that as you all know, the vision of TGI is to become the number one independent natural gas transportation company in Latin America by 2024, obviously, consistent with this objective, that we wont to achieve by focusing solely in Colombia, we have been looking for growth opportunities outside of the country. With obviously Peru being a natural market for us to expand in. As you know we are already present in Perú, through our 25% stake in Contugas. We also, the Grupo Energía de Bogotá our main shareholders, is also present in the country, so Peru is a natural market for us.

Over the past 12 months or so, several of our shareholders in TGP have expressed their willingness to sell their stake in the company, and they have started the process to do so.

The reason most of these investors or shareholders in TGP are selling is they were frankly there for the initial construction of the project, their interest was more in the… getting the project developed, so they could get the natural gas out, and once the asset has reached its maturity, for them is more, is a more useful use of their capital to invest it in other activities.

So this is a natural process that has followed the maturity of TGP, and obviously this process's been a great interest of TGI, not only with the interest of becoming a shareholder, a passive shareholder, but more importantly with the view to participating in the operations, maintenance and the running of the TGP pipeline, which is where we can believe we can add value.

That said, we've been in private bilateral discussions, with the Techint group, since May of last year, with a view to potentially purchasing their stake in TGP, as well as taking over the operation and the maintenance of that asset which we now control.

This is been, as I said, a private and very confidential process that has been conducted over since May of last year, and in December, mid December of 2013 we signed a binding offer for their 23.6% stake as well as for 100% stake in COGA which is the company that operates the pipe.

The feedback was positive and we started early in this month of January negotiations on a share purchase agreement, and finally on Thursday of last week those negotiations concluded, they accepted our offer formally, and we signed the FPA on Thursday and obviously announced the transaction.

Why are we, I mean, I would have said, we are on page 6, why are we doing this? Let's talk a little bit about that. As I mentioned before, Peru is the country that, where we are already present, is an economy that is growing, it's market oriented and has low inflation rate. It's an economy where natural gas transportation and infrastructure is of strategic importance given the increasingly important role of Natural Gas in their energy mix, it's a country that has ample and proved reserves of natural gas, and natural gas liquids, and it has frankly a very attractive market dynamics, there's a lot of growth expected in the natural gas industry in Peru, and there's also an adequate and supported and stable regulatory environment, which we are familiar with and know well.

TGP itself, which is you know, the company that transports the gas, the natural gas from a natural gas liquid tram, the Camisea field, in the Amazon, to the Peruvian cost is a very, very important and strategic asset, it's the backbone of Peru's economy, it's a company that is very similar to TGI, has a stable and predictable cash flow generation, which is based on long term contracts with a diversified client base, and which, as I mentioned before, has very strong growth prospect, given the development of reserves that is ongoing, the growth of demand in Peru and then so, so we think that we're going to be able to capitalize on that.

And, it's a company with a very strong operational track record and it's a company that operates under a long term concession with the Peruvian government, and which has signed legal stability agreements with the Peruvian government that give us the comfort that we are in a stable environment, plus, obviously we operate in Peru and we have good relationship with the government there and we are very comfortable.

I mean, obviously from a strategic perspective, if we consolidate as the leader in gas transportation in the Andean region, it again provides access to the growing Peruvian market, it will make, give us the opportunity, we believe, to make the operations of TGP more efficient, and also, frankly it all allow us to make our own operations here in Colombia more efficient, because we believe that there will be, I mean, we also are going to be learning from how they do things there and we believe there will be a lot of knowledge transfer that will be a win-win for both companies.

And frankly complements the investments of the group in Contugas and Calidda, which are both downstream from TGP very well and again we'll position the EEB group as the most important player in the natural gas industry in Peru.

So, I mean, both from the economic perspective and from the strategic perspective we think that the investment is a great merit, it makes a lot of sense and we are very excited about the opportunity.

Moving on to page 7, here we'll review a brief overview of TGP, some of you may be investors in TGP's bonds, so this can be a little bit of a repeat for you, but TGP is the company that, with a pipeline length of about 1.400 Km approximately, they have a gas pipeline of 835 Km and a pipeline that transports natural gas liquids in parallel until Pisco, of 550 Km, it begins in Camisea in the Amazon jungle, crosses the Andes and gets to the Peruvian cost, where the natural gas liquids are delivered in Pisco as well as the gas goes to the LNG plants owned by Hunt and Repsol, and then the main pipeline goes, turns in, the main pipeline turns north into Lima, and delivers gas to power plants in the industries and to Calidda which is the distribution company in Lima.
In terms of the shareholders and in TGP, we can, as I mentioned before, the fragment we are shareholding, we will become the largest shareholder of this group with the 23.6% stake, Other major shareholders are Hunt and Repsol with 22.4%, they have also announced their intentions of selling at some point, Graña y Montero recently closed an acquisition of Pluspetrol stake, so they have 12.9%, SK has 11.2% and GDF-Suez is about 8%, and Sonatrach which is an Algerian company has 21.2%.

In terms of revenues and EBITDA, the revenues estimates for 2013 for TGP is about US$507 Million, EBITDA is US$348 Million, EBITDA Margin is 70% and Net Debt to EBITDA of 1.95 times. I mean, comparing it to TGI is a very similar sized company, our network is longer, we have 4.000 Km of pipe, they have 1.400, we have about US$465 Million of revenues they have US$507 and we closed last year with, will see it in a minute, with approximately US$365 Million in EBITDA compared to their 348. So, it's very similarly sized company.

Moving on to page 8, COGA, COGA is the company responsible for the O&M activities of TGP, they've been operating TGP since the beginning, for the past 10 years, they have 244 employees, which is a number that is fairly similar to the number of people we have to run our system. They have an O&M contract that is long term, and runs through the life of the concession, and basically, COGA is the company that's visible with low margins, because most of the costs are passed through basically, so whatever it costs TGP or Coga to run the cost to run the pipeline it pass through to TGP and with a small margin on top of that, so if you look at the EBITDA for COGA in 2012, it was approximately US$7 Million, and a Net Income of about US$2.5 Million, that is something that is very stable, but we believe that through COGA we are going to be able through optimizing the activities in COGA, we are going to be able to add significant value in TGP itself.

Page 9 shows the, a little bit of the structure that we are contemplating. The purchase price, US$642 Million, for both companies, for TGP and Coga, that is a, when we do it, if you are interested in the multiple enterprise value to EBITDA , it's about 9.6 times 2013 EBITDA, and about 9.5 times the estimated 2014 EBITDA, so we think that is a multiple that is right there, and compared as well with other transactions in the sector.

In terms of how are we going to finance this, we are going to send about US$290 Million TGI's cash, we closed the year with about US$350 Million of cash in our balance, so we are going to send a good chunk of that, but still leave enough to be able to cover our operations and maintenance and Capex that we have locally in Colombia, and the rest we're going to finance through a syndicated loan that's, that we are in the final stages of negotiating. We are talking with three banks, and expect to have something done very soon, it's going to be a five year loan, with a three year grace period, so there's not going to be any immediate pressure to refinance, there is no going to be any fixed note bridge or anything like that, the plan is frankly to reduce that debt over the next year or two, to levels that we consider sustainable in the long term and in that point in time, we'll start thinking about what the best alternative is to refinance that debt in the long term. That decision, depending on market conditions, we see if we do it early or not, but for now the plan is to totally refinance that debt at some point late this year or early next year, but at this point in time we have no visibility as to or can tell you what the plans are there. It'll depend, as I said before, it'll depend on market conditions, we might at some point decide that we are happy with the loan and the payments, so there is no firm plan to refinance, there's just the thought that if within our capital structure, given our numbers now, plus the addition of TGP, we can easily support between US$225 to US$250 Million in additional debt.

In terms of next steps and timing for this, we signed, and this is in page 10, as I said, we signed the FPA in January 15th, the local process, I mean, through which Techint has to offer this participation to other shareholders started in January 17th, there's still the risk that one of the other shareholders decides to exercise their right, they can basically exercise that right and purchase the stake we were interested in. So, this is not, until February 16th, this is not a done deal if you will. We expect to be closing and funding the transaction 15 days after the end of the local process, so that takes us into early March.

In terms of TGI itself, turning over to page 12, page 12 shows our operational performance in 2013. There's metrics that are similar to those at, which we saw in our last conference call. Our network length remained stable at approximately 4000 Km, we did not bring in any projects during the year 2013, therefore transportation capacity also stayed stable, however our contracted capacity on a firm basis, is increasing to approximately 630 MCFD of contracted capacity, which is what actually drives our revenues, so that's very positive, as we will see in the next slide, enabling us to have a very strong results in 2013.

And transported volumes also were strong in 2013, 454 MCFD, a record in terms of the volume transported through our system for the whole year, which we are very pleased. Also there was a high availability in the pipe, and very low gas losses, of 0.2, returning to what we consider to be normal levels, when we are not connecting new projects.

And in terms of load factor, we are at about 61%, which you know is the number that we are comfortable with, because the system has to have slack in it, to accommodate peak demand or when the natural gas fire plants are called on to dispatch, so this is a number that we continue to grow slowly and about again we are very happy with our results for the year 2013.

In terms of page 13 shows our financial highlights for the year. At this point in time our financials has not been approved by the board or by the auditors so these are very preliminary numbers, I mean, what we show you, we not expect them to change, but they are subject to both audit by Delloite and our board's approval.

So in terms of revenues, we closed the year with revenues of US$455 million, that's an increase if I'm not mistaken, of about 19 to 20%, and that was driven by, as I mentioned before a) higher contracted volume, b) the higher transported volumes and c) the fact that we were able to implement the new tariffs that CREG approved for us in December of last year, those came in, those were effective this year, so now we are charging our customers our new tariffs. So the combination of those three factors resulted in revenue growth that was actually more than we had expected at the beginning of the year.

In terms of EBITDA, we ended the year with US$365 Million of EBITDA, which is about 25% more than the EBITDA of 2012, and not only that but our initial estimates of EBITDA, our forecast or budget for EBITDA for the year was US$323 Million approximately, so we were able to also significantly beat that estimate. And in terms of Margin, our EBITDA margin is approximately US$78.5 Million. In terms of Funds from Operations our, the results are very strong, US$272 Million, is almost, it's more than double of what we had last year. It's an important part, the reason for that, what we had in 2012 is that in 2012, we had the one time effect of the co-premium we had to pay for the refinancing of our debt. If we take that effect out and focus more in what we call the current funds from operations we still see an increase of approximately 35% in our results from 201 to 272, so very strong metric.

Moving on to our main financial ratios, we closed 2013 with Debt to EBITDA, this is page 14, Debt to EBITDA 3.5 times, Senior Debt to EBITDA 2.4 times, and Net Debt to EBITDA at about 2.5 times. Interest coverage at around 6 times.

If we include the effect of the additional debt we are incurring, the additional debt we are incurring, we would see a whole point of, Debt to EBIDTDA go to 4.3 times, that does not include the effect of any potential dividends we are going to receive from TGP, and Senior Debt to EBITDA 3.3 times, and Net Debt to EBITDA is a similar number, and interest coverage drops to about 4.7 times.

Now, as I mentioned before, during the year we expect to be able to prepay some of this debt, and we expect that by early 2014, or late 2014 to early 2015, we will have the financial ratios in line with about a 4 times Total Debt to EBITDA and so that's what we are shooting for.

In terms of what we expect for TGI'S operation itself for the year 2014, we expect that we will not have a growth that is as strong as last year, we actually expect that revenues and EBITDA will be fairly stable during the year. This year for TGI in Colombia will be more of the year of consolidation, other than Compresora de la Sabana, we do not have any new projects expected to becoming on the stream, but we think that with the addition of TGP we're moving in the right direction in terms of the growth and the strategy of the company.

Finally, moving on to the rating impact that we see, we, in 2013 we had discussions with the three rating agencies, prior to the announcement of the transaction. We, the discussions were very frank, and frankly were very well received. Both Fitch and Moody's have already affirm their ratings, the BBB- and BAA3 levels for respectively, with stable outlook, and as close as this as yesterday S&P had not taken actions, but we expect that we should be hearing from them fairly soon.

Now, that concludes my prepared remarks, I now will open the floor to Questions, so operator please do so.

ADRIANA:
Thank you. We will know begin the Question – Answer session. If you have a question please press star then one on your Touch-tone phone. If you wish to be removed from the queue please press the pound sign or the hash key. If you are using a speakerphone you may need to pick up

the handset first before pressing the numbers. Once again, if you have a question, please press star then one on your touch-tone phone.

And our first question comes from Karina Vivas. Karina go right ahead.

KARINA:
Hi, thanks for the call. I have two questions. The first is, I know you highlighted the most recent change in the shareholders structure for TGP, do you expect any other changes, is there any other interest for EEB or TGI to, you know to increase their investment in TGP.

MR. PARDO:
I mean, I think is a little bit premature to comment on that. We're not at this point in time, know at this time what the plan of the other shareholders are, and frankly when any other opportunity materializes we'll evaluate it at that point in time. So at this point it's not something, it's premature, I'm not in a position to discuss.

KARINA:
But at this point, you as an operator; you TGI or EEB is essentially in control, I mean, would there be any other material value from increasing your stake to what you already are?

MR. PARDO:
I mean, we will have to I guess cross the bridge when we get there and evaluate any opportunity if it materializes. As you said, our main objective is to become the operator of the company, and we'll have to evaluate opportunities as they come.

KARINA:
Right. And then my second question is regarding risk evaluation, because I'm trying to reconcile that with Graña y Monteros you know, purchase earlier this stake. Can you take out what is, you know, the equity investment in the TGP vs. operator, like the volumes and how do you divide that between the two.

MR. PARDO:
I mean, this was negotiated, if you will, as a complete package. We're paying a lump sum if you will for the complete package. Obviously the bulk of the value is in TGP, 90% of the value is in TGP, and vs. I mean what Graña paid I think, what we see here is that by having this control of the operations and being the operator we are going to be able to make improvements and generate value that if you're just a passive shareholder you're not in a position to do. And so that frankly merits some of the premium we're paying for this.

KARINA:
Okay, great. Thanks.

ADRIANA:
And our next question comes from Laura Meja. Laura, go ahead.

LAURA:
Thanks for hosting this call. I have one question regarding the financing plan that you mention to fund the acquisition. I want to know if the new debt is going to be at the holding level and then transfer the funds through intercompany loans or if the new debt is going to occur directly to TGI.

MR. PARDO:
The debt, the plan is to put the debt at the level of the vehicle we are using to materialize the acquisition, which is an offshore vehicle which is called TGI International. So it's going to be offshore.

LAURA:
Okay, Thank you.

ADRIANA:
And now we have a question from Ivan Fernandez. Ivan go ahead.

IVAN:
Thanks for the call and congratulations for the transaction. I have a few questions, so with regards to how you're funding the acquisition, you said this subsidiary that will take on the debt is a subsidiary of TGI, or this is a subsidiary, or is above or a sister company to TGI.

MR. PARDO:
It's 100%, this company is 100% owned by TGI.

IVAN:
And in the presentation, on page 9, you mentioned that you're funding this with a 360 syndicated loan, and a 292 of what you called equity, but early in you mentioned using the cash position that TGI owns, so I just want to clarify there's no equity injection in the TGI level as you funded the acquisition.

MR. PARDO:
Not at the TGI level, I mean, we're putting equity into this. Our cash is what we consider the equity, so it's going to be, our cash is going to capitalize this vehicle offshore, so if you look at the balance of TGI International after we close, that vehicle is going to have equity of about US$290 Million, which came from cash provided by TGI that we have in our balance sheet right now, plus the debt that we are going to acquire.

IVAN:
Sure, but in that context, if I look at page 14 in the presentation, you're showing the proforma Net Leverage increasing by only 0.8 times of EBITDA, and based on that acquisition price is almost two times of EBITDA, so I don't understand where I can reconcile this two numbers. It seem that you're not only increasing the Debt but not the cash…

MR. PARDO:
We're not leveraging this 100%. The acquisition, we're only acquiring about 1/10 of additional leverage.

IVAN:
But, what do you mean? You're going to pay US$660 Million in total, right? So, it's 360, so that means that your net leverage whether you're funding this of your cash, your net leverage will go up by 2/3 not but 1/10.

MR. PARDO:
Okay, you're talking about Net Leverage. Okay. Yeah, we will, you're right about that.

IVAN:
So, your Net Leverage is closer to 4.5 and not 3.5

MR. PARDO:
It's going to be closer to 4 point something. We still have cash on the balance sheet, so it's going to be lower than the Gross Leverage, but yes, we will have to correct that in the presentation.

IVAN:
Understood. Now, when you discuss the rating agencies, and I read what they wrote before the transaction, they sure mention about that, about your debt figure, I wanted you to clarify whether they included subordinated debt in the total debt when they look at the ratio, and whether your method for calculation of free funds from operation, cause I can see you made some adjustments, they have a foot note in the presentation for them or if your methodology is the same as the rating agencies used to calculate that performance.

MR. PARDO:
In terms of the first question, depends on the rating agency. Both Moody's and S&P include the subordinated debt within the calculations of Senior, of Debt to EBITDA, so they do include in the metrics that they monitor, they do include the subordinated debt. Fitch does not include them, so Fitch.., And rating agencies don't look at Net Debt, they look at growth, so Fitch would be looking at the Senior Debt to EBITDA number and the other two would be looking at the Debt to EBITDA number. Moody's focuses more in FFO to total Debt frankly, and in terms of the FFO calculation, in the Footnote we've shown how we calculated, in our performance calculation we've included the effect of the Net Income at the TGP level, through the participation method. However, rating agencies do make some adjustments sometimes for dividends, right now we've not included the effect of dividends, so it may not be exactly the same number that the rating agencies are calculating.

IVAN:
Okay, and when you made the comment that you expect your metrics to return to ideal levels by 2016, can you walk us through what assumptions you're using or maybe more broadly, what you're assuming for free cash fold to equity for TGI in 2014, and how much of that would be dividends from TG Peru. And perhaps also you can comment on any changes on the CAPEX planned on TGP and TGI following the transaction.

MR. PARDO:
Okay, I, in terms of what we expect that will come up from TGP, we're expecting this year they will be distributing dividends of between US$15 and US$30 Million dollars, would be what will come to us. So that is I guess incorporated in our Free Cash Flow projection. If, I mean, what we expect our ratios look at the end of this year, are going to be Debt to EBITDA at around as I mentioned before, at around the 4 times level, and FFO to Total Debt approximately 16%, which is about the metric that Moody's uses, which is around 15%. Is the minimum they're looking for. So, as I mentioned, we expect that we will be able to continue to be within, I mean, within the targets that we expect in the long term. I mean, if we, I think If we are a little bit short of that, I think the rating agencies are not concerned because in the long term we'll be able to return, in the medium long term we'll be able to return to the metrics that they are looking for.

IVAN:

And so what's the Free Cash Flow that you expect for the year for TGI? Even including this dividends?

MR. PARDO:
I mean, I don't have, I mean, I'm not in liberty to give you that figure at this point in time, but as I said, the FFO to Debt that we are looking at, on a projected basis of total debt, is around 15%. I don't have that figure.

IVAN:
And do you expect to change TGI's Dividend policy this year or how much are you expecting to pay in dividends this year…

MR. PARDO:
TGI, we're expecting to pay dividends this year of approximately, depending on what the, this also is subject to shareholders approval, but we were talking about a dividend this year between US$35 and US$ 50 Million, that's incorporated in our funding plan, and Capex, we're not making any cuts to our Capex plan, that was the question that you had before, we still expect to be able to fund our Capex with our internally generated Cash flow, and still have some left. The Capex plan for 2014 is not very ambitious, so we expect, we still expect to be able to comply with that.

IVAN:
And the Capex plan is US$100 to US$150 for 2014?

MR. PARDO:
That's, that's around in the ballpark.

IVAN:
And so, based on your metrics it sounds like you won't, you wouldn't be able to be doing more acquisitions this year, right? In order to accommodate this metrics and convert back to your ideal is that correct?

MR. PARDO:
I mean, I answered this question before, there's nothing in the plan right now, but as there are opportunities that materialize, we'll evaluate them.

IVAN:
But, so how do you feel about losing your investment grade ratings, because if you…

MR. PARDO:
That's not the discussion, I mean, as I said before, we… that's speculation right now, and as other opportunities come up, we'll have to take everything into account and evaluate everything. So, we're not, I'm not in a position to tell you we're shutting the door completely on everything else this year, but I'm not in a position to tell you that we are going, we are looking at X, Y or Z as I said, right now, as additional opportunities, if any, materialize, we'll have to evaluate how we go about that doing that in a prudent fashion.

IVAN:
My last question, just to clarify, so you have acquired the operator and the 22% stake percent in TGI, but you have not acquired control of the board, right, you're not controlling the company,

you're just going to be the operator, and you're going to be another minority, kind of minority shareholder in the company, right? So, that's the correct interpretation…

MR. PARDO:
We are acquiring 23.6% of TGP, plus 100% of the operator, so yes, we are going to be the operator, we're going to be in control of the operation for the company , we're going to have significant influence on the operations and the budgeting and making the company more efficient, but yes, you're right, we're not in control of the board, there's …there are other shareholders that own 75% of the company, nobody controls the company. So yes, we're going to be the largest individual shareholder, but we're not going to have control, a majority at the board.

IVAN:
Understood. Thanks Santiago and congrats again.

ADRIANA:
And our next question comes from Rosa Velasquez. Rosa, go ahead.

ROSA:
Hi, well most of my questions have been answered already; just one last thing is, are there any covenants on this syndicated loan or are there any existent covenants on debt.

MR. PARDO:
Our existing indenture had a Net Debt to EBITDA covenant at 4.8 times, that's only Senior Debt, so Senior Debt to EBITDA on a net basis at 4.8 times, so we are well below that. Now, in terms of covenants at the level of the acquisition loan, the agreement we have is that there would not be imposing any financial covenants otherwise on TGI as a whole. Also, since we are an investment grade company, the terms of our indenture have suspended the covenants, so right now there are really no covenants that apply to TGI.

ROSA:
Okay, thank you very much.

ADRIANA:
And the next question comes from Juliana Castro. Juliana, go ahead.

JULIANA:
Good morning. I just have one more question. In terms of COGA, the income, the regular income from regular operations come from a management fee that is charged to TGP or it's just as a like a past due from the tariffs, the transport tariff.

MR. PARDO:
There is a management fee that COGA charges to TGP, yes. So, that…

JULIANA:
Is it on income, or net income, or at what level is the management fee.

MR. PARDO:
The management fee is the fee that COGA charges to TGP and the costs incurred in the operation are passed through, so if you look at it that way, basically the net income is mostly the, is mostly comprised of the management fee.

JULIANA:
Yeah, but for TGP the Management Fee is a fast percent of Total income of TGP.

MR. PARDO:
It's not a percentage of income, is a fee that had been negotiated.

JULIANA:
Ah, ok. An absolute amount. Thank you very much.

ADRIANA:
And our next question comes from Daniela Rovina. Daniela, go ahead.

DANIELA:
Hi, Santiago, thanks for the call this morning. It's just a quick follow up question on the structure of the syndicated loan. Are there any assets at TGI International other than the stake of TGP, and is the equity stake going to be guaranteeing or securing the loan?

MR. PARDO:
There are not other assets right now at the level of TGI International, so it's a company that was previously used to, as the issuer of initial bonds package issued in 2007 when we financed, then in 2012 we paid that debt and the company was left clean, so we reserve it in case we were going to do an international acquisition. Yeah, we do expect that there would be a pledge of the share for the acquisition vehicle at some level, for the lenders but that's under negotiation.

DANIELA:
Ok, and any future refinancing will likely be at TGI International level or would that probably be at the whole code and then be party to the bonds.

MR. PARDO:
That's something that we have not defined yet. We are evaluating all options but so it's too early to tell at what level we will be at that phase.

DANIELA:
Ok, and now a really quick question. It says that the TGP shareholders have a right of first offer, given what they express they are going to be sellers, do you have you'll have any issues with that?

MR. PARDO:
We hope not, but you never know. So we hope not, but you never know.

DANIELA:
Okay, thanks Santiago.

ADRIANA:
And our next question comes from Jaime Peroza, Jaime go ahead.

JAIME:

Okay, thank you. My questions were already answered, but I would like to, could you repeat the EB To EBITDA multiple of this transaction please.

MR. PARDO:
For 2013 EBITDA is 9.6 times, for 2014 EBITDA is about 9.5.

JAIME:
For 2014…what?

MR. PARDO:
Nine and a half, because TGP, TGP's EBITDA in 2014 is expected to grow only very minimum from the preliminary reports that we have of 2013 EBITDA. So the multiples is 9.6 of 2013 EBITDA, 9.5 of 2014 EBITDA.

JAIME:
Okay, thank you.

ADRIANA:
And our next question comes from Jose Renard. Jose go ahead.

JOSE:
Hi, no, my questions have been answered. Thank you.

ADRIANA:
And do you have a question, from Daego Burdiago. Daego, go ahead.

DAEGO:
Good morning. Thanks for the presentation. Could you let me know which are the main reasons, which explain the difference between TGI and TGP in terms of EBITDA margin please?

MR. PARDO:
The main reasons for the difference between the EBITDA margins in TGI and TGP, is what you're asking?

DAEGO:
Right.

MR. PARDO:
Yeah. I mean, due to the technical characteristics of the system, TGP's operations are located afar from the location, a portion of TGP's system is located in the Amazon jungle in remote highlands in Peru, they are not accessible by roads, so the cost of deploying people to make maintenance, etcetera, is, everything is done by helicopter, security conditions in some of the areas need to be very strong, there's been incidents with terrorist groups, so that adds costs that we don't have to incur here in Colombia, frankly we can access all our system by road, by car, we don't have to transport everybody by helicopter to remote zones in the jungle, frankly, we see, that explains a significant part of it, but we also see the opportunity to make some of the operations more efficient, and that's somewhere where we see value, and we should be able to bring the EBITDA margins up in the future.

DAEGO:

Thanks.

ADRIANA:
And our next question comes from Pablo Luguer. Pablo, go ahead.

PABLO:
Okay, thanks, thank you for the presentation Santiago. I have just a few questions; most of them were already answered. My first question is, I didn't get the part about the dividend policy, how this transaction is going to impact the dividend policy from TGI to EEB for example.

MR. PARDO:
It doesn't affect it, we have a dividend policy that is very clear in our shareholders agreement, which is, our shareholders agreement basically provides that we will be distributing 50% of Net Income every year, and this year the current expectation and the default , which is what the shareholders agreement is that we would be distributing that, that's that number that I gave you. So it's not going to have any impacts. If the shareholders when we have the assembly decide otherwise then we will have to look at that, but under the discussions we have, there will be no impact on that. And we expect to distribute around the dividends at planned.

PABLO:
Sorry, I didn't get the number.

MR. PARDO:
Yeah, the number is, we're still finalizing the Net Income numbers, so is subject to assessment, so we expect it around US$35 Million is the lowest it could be, depending on some final adjustments that we are doing to Net Income numbers, it come as high as US$40 to US$45 Million, but that is still something that we need to take a look at with our accountants, as we finalize the accounts for the year.

PABLO:
Ok, thanks, and can you provide any update on EEB's intention to by the equity portion that the private equity has in TGI.

MR. PARDO:
No, I cannot do that. That would have to be a question you direct to EEB. So, I'm not on liberty to comment on that.

PABLO:
Also, kind of related to EEB. They released a new Capex plan, they've increased their Capex plan from 3.2 Billion to 7.5 Billion. Was this transaction included that Capex plan, or is on top of that.

MR. PARDO:
I don't know. I think that would be a question for EEB.

PABLO:
Ok, thank you.

ADRIANA:
And we have no further questions at this time. Mr. Pardo, do you have any final remarks?

MR. PARDO:
No, I just want to thank everybody for their time and their patience. And we will continue to provide updates as the transaction progresses, will be updating so be in the lookout for press releases, and we will probably have our regularly scheduled conference call in, after our results have been officially released. So, we thank all of you for your support and look forward to continuing our dialog in the future. Thank you.

ADRIANA:
Thank you ladies and gentleman. This concludes this conference. Thank you for participating. You may disconnect.