

Promigas: Doing good by doing well



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Promigas at a glance: Diversification generates stability and strength

Natural Gas Transportation

Pipeline Length: 2.895 kKm
Maximum Capacity: 763 MPCD
Employees: 440

Natural Gas Distribution

Accrued households: 2.5 MM
Potential clients: 375
Gas Sales: 6.521 MM3
Employees: 1.912

Telecommunications

3.813 links and 32 IRU's
3 Countries , 10 Cities
FO 2.365 Km
Employees: 164

Power Distribution

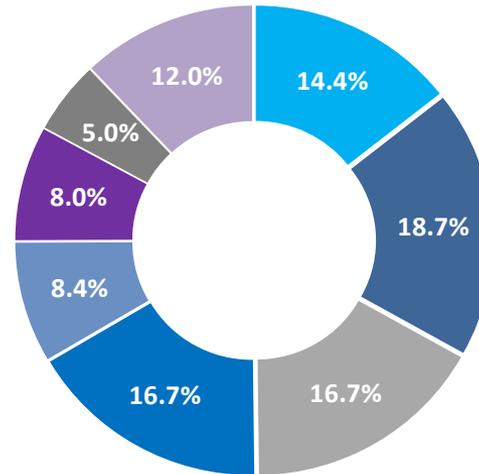
Accrued households: 286.633
422 Gwh Energy Demand
Energy Loss: 26.9%
Employees: 1.058

14 Companies; 4 Countries; 3.574 Employees

More than a Transportation Company, an Energy Holding

Promigas at a glance: Facts & Highlights

Ownership



Corporate Governance

➤ As a world class organization, Promigas in existence of a good governance code (second best rated nationwide by Colombian Stock Exchange).

- Governance and Audit Committee.
- Nominating and Compensation Committee.
- Participation of Board of Directors and external members.

Leadership

- Oldest private natural gas company in Latin America.
- 35 years of experience in natural gas transmission, distribution and gas pipeline design, construction, operation and maintenance.
- Leader in natural gas transmission in Colombia.

Promigas at a glance: A model Company in terms of SCR

Serving lowest income brackets profitably guaranteeing sustainability

Corporate Responsibility

- ➔ Through its Fundación Promigas, supports educational systems and employment generation programs in its influence zone (US\$ 2,6 MM invested annually).
- ➔ Foundation focuses its social programs on generating sustainable processes.

Promigas:

- ➔ Promoted creation of:
 - ➔ Empresarios por la Educación
 - ➔ Fundación Surtigas
 - ➔ Fundación Gases del Caribe
 - ➔ Fundación GDO
 - ➔ Transmetano, Centragas, GBS,
 - ➔ Transoriente, Promitel, CEO
- ➔ Reaches more than 568 academic facilities from 66 municipalities, 98% of this facilities are located in low income brackets 1 and 2; 2.342 teachers trained, 287.000 students benefitted.
- ➔ Supported in 2011 419 small businesses that generate 838 jobs and benefit more than 2.933 persons.

USD 5 MM

- ➔ Recycling
- ➔ Education
- ➔ Employment generation
- ➔ Sports and culture
- ➔ Reforestation
- ➔ Management (small enterprises)
- ➔ Rehabilitation

Promigas' Experience

Managing Donated Funds

Planting Seeds for the Future



Profitable infrastructure with high social impact

Natural Gas Distribution Business

- ➔ Through 5 LDC's Promigas serves 20% of Colombia's population which represents 40% of the market.
- ➔ Out of 6 million current users, 80% belongs to low income families.
- ➔ Currently there are still 624,583 households to be connected, from which 97% belong to income brackets 1 and 2 (605,846 households).
- ➔ Main barrier: **Connection cost.**
- ➔ **Crossed Subsidy Scheme:**
 - ➔ Government established a consumption subsidy to make natural gas affordable for low income households.

Income Brackets	% Subsidy	% Contribution
Industrial	-	8,9%
6	-	20%
5	-	20%
3 and 4	-	-
2	50%	-
1	60%	-

- ➔ Does not apply to connection fees, therefore...

Profitable infrastructure with high social impact

Natural Gas Distribution Business

Connection Fees financing:

Breaking the barrier for low income families

	Avg USD
Internal Installation	274
External Installation	470
Sales Price	744

- ➔ How can low income families (5-7 members) with an AVG monthly income of less than US\$332 afford connection fees to gas services?

Financing alternative provided by LDC's:

- Term : up to 72 months
- Down payment : US\$19
- Average Payment / Mo. : US\$10 - US\$13
- AVG Collection : 98%

- 98% of the customers use this alternative !
- However, cost connection is still a strong barrier for very low income families specially in small municipalities

Profitable infrastructure with high social impact

Natural Gas Distribution Business

➔ In 2011, more than 6 million households in the country benefitted with natural gas service, which represents 55% of Colombia's overall population.

Promigas in Natural Gas Distribution (as of 2011)

No of Towns served	375
Potential Market	5.067.158
Pipeline	3.114.732
Accrued Households	2.490.149
Coverage	80%
Volume (MM3)	2.245





Colombian Natural Gas Project – PPP

Dutch Ministry of Foreign Affairs

A Visionary Organization that
looks beyond Natural Gas

Colombian Natural Gas Project - PPP

1st Experience managing donated funds

- The Netherlands began looking for projects focused on protecting the planet and improving people`s life quality.
- Promigas presented the “Natural Gas Distribution Project - PPP” competing among other 5,000 projects in the world. Only two projects were approved in Colombia.
- Dutch Embassy donated 1 million Euros to the Colombian Caribbean coast.
- Project started in 2005 and ended in 2008.

Project's Objectives

- Subsidize natural gas service connection to 10,003 families in low income brackets 1 and 2 in 13 Caribbean coast's towns (without natural gas service).
- Contribute to region's development and improve families' life quality through natural gas service and social development programs.
- Aware communities on the benefits of using natural gas.

Colombian Natural Gas Project - PPP

1st Experience managing donated funds

Operational Outputs

- Households connected: 10,719 (107% execution).
- Funds were invested in Col pesos in a financial institution. Returns made it possible for 716 additional subsidies.
- Funds were administered by Fundación Promigas.
- Connection Cost 2005(average) US\$370.
- Subsidy per household 2005 US\$141.
- Percentage subsidized 38%.
- LDC's provided two burner stove to each household.
- Once the connection fees are paid, commodity cost won't reach US\$ 2/month.

Social Programs by Fundación Promigas

- Creation and/or strengthen of 560 Famiempresas in Arenal and Ayapel (21 for woodcutters).
- Home economy training for 1,500 families.
- Home economy training for 300 multiplying agents.
- Diffusion of educational messages for 100% of the families.
- Healthy Readers Program with 39 educational institutions. Training for 195 teachers and resources for 39 libraries.

Natural Gas in Colombia: Connecting poor households – GPOBA



Bringing Cleaner Energy to Everyone

Natural Gas in Colombia: Connecting poor households

A Contribution to Sustainable Development and Poverty Reduction Experience

Operational Outputs

- ➔ Households connected: 34,142 (98% execution).
- ➔ Three monthly payments required.
- ➔ Funds donated were managed in US dollars. Exchange rate assumed by LDCs.
- ➔ Funds administered by GPOBA.

Users fees (Affordability)

- ➔ Connection Cost 2005 (average) US\$370.
- ➔ Subsidy per household 2005 US\$141.
- ➔ Percentage subsidized 38%.
- ➔ LDC's distributed a two burner stove to each household.
- ➔ Once the connection fees are paid, commodity cost won't reach US\$ 2/month.

Natural Gas in Colombia: Connecting poor households

A Contribution to Sustainable Development and Poverty Reduction Experience

Research developed by Universidad de Cartagena:

Main findings

- ➔ Coverage of 7.8% of households with unmet basic needs.
- ➔ Economic costs of burden disease are reduced in 32%, from a total cost that could reach US\$ 23 million.
- ➔ For every dollar invested in subsidies, government saves a dollar in burden disease treatments (Five years pay back period).

Total Avoided Events	Base Case
Outpatient cases avoided of ARI	4.068
Hospitalizations avoided for ARI	1.220
Deaths avoided for ARI	49
DALYs avoided for ARI	59.550
Outpatient cases avoided of COPD	1.573
Hospitalizations avoided for COPD	472
Deaths avoided for COPD	38
DALYs avoided for COPD	5.139

Costs of Diseases' Burden USD	Base Case
Total costs avoided by the project	4.665.304
Total installation costs of DNG	4.984.002
Cost / Deaths avoided for the period	3.682
Cost / DALYs avoided for the period	5
Total net costs avoided for the period	318.698

- **ARI:** Acute Respiratory Infection
- **COPD:** Chronic Obstructive Pulmonary Disease

Natural Gas in Colombia: Connecting poor households

A Contribution to Sustainable Development and Poverty Reduction Experience

- ➔ IFC, former Promigas shareholder, advised about the existence of GPOBA projects.
- ➔ Promigas approached GPOBA on December 2005 and supported a proposal to develop a new subsidy project.
- ➔ Once approved, the project started in June 2006 and ended in 2008.
- ➔ GPOBA donation: US\$5,000,000.

Project's Objectives

- ➔ Subsidize natural gas service connection to 35,000 families in low income brackets 1 and 2 in the Caribbean and Western coasts (towns with natural gas service for at least three years).
- ➔ Complement or reduce users' fees.
- ➔ Improve affordability to natural gas service.
- ➔ Contribute to a sustainable development and poverty reduction.

Natural Gas Impact: in health and social development

In campus research carried out by Universidad del Norte, Main findings:

2006 - 2008 Assessment results	Results 2005	Results 2006-2007	Results 2008
Households with children with respiratory problems	36,5%	26,8%	12,6%
Households with teens with respiratory problems	12,2%	6,5%	4,6%
Households with adults with respiratory problems	23,1%	13,9%	9,5%
Households with 3rd age adults with respiratory problems	7,5%	2,8%	2,9%
Households with hospitalized members due to respiratory problems	74	18	17
Average number of days hospitalized due to respiratory problems	705	194	102
Households' average expense on preparing meals (US\$)	\$ 9,40	\$ 3,79	\$ 3,62
Fuel expense vs household revenues	7,6%	2,2%	2,4%
Savings from changing fuels	5,6%	8,1%	13,7%

- ➔ 79% of those polled expressed they had experienced improvement in life quality (increase on revenues, greater savings, sanitary environment).
- ➔ 84% of households observed a development in the community.



**Promigas: Visionary, Farsighted
and with global intentions.**

Improving the Quality of Life for All

We wish to help building a better society, developing activities that expand the use of natural gas given the benefits it provides to the entire community.

We are committed with Colombia and we assume the challenge of contributing with our efforts and investments to a recovery of the national economy and increase of the citizens well-being.

GPOBA team visited towns benefitted with the project producing a remarkable video that reflects better than words the aid provided and families thankfulness.



Improving the Quality of Life for All

No. of Municipalities	State	Potential Households	Connection Subsidy
40	Magdalena	25.322	7.033.889
16	Cesar	11.344	3.151.111
55	Bolivar	31.099	8.638.611
3	Cordoba	772	214.444
24	Sucre	11.962	3.322.778
7	Antioquia	43.141	11.983.611
5	Cauca	2.611	725.278
6	Valle del Cauca	7.740	2.150.000
4	Quindio	2.570	713.889
4	Caldas	11.177	3.104.722
164	TOTAL	147.738	41.038.333